Pinnacle Foods Inc.
Form 10-Q
August 13, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 29, 2014
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 001-35844

Pinnacle Foods Inc.
(Exact name of registrant as specified in its charter)

Delaware	35-2215019
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
399 Jefferson Road Parsippany, New Jersey	07054
(Address of Principal Executive Offices)	(Zip Code)

Registrant’s telephone number, including area code: (973) 541-6620

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 ý No ¨
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “large accelerated filer," “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act (Check One):

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer (Do not check if a smaller reporting company)	ý	Smaller Reporting Company	¨

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

The Registrant had 117,285,307 shares of common stock, $0.01 par value, outstanding at August 10, 2014.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

PINNACLE FOODS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)
(thousands, except per share amounts)

	Three months ended		Six months ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
Net sales	$617,800	$569,044	$1,261,839	$1,182,025
Cost of products sold	455,583	424,616	932,961	882,756
Gross profit	162,217	144,428	328,878	299,269
Operating expenses				
Marketing and selling expenses	47,970	47,508	92,098	93,136
Administrative expenses	24,618	45,327	50,595	67,885
Research and development expenses	2,876	2,789	5,358	5,116
Other expense (income), net	4,843	37,833	8,826	41,490
Total operating expenses	80,307	133,457	156,877	207,627
Earnings before interest and taxes	81,910	10,971	172,001	91,642
Interest expense	24,524	47,627	48,891	88,283
Interest income	32	42	58	45
Earnings (loss) before income taxes	57,418	(36,614)	123,168	3,404
Provision (benefit) for income taxes	21,834	(4,775)	46,836	10,447
Net earnings (loss)	$35,584	$(31,839)	$76,332	$(7,043)
Net earnings (loss) per share				
Basic	$0.31	$(0.28)	$0.66	$(0.07)
Weighted average shares outstanding - basic	115,690	114,909	115,641	98,080
Diluted	$0.30	$(0.28)	$0.65	$(0.07)
Weighted average shares outstanding - diluted	116,901	114,909	116,794	98,080
Dividends declared	$0.21	$0.18	$0.42	$0.18

See accompanying Notes to Unaudited Consolidated Financial Statements

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PINNACLE FOODS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE EARNINGS (unaudited)
(thousands of dollars)

	Three months ended		Six months ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
Net earnings (loss)	$35,584	$(31,839)	$76,332	$(7,043)
Other comprehensive earnings (loss)				
Foreign currency translation	235	(179)	(239)	(181)
Net (loss) gain on financial instrument contracts	(12,481)	29,731	(20,222)	30,335
Reclassifications into earnings:				
Financial instrument contracts	(183)	2,603	(555)	3,263
Gain on pension actuarial assumption adjustments	32	263	175	719
Tax benefit (provision) on other comprehensive earnings	4,665	(3,549)	8,028	(4,144)
Total other comprehensive earnings (loss) - net of tax	(7,732)	28,869	(12,813)	29,992
Total comprehensive earnings (loss)	$27,852	$(2,970)	$63,519	$22,949

See accompanying Notes to Unaudited Consolidated Financial Statements

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PINNACLE FOODS INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (unaudited)
(thousands of dollars, except share and per share amounts)

	June 29, 2014	December 29, 2013
Current assets:		
Cash and cash equivalents	$170,834	$116,739
Accounts receivable, net of allowances of $6,234 and $5,849, respectively	173,120	164,664
Inventories	339,218	361,872
Other current assets	9,078	7,892
Deferred tax assets	150,029	141,142
Total current assets	842,279	792,309
Plant assets, net of accumulated depreciation of $326,694 and $297,103, respectively	552,947	523,270
Tradenames	1,951,392	1,951,392
Other assets, net	161,207	186,125
Goodwill	1,637,645	1,628,095
Total assets	$5,145,470	$5,081,191
Current liabilities:		
Short-term borrowings	$1,998	$2,437
Current portion of long-term obligations	28,082	24,580
Accounts payable	157,765	142,353
Accrued trade marketing expense	31,930	37,060
Accrued liabilities	92,346	99,755
Dividends payable	25,746	25,119
Total current liabilities	337,867	331,304
Long-term debt (includes $54,376 and $63,796 owed to related parties, respectively)	2,475,975	2,476,167
Pension and other postretirement benefits	44,400	49,847
Other long-term liabilities	26,969	24,560
Deferred tax liabilities	645,666	601,272
Total liabilities	3,530,877	3,483,150
Commitments and contingencies (Note 12)		
Shareholders' equity:		
Pinnacle preferred stock: $.01 per share, 50,000,000 shares authorized, none issued	—	—
Pinnacle common stock: par value $.01 per share, 500,000,000 shares authorized; issued and outstanding 117,303,176 and 117,231,853, respectively	1,173	1,172
Additional paid-in-capital	1,331,185	1,328,847
Retained earnings	302,545	275,519
Accumulated other comprehensive loss	(20,310)	(7,497)
Total shareholders' equity	1,614,593	1,598,041
Total liabilities and shareholders' equity	$5,145,470	$5,081,191

See accompanying Notes to Unaudited Consolidated Financial Statements

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PINNACLE FOODS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)
(thousands of dollars)

	Six months ended	
	June 29, 2014	June 30, 2013
Cash flows from operating activities		
Net earnings (loss)	$76,332	$(7,043)
Non-cash charges (credits) to net earnings		
Depreciation and amortization	39,958	38,025
Amortization of discount on term loan	1,267	410
Amortization of debt acquisition costs	2,056	2,755
Call premium on note redemptions	—	34,180
Refinancing costs and write off of debt issuance costs	—	19,668
Change in value of financial instruments	497	52
Equity-based compensation charge	4,448	3,325
Pension expense, net of contributions	(5,622)	(3,115)
Gain on sale of assets held for sale	—	(701)
Other long-term liabilities	(10)	(1,218)
Deferred income taxes	45,438	8,953
Changes in working capital		
Accounts receivable	(8,367)	(5,378)
Inventories	33,252	69,120
Accrued trade marketing expense	(5,177)	(7,959)
Accounts payable	13,840	(21,144)
Accrued liabilities	(9,477)	(13,163)
Other current assets	(1,881)	(4,650)
Net cash provided by operating activities	186,554	112,117
Cash flows from investing activities		
Payments for business acquisition	(11,769)	—
Capital expenditures	(56,210)	(43,823)
Proceeds from sale of plant assets	—	1,775
Net cash used in investing activities	(67,979)	(42,048)
Cash flows from financing activities		
Net proceeds from initial public offering	—	623,929
Net proceeds from issuance of common stock	165	217
Repurchases of equity	—	(191)
Excess tax benefits on equity-based compensation	786	—
Taxes paid related to net share settlement of equity awards	(3,061)	—
Dividends paid	(48,635)	—
Proceeds from bank term loans	—	1,625,925
Proceeds from notes offerings	—	350,000
Repayments of long-term obligations	(11,360)	(1,732,071)
Repurchase of notes	—	(899,180)
Proceeds from short-term borrowings	1,773	1,935
Repayments of short-term borrowings	(2,185)	(2,732)
Repayment of capital lease obligations	(1,755)	(1,377)
Debt acquisition costs	(214)	(12,491)
Net cash used in financing activities	(64,486)	(46,036)

Effect of exchange rate changes on cash	6	212
Net change in cash and cash equivalents	54,095	24,245
Cash and cash equivalents - beginning of period	116,739	92,281
Cash and cash equivalents - end of period	$170,834	$116,526
Supplemental disclosures of cash flow information:		
Interest paid	$45,375	$77,734
Interest received	58	45
Income taxes paid	3,656	2,144
Non-cash investing and financing activities:		
New capital leases	282	6,461
Dividends payable	25,746	21,107

See accompanying Notes to Unaudited Consolidated Financial Statements

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PINNACLE FOODS INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (unaudited)
(thousands of dollars, except share and per share amounts)

	Common Stock		Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
	Shares	Amount				
Balance, December 30, 2012	81,210,672	$812	$696,512	$252,955	$ (61,553)	$ 888,726
Share issuance	35,968,042	360	623,564			623,924
Shares repurchased	(8,319)	—	(191)			(191)
Equity-based compensation plans	(25,082)	(1)	3,548			3,547
Dividends ($0.18 per share) (a)				(21,108)		(21,108)
Comprehensive earnings				(7,043)	29,992	22,949
Balance, June 30, 2013	117,145,313	$1,171	$1,323,433	$224,804	$ (31,561)	$ 1,517,847
Balance, December 29, 2013	117,231,853	$1,172	$1,328,847	$275,519	$ (7,497)	$ 1,598,041
Equity-based compensation plans	71,323	1	2,338			2,339
Dividends ($0.21 per share) (b)				(49,306)		(49,306)
Comprehensive earnings				76,332	(12,813)	63,519
Balance, June 29, 2014	117,303,176	$1,173	$1,331,185	$302,545	$ (20,310)	$ 1,614,593

(a) $0.18 per share declared May 2013
(b) $0.21 per share quarterly, declared February 2014 and May 2014

See accompanying Notes to Unaudited Consolidated Financial Statements

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PINNACLE FOODS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
(thousands of dollars, except share and per share amounts and where noted in millions)

1. Summary of Business Activities

Business Overview

Pinnacle Foods Inc. (hereafter referred to as “Pinnacle” or the “Company”), formerly known as Crunch Holding Corp., is a holding company whose sole asset is 100% ownership of Peak Finance Holdings LLC (“PFH”). PFH is a holding company whose sole asset is 100% ownership of Pinnacle Foods Finance LLC (“Pinnacle Foods Finance”). The Company is majority owned by affiliates of The Blackstone Group L.P. ("Blackstone"). In October 2013, approximately 30.7 million shares previously owned by certain Blackstone Funds were transferred to BCPV Pinnacle Holdings LLC. The transfer of these shares did not result in any change in beneficial ownership for any of the Blackstone Funds.

The Company is a leading manufacturer, marketer and distributor of high quality, branded convenience food products, the products and operations of which are managed and reported in three operating segments: (i) Birds Eye Frozen, (ii) Duncan Hines Grocery and (iii) Specialty Foods. The Company’s United States retail frozen vegetables (Birds Eye), frozen complete bagged meals (Birds Eye Voila!), frozen seafood (Van de Kamp’s and Mrs. Paul’s), full-calorie single-serve frozen dinners and entrées (Hungry-Man), frozen breakfast (Aunt Jemima), frozen and refrigerated bagels (Lender’s), and frozen pizza for one (Celeste) are reported in the Birds Eye Frozen Division. The Company’s baking mixes and frostings (Duncan Hines), shelf-stable pickles (Vlasic), liquid and dry-mix salad dressings (Wish-Bone and Western), table syrups (Mrs. Butterworth’s and Log Cabin), canned meat (Armour, Nalley and Brooks), pie and pastry fillings (Duncan Hines Comstock and Wilderness), barbecue sauces (Open Pit) and all Canadian operations are reported in the Duncan Hines Grocery Division. The Specialty Foods Division consists of snack products (Tim’s Cascade and Snyder of Berlin) and the Company’s food service and private label businesses.

History and Current Ownership

Since 2001, the Company and its predecessors have been involved in several business combinations to acquire certain assets and liabilities related to the brands discussed above.

On December 23, 2009, Pinnacle Foods Group LLC (“PFG LLC”), an entity wholly owned by Pinnacle Foods Finance, purchased Birds Eye Foods, Inc. (the “Birds Eye acquisition”).

On March 12, 2013, the Company’s board of directors authorized a 55.2444 for 1 split of the common stock. The split became effective on the date of approval. The Company retained the par value of $0.01 per share for all shares of common stock. All references to numbers of common shares and per-share data in the accompanying financial statements have been adjusted to reflect the stock split on a retroactive basis. Shareholders’ equity reflects the stock split by reclassifying from “Additional paid-in capital” to “Common stock” an amount equal to the par value of the additional shares arising from the split.

On March 27, 2013, the U.S. Securities and Exchange Commission ("SEC") declared effective the Company's registration statement on Form S-1 related to its initial public offering ("IPO"). The Company's common stock began trading on the New York Stock Exchange ("NYSE"), under the ticker symbol PF, on March 28, 2013. In connection with the IPO, 2,618,307 additional shares were issued through the exercise of a warrant agreement by Peak Holdings LLC ("Peak Holdings") which was the majority owner of the Company prior to the IPO. Immediately thereafter, the warrant agreement was terminated and Peak Holdings was liquidated. On April 3, 2013, the IPO closed in which the Company issued and sold 33,350,000 shares of common stock. None of Blackstone, Directors or management of the Company sold any shares as part of the IPO. The Company received approximately $623.9 million in net proceeds

($667.0 million of gross proceeds net of $43.1 million of underwriting discounts and other fees) from the offering, which were used to pay down debt. See Note 9 of the Consolidated Financial Statements "Debt and Interest Expense" for further details.

On December 11, 2013, the SEC declared effective the Company's registration statement on Form S-1 related to a secondary offering. In connection with this offering, Blackstone sold 19,550,000 shares which reduced their ownership to approximately 51%. The Company did not receive any proceeds from the sale.

2. Interim Financial Statements

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting primarily of normal recurring adjustments) necessary for a fair statement of the Company’s financial position as of June 29, 2014, the results of operations for the three and six months ended June 29, 2014 and June 30, 2013, and the cash flows for the six months

ended June 29, 2014 and June 30, 2013. The results of operations are not necessarily indicative of the results to be expected for the full fiscal year. The accompanying unaudited consolidated financial statements and notes thereto should be read in conjunction with the audited consolidated financial statements and notes thereto for the fiscal year ended December 29, 2013.

3. Acquisitions

The Company accounts for business combinations by using the acquisition method of accounting. This provides that goodwill and other intangible assets with indefinite lives are not to be amortized, but tested for impairment on an annual basis. Acquisition costs are expensed as incurred. Both of the following acquisitions have been accounted for in accordance with these standards.

Acquisition of the Wish-Bone and Western Salad Dressings Business

On October 1, 2013, the Company acquired substantially all of the assets (the "Wish-Bone acquisition") of the Wish-Bone and Western Salad Dressings Business ("Wish-Bone") from Conopco Inc. and affiliates (“Unilever”), which are subsidiaries of Unilever PLC. The acquired portfolio includes a broad range of liquid and dry-mix salad dressing flavors under the Wish-Bone and Western brand names that are highly complementary to the Company's existing product offerings.

The cost of the Wish-Bone acquisition was $575,164. The following table summarizes the allocation of the total cost of the acquisition to the assets acquired:

Assets acquired:	
Inventories	$20,029
Plant assets	5,871
Tradenames	347,400
Distributor relationships and other agreements	14,700
Deferred tax assets	564
Goodwill	186,600
	$575,164

Based upon the allocation, the value assigned to intangible assets and goodwill totaled $548.7 million at the valuation date. The goodwill was generated primarily as a result of expected synergies to be achieved in the acquisition. Distributor relationships are being amortized on an accelerated basis over 30 years. This useful life was based on an attrition rate based on industry experience, which management believes is appropriate in the Company's circumstances. The Company has also assigned $347.4 million to the value of the tradenames acquired, which are not subject to amortization but are reviewed annually for impairment. Goodwill, which is also not subject to amortization, totaled $186.6 million (tax deductible goodwill of $185.7 million). The entire acquisition was allocated to the Duncan Hines Grocery segment.

The acquisition was financed through borrowings of $525.0 million in term loans (“Tranche H Term Loans”), $75.3 million of cash on hand, less transaction costs of $6.1 million in the fiscal year ended December 29, 2013 and deferred financing costs of $10.5 million. Included in the transaction costs of $6.1 million for the fiscal year ended December 29, 2013 are: $4.3 million in merger, acquisition and advisory fees and $1.8 million in legal, accounting and other professional fees. The Company also incurred $8.5 million in original issue discount in connection with the Tranche H Term Loans. This was recorded in Long-term debt on the Consolidated Balance Sheets and is being amortized over the life of the loan using the effective interest method. For more information, see Note 9 to the Consolidated Financial Statements, Debt and Interest Expense.

Pro forma Information

The following unaudited pro forma summary presents the Company's consolidated results of operations as if Wish-Bone had been acquired on December 31, 2012. These amounts adjusted Wish-Bone's historical results to reflect the additional depreciation and amortization that would have been charged assuming the fair value adjustments to plant assets and intangible assets had been applied from December 31, 2012, together with the consequential tax effects. These adjustments also reflect the additional interest expense incurred on the debt to finance the purchase. The pro forma financial information presented below is for informational

purposes only and is not indicative of the results of operations that would have been achieved if the acquisition and borrowings undertaken to finance the acquisition had taken place at the beginning of 2013.

Amounts in millions:

	Six months ended June 30, 2013 (unaudited)
Net sales	$1,288.2
Net earnings	$4.7

Acquisition of the Duncan Hines manufacturing business (the "Gilster acquisition")

On March 31, 2014, the Company acquired the Duncan Hines manufacturing business located in Centralia, Illinois, from Gilster Mary Lee Corporation (“Gilster”), the Company's primary co-packer of Duncan Hines products. The cost of the acquisition was $26.6 million, $11.7 million of which was paid in cash, with the balance due under a $14.9 million four-year note. For more information, see Note 9 to the Consolidated Financial Statements, Debt and Interest Expense. Goodwill, which is not subject to amortization, totaled $9.6 million (tax deductible goodwill of $7.5 million). The entire acquisition was allocated to the Duncan Hines Grocery segment. Other operating costs of approximately $0.3 million incurred in connection with the transaction were expensed as incurred and recorded in Cost of Products Sold in the Consolidated Statements of Operations.

The following table summarizes the allocation of the total cost of the acquisition to the assets acquired and liabilities assumed:

Assets acquired:	
Inventories	$10,188
Building and land	3,480
Plant assets	2,302
Deferred tax assets	1,278
Goodwill	9,550
Fair value of assets acquired	26,798
Liabilities assumed	
Accrued liabilities	178
Total cost of acquisition	$26,620

Unaudited pro forma revenue and net earnings related to the acquisition are not presented because the pro forma impact is not material.

4. Fair Value Measurements

The authoritative guidance for financial assets and liabilities discusses valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost). The guidance utilizes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.

Level 3: Unobservable inputs that reflect the Company's assumptions.
The Company's financial assets and liabilities subject to recurring fair value measurements and the required disclosures are as follows:

	Fair Value as of June 29, 2014	Fair Value Measurements Using Fair Value Hierarchy			Fair Value as of December 29, 2013	Fair Value Measurements Using Fair Value Hierarchy		
		Level 1	Level 2	Level 3		Level 1	Level 2	Level 3
Assets								
Interest rate derivatives	$12,570	$—	$12,570	$—	$29,518	$—	$29,518	$—
Foreign currency derivatives	—	—	—	—	307	—	307	—
Commodity derivatives	388	—	388	—	543	—	543	—
Total assets at fair value	$12,958	$—	$12,958	$—	$30,368	$—	$30,368	$—
Liabilities								
Interest rate derivatives	$4,436	$—	$4,436	$—	$1,904	$—	$1,904	$—
Foreign currency derivatives	299	—	299	—	—	—	—	—
Commodity derivatives	100	—	100	—	—	—	—	—
Total liabilities at fair value	$4,835	$—	$4,835	$—	$1,904	$—	$1,904	$—

The Company manages economic risks, including interest rate, liquidity and credit risk, primarily by managing the amount, sources and duration of its debt funding and the use of derivative financial instruments. The primary risks managed by using derivative instruments are interest rate risk, foreign currency exchange risk and commodity price risk.

The valuations of these instruments are determined using widely accepted valuation techniques, including discounted cash flow analysis on the expected cash flows of each derivative. This analysis reflects the contractual terms of the derivatives, including the period to maturity, and uses observable market-based inputs, including interest rate, commodity, and foreign exchange forward curves. The fair values of interest rate swaps are determined using the market standard methodology of netting the discounted future fixed cash payments (or receipts) and the discounted expected variable cash receipts (or payments). The variable cash receipts (or payments) are based on an expectation of future interest rates (forward curves) derived from observable market interest rate curves. To comply with the provisions of the authoritative guidance for fair value disclosure, the Company incorporates credit valuation adjustments to appropriately reflect both its own non-performance risk and the respective counterparty's non-performance risk in the fair value measurements. In adjusting the fair value of its derivative contracts for the effect of non-performance risk, the Company has considered the impact of netting and any applicable credit enhancements, such as collateral postings, thresholds, mutual puts, and guarantees. The Company had no fair value measurements based upon significant unobservable inputs (Level 3) as of June 29, 2014 or December 29, 2013.

In addition to the instruments named above, the Company also makes fair value measurements in connection with its annual goodwill and trade name impairment testing. These measurements would fall into Level 3 of the fair value hierarchy.

5. Other Expense (Income), net

	Three months ended		Six months ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
Other expense (income), net consists of:				
Amortization of intangibles/other assets	$3,186	$3,872	$7,361	$7,744
Termination costs associated with the Hillshire merger agreement	2,085	—	2,085	—
Redemption premiums on the early extinguishment of debt	—	34,180	—	34,180
Royalty income and other	(428)	(219)	(620)	(434)
Total other expense (income), net	$4,843	$37,833	$8,826	$41,490

Hillshire merger agreement. Primarily represents professional fees incurred related to the terminated merger agreement previously in place with The Hillshire Brands Company ("Hillshire"). See Note 18 for further details.

Redemption premium on the early extinguishment of debt. On May 10, 2013, as part of a debt refinancing (the "April 2013 Refinancing") the Company redeemed all $400.0 million of its outstanding 8.25% Senior Notes at a redemption price of 108.5% of the aggregate principal amount at a premium of $34.2 million.

6. Shareholders' Equity, Equity-Based Compensation Expense and Earnings Per Share

Equity-based Compensation

The Company has two long-term incentive programs: The 2007 Stock Incentive Plan and the 2013 Omnibus Incentive Plan. Prior to March 28, 2013, Peak Holdings, the former parent of the Company also had the 2007 Unit Plan, which was terminated in connection with the Company's IPO. Equity-based compensation expense recognized during the period is based on the value of the portion of equity-based payment awards that is ultimately expected to vest during the period. As equity-based compensation expense recognized in the Consolidated Statements of Operations is based on awards ultimately expected to vest, it has been reduced for estimated forfeitures. The authoritative guidance for equity compensation requires forfeitures to be estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

Expense Information

The following table summarizes equity-based compensation expense which was allocated as follows:

	Three months ended		Six months ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013

Cost of products sold	$274	$285	$471	$308
Marketing and selling expenses	657	864	928	935
Administrative expenses	1,330	1,937	2,933	2,013
Research and development expenses	75	64	116	69
Pre-tax equity-based compensation expense	2,336	3,150	4,448	3,325
Income tax benefit	(768)	(674)	(1,466)	(680)
Net equity-based compensation expense	$1,568	$2,476	$2,982	$2,645

As of June 29, 2014, cumulative unrecognized equity compensation expense of the unvested portion of shares for the Company's two long-term incentive programs was $54,729. The weighted average period over which vesting will occur is approximately 4.8

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years for the 2007 Stock Incentive Plan and 2.8 years for the 2013 Omnibus Plan. Options under the plans have a termination date of 10 years from the date of issuance.

2007 Stock Incentive Plan

The Company adopted an equity option plan (the "2007 Stock Incentive Plan") providing for the issuance of up to 1,104,888 shares of the Company's common stock through the granting of nonqualified stock options. For options granted pursuant to the 2007 Stock Incentive Plan from 2007 to 2009, generally 25% of the options will vest ratably over five years ("Time-Vested Options"), subject to full acceleration upon a change of control. Fifty percent of the options vest ratably over five years if annual or cumulative Adjusted EBITDA targets, as defined, are met (Performance Options). The final 25% of the options vest upon a liquidity event, if a 12% annual internal rate of return is attained by Blackstone (Exit Options). Subsequent to 2009, the Company awarded options in the form of Time-Vested Options (25%) and Performance Options (75%) to certain employees. The options have, essentially, the same vesting provisions as stated above, including the provisions that if there is a change of control or liquidity event and if a 12% annual internal rate of return is attained by Blackstone, then all the Performance Options will also vest and become exercisable. Prior to March 1, 2013, this annual internal rate of return target was 20%, but the Compensation Committee of the Board of Directors reduced the target for vesting purposes on that date from 20% to 12% to reflect changes in the food industry environment since the plan was adopted. Subsequent to the adoption of the 2013 Omnibus Incentive Plan (as further described below), there will be no more grants under this plan.

The following table summarizes the equity option transactions under the 2007 Stock Incentive Plan:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Fair Value at Grant Date	Weighted Average Remaining Life	Aggregate Intrinsic Value (000's)
Outstanding, December 29, 2013	314,396	$10.22	$6.13	5.51	$5,352
Granted	—	—	—		
Exercised	(17,391)	9.46	4.23		
Forfeitures	(10,637)	11.29	7.31		
Outstanding, June 29, 2014	286,368	10.22	$6.20	5.01	6,499
Exercisable, June 29, 2014	108,152	$9.87	$4.25	4.62	$2,493

2007 Unit Plan

Peak Holdings, the former parent of Pinnacle Foods Inc., adopted an equity plan (the "2007 Unit Plan") providing for the issuance of profit interest units ("PIUs") in Peak Holdings. Certain employees had been given the opportunity to invest in Peak Holdings through the purchase of Peak Holding's Class A-2 Units. In addition, from 2007 to 2009, each manager who invested in Class A-2 Units of Peak Holdings LLC was awarded profit interests in Peak Holdings LLC

in the form of Class B-1, Class B-2 and Class B-3 Units. Generally 25% of the PIUs vested ratably over five years ("Class B-1 Units"), subject to full acceleration upon a change of control. Fifty percent of the PIUs vested ratably over five years depending on whether annual or cumulative EBITDA targets are met ("Class B-2 Units"). The final 25% of the PIUs granted vested either on a liquidity event that returns a 12% annual internal rate of return to Blackstone ("Class B-3 Units"). Subsequent to 2009, the Company awarded PIUs to certain employees in the form of Class B-1 Units (25%) and Class B-2 Units (75%). The Class B-1 Units and Class B-2 Units had essentially the same vesting provisions as stated above, including the provisions that if there was a liquidity event and if a 12% annual internal rate of return was attained by Blackstone, then all the Class B-2 units also vested and became exercisable. Prior to March 1, 2013, this annual internal rate of return target was 20%, but the Compensation Committee of the Board of Directors reduced the target for vesting purposes on that date from 20% to 12% to reflect changes in the food industry environment since the plan was adopted.

In connection with the Company's IPO, Peak Holdings was dissolved resulting in the termination of the 2007 Unit Plan and the adoption of the 2013 Omnibus Incentive Plan (as further described below). As a result of the dissolution, the holders of units of Peak Holdings were distributed the assets of Peak Holdings. As the sole assets of Peak Holdings were shares of the Company's

common stock, units were converted into shares of common stock. The number of shares of common stock delivered to the equity holder as a result of the conversion had the same intrinsic value as the Class A-2 Units held by the equity holder prior to such conversion. Additionally, in connection with the dissolution, all PIUs were converted into shares or restricted shares of the Company's common stock. Vested PIUs were converted into shares of common stock and unvested PIUs were converted into unvested restricted shares of our common stock, which are subject to vesting terms substantially similar to those applicable to the unvested PIU immediately prior to the conversion. The number of shares delivered under the 2013 Omnibus Incentive Plan, 1,546,355, have the same intrinsic value as the PIUs immediately prior to such conversion.

2013 Omnibus Incentive Plan

In connection with the IPO, the Company adopted an equity incentive plan (the “2013 Omnibus Incentive Plan”) providing for the issuance of up to 11,300,000 shares of the Company's common stock which will be reserved for issuance under (1) equity awards granted as a result of the conversion of unvested PIUs into restricted common stock of the Company, (2) stock options and other equity awards granted in connection with the completion of the IPO, and (3) awards granted by the Company under the 2013 Omnibus Plan following the completion of the IPO. Awards granted subsequent to the IPO include equity options, non-vested shares, restricted stock units (RSU's) and total shareholder return performance share units (PSU's). Under the program, awards of PSU's will be earned by comparing the company's total shareholder return during a three-year period to the respective total shareholder returns of companies in a performance peer group. Based upon the company's ranking in the performance peer group, a recipient of PSU's may earn a total award ranging from 0% to 200% of the initial grant. Pursuant to the 2013 Omnibus Plan, certain officers, employees, managers, directors and other persons are eligible to receive grants of equity based awards, as permitted by applicable law.

On March 27, 2013, in connection with the IPO, the Company issued 2,310,000 "Founders Grants" options under the 2013 Omnibus Plan. The options vest in full at the end of three years. Additionally, 82,460 non-vested shares were issued which also vest in full at the end of three years. Pursuant to his employment agreement, on April 3, 2013, Robert J. Gamgort, the Chief Executive Officer, became entitled to 200,000 shares of common stock, subject to his continued service through April 3, 2014. On April 3, 2014, net of tax withholdings, 96,300 shares were issued to Mr. Gamgort. On August 1, 2013, an additional 66,042 non-vested shares and 155,575 options were issued to various employees. The non-vested shares vest in full at the end of four years while the options vest in full at the end of three years. On December 2, 2013, 30,626 options were issued that vest in full at the end of three years. On January 2, 2014, 9,135 non-vested shares and 30,447 options were issued. Both the non-vested shares and the options vest in full at the end of three years. On April 1, 2014, 243,446 PSU's, 811,540 options and 129,453 RSU's were issued that will vest in full at the end of three years. On June 10, 2014, 12,712 RSU's were issued that vest in full after one year.

The following table summarizes the equity option transactions under the 2013 Omnibus Plan:

	Number of Options	Weighted Average Exercise	Weighted Average Fair Value at Grant	Weighted Average Remaining	Aggregate Intrinsic Value

			Price	Date	Life	(000's)
Outstanding, December 29, 2013		2,330,491	$20.47	$4.82	9.27	15,782
	Granted	841,987	29.21	8.43		
	Exercised	—	—	—		
	Forfeitures	(80,730)	20.20	4.71		
Outstanding, June 29, 2014		3,091,748	22.86	$5.81	9.04	$31,115

None were exercisable as of June 29, 2014.

The Company currently uses the Black-Scholes pricing model as its method of valuation for equity option awards. The fair value of the options granted during the six months ended June 29, 2014 and June 30, 2013, respectively, was estimated on the date of the grant with the following weighted average assumptions:

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	June 29, 2014		June 30, 2013	
Risk-free interest rate	2.2	%	1.1	%
Expected time to option exercise	6.50 years		6.50 years	
Expected volatility of Pinnacle Foods Inc. stock	37	%	35	%
Expected dividend yield on Pinnacle Foods Inc. stock	2.9	%	3.6	%*

* Dividend yield is based on the weighted average of the expected yield at the time of each grant, 3.6% in 2013, resulting from options granted at the IPO price of $20.00 a share.

Volatility was based on the average volatility of a group of publicly traded food companies. The Company estimates the annual forfeiture rates to be approximately 10% under its long-term incentive plans.

The following table summarizes the changes in non-vested shares and Restricted Stock Units ("RSU's").

		Number of Shares		Weighted Average Fair Value at Grant Date	Aggregate Intrinsic Value (000's)
Outstanding, December 29, 2013		1,645,718		$20.34	$44,829
	Granted	151,300		29.35	
	Forfeitures	(53,069	)	20.27	
	Vested	(239,463	)	20.00	
Outstanding, June 29, 2014		1,504,486		$21.31	$49,528

The fair value of the non-vested shares and RSU's is determined based on the quoted price of the company's stock at the date of grant.

The following table summarizes the changes in Performance Share Units ("PSU's").

		Number of Shares	Weighted Average Fair Value at Grant Date	Aggregate Intrinsic Value (000's)
Outstanding, December 29, 2013		—	$—	$—
	Granted	243,446	37.60	
	Forfeitures	—	—	

Vested	—	—	
Outstanding, June 29, 2014	243,446	$37.60	$8,014

The Company estimated the fair value of PSU's at the date of grant using a Monte Carlo simulation. The fair value of the PSU's granted during the six months ended June 29, 2014, was estimated on the date of the grant with the following assumptions:

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	June 29, 2014	
Risk-free interest rate	0.9	%
Expected term	3.00 years	
Expected volatility	35	%
Expected dividend yield	2.8	%

Other Comprehensive Earnings

The following table presents amounts reclassified out of Accumulated Other Comprehensive Loss ("AOCL") and into Net earnings for the three and six months ended June 29, 2014 and June 30, 2013.

Gain/(Loss)	Amounts Reclassified from AOCL				
	Three months ended		Six months ended		
Details about Accumulated Other Comprehensive Earnings Components	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013	Reclassified from AOCL to:
Gains and losses on financial instrument contracts					
Interest rate contracts	$(204)	$(3,093)	$(245)	$(3,945)	Interest expense
Foreign exchange contracts	387	490	800	682	Cost of products sold
Total pre-tax	183	(2,603)	555	(3,263)	
Tax (expense) benefit	(130)	945	(337)	1,174	Provision for income taxes
Deferred tax expense	—	(9,070)	—	(9,070) (a)	Provision for income taxes
Net of tax	53	(10,728)	218	(11,159)	
Pension actuarial assumption adjustments					
Amortization of actuarial loss	(32)	(263)	(175)	(719) (b)	Cost of products sold
Tax benefit	12	101	67	277	Provision for income taxes
Net of tax	(20)	(162)	(108)	(442)	
Net reclassifications into net earnings	$33	$(10,890)	$110	$(11,601)	

(a) See Notes 11 and 15 for additional details.
(b) This is included in the computation of net periodic pension cost (see Note 10 for additional details).

Earnings Per Share

Basic earnings per common share is computed by dividing net earnings or loss for common shareholders by the weighted-average number of common shares outstanding during the period. Diluted earnings per common share are calculated by dividing net earnings by weighted-average common shares outstanding during the period plus dilutive

potential common shares, which are determined as follows:

	Three months ended		Six months ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
Weighted-average common shares	115,690,050	114,909,243	115,641,174	98,079,574
Effect of dilutive securities:	1,210,556	—	1,152,579	—
Dilutive potential common shares	116,900,606	114,909,243	116,793,753	98,079,574

Dilutive potential common shares are calculated in accordance with the treasury stock method, which assumes that proceeds from the exercise of all warrants and options are used to repurchase common stock at market value. The amount of shares remaining after the proceeds are exhausted represents the potentially dilutive effect of the securities. For the three and six months ended June 29, 2014, conversion of stock options, non-vested shares, RSU's and PSU's totaling 1,224,851 and 798,741, respectively, into common share equivalents were excluded from this calculation as their effect would have been anti-dilutive. For the three and six months ended June 30, 2013, conversion of warrants, stock options and non-vested shares totaling 410,132 and 2,638,639, respectively, into common share equivalents were excluded from this calculation because they were anti-dilutive, due to the net loss recorded in each of the periods.

7. Balance Sheet Information

Accounts Receivable. Customer accounts receivable are recorded at the invoiced amount and do not bear interest. The allowance for cash discounts, returns and bad debts is the Company's best estimate of the amount of uncollectible amounts in its existing accounts receivable. The Company determines the allowance based on historical discounts taken and write-off experience. The Company reviews its allowance for doubtful accounts quarterly. Account balances are charged off against the allowance when the Company concludes it is probable the receivable will not be recovered. The Company does not have any off-balance sheet credit exposure related to its customers. Accounts receivable are as follows:

	June 29, 2014	December 29, 2013
Customers	$174,189	$160,704
Allowances for cash discounts, bad debts and returns	(6,234)	(5,849)
Subtotal	167,955	154,855
Other receivables	5,165	9,809
Total	$173,120	$164,664

Inventories. Inventories are as follows:

	June 29, 2014	December 29, 2013
Raw materials, containers and supplies	$94,963	$53,779
Finished product	244,255	308,093
Total	$339,218	$361,872

The Company has various purchase commitments for raw materials, containers, supplies and certain finished products incident to the ordinary course of business. Such commitments are not at prices in excess of current market.

Other Current Assets. Other Current Assets are as follows:

	June 29, 2014	December 29, 2013

Prepaid expenses	$4,438	$5,560
Prepaid income taxes	3,084	776
Assets held for sale	1,556	1,556
Total	$9,078	$7,892

Assets held for sale is comprised of our closed plant in Millsboro, DE.

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Plant Assets. Plant assets are as follows:

	June 29, 2014	December 29, 2013
Land	$14,212	$14,061
Buildings	202,747	196,206
Machinery and equipment	598,383	576,156
Projects in progress	64,299	33,950
Subtotal	879,641	820,373
Accumulated depreciation	(326,694)	(297,103)
Total	$552,947	$523,270

Depreciation was $16,392 and $32,597 and during the three and six months ended June 29, 2014, respectively. Depreciation was $14,883 and $30,281 during the three and six months ended June 30, 2013, respectively. As of June 29, 2014 and December 29, 2013, Machinery and equipment included assets under capital lease with a book value of $19,667 and $19,168 (net of accumulated depreciation of $11,035 and $9,425), respectively.

Accrued Liabilities. Accrued liabilities are as follows:

	June 29, 2014	December 29, 2013
Employee compensation and benefits	$51,717	$59,871
Interest payable	14,366	14,108
Consumer coupons	2,950	1,445
Accrued restructuring charges	1,608	1,938
Accrued financial instrument contracts (see Note 11)	1,280	768
Other	20,425	21,625
Total	$92,346	$99,755

Other Long-Term Liabilities. Other long-term liabilities are as follows:

	June 29, 2014	December 29, 2013
Employee compensation and benefits	$9,297	$ 8,434
Long-term rent liability and deferred rent allowances	8,933	9,401
Liability for uncertain tax positions	708	727
Accrued financial instrument contracts (see Note 11)	3,555	1,136
Other	4,476	4,862
Total	$26,969	$ 24,560

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8. Goodwill, Tradenames and Other Assets
Goodwill
Goodwill by segment is as follows:

	Birds Eye Frozen	Duncan Hines Grocery	Specialty Foods	Total
Balance, December 29, 2013	$527,069	$927,065	$173,961	$1,628,095
Gilster acquisition (Note 3)	—	9,550	—	9,550
Balance, June 29, 2014	$527,069	$936,615	$173,961	$1,637,645

The authoritative guidance for business combinations requires that all business combinations be accounted for at fair value under the acquisition method of accounting. The authoritative guidance for goodwill provides that goodwill will not be amortized, but will be tested for impairment on an annual basis or more often when events indicate. The Company completed its annual testing as of December 29, 2013, which indicated no impairment.

The Gilster acquisition was accounted for in accordance with the authoritative guidance for business combinations and resulted in $9,550 in goodwill, as of June 29, 2014.

Tradenames

Tradenames by segment are as follows:

	Birds Eye Frozen	Duncan Hines Grocery	Specialty Foods	Total
Balance, December 29, 2013	$796,680	$1,118,712	$36,000	$1,951,392
Balance, June 29, 2014	$796,680	$1,118,712	$36,000	$1,951,392

The authoritative guidance for indefinite-lived assets provides that indefinite-lived assets will not be amortized, but will be tested for impairment on an annual basis or more often when events indicate. The Company completed its annual testing as of December 29, 2013, which indicated no impairment.

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Other Assets

	June 29, 2014			
	Weighted Avg Life	Gross Carrying Amount	Accumulated Amortization	Net
Amortizable intangibles				
Recipes	10	$52,810	$(38,286)	$14,524
Customer relationships - Distributors	36	139,146	(37,549)	101,597
Customer relationships - Food Service	7	36,143	(36,143)	—
Customer relationships - Private Label	7	9,214	(9,214)	—
License	7	6,175	(3,863)	2,312
Total amortizable intangibles		$243,488	$(125,055)	$118,433
Deferred financing costs		46,852	(23,254)	23,598
Financial instruments (see note 11)		12,570	—	12,570
Other (1)		6,606	—	6,606
Total other assets, net				$161,207
	Amortizable intangibles by segment			
	Birds Eye Frozen			$60,286
	Duncan Hines Grocery			54,864
	Specialty Foods			3,283
				$118,433

	December 29, 2013			
	Weighted Avg Life	Gross Carrying Amount	Accumulated Amortization	Net
Amortizable intangibles				
Recipes	10	$52,810	$(35,645)	$17,165
Customer relationships - Distributors	36	139,146	(34,518)	104,628
Customer relationships - Food Service	7	36,143	(35,291)	852
Customer relationships - Private Label	7	9,214	(9,078)	136
License	7	6,175	(3,162)	3,013
Total amortizable intangibles		$243,488	$(117,694)	$125,794
Deferred financing costs		46,638	(21,198)	25,440
Financial instruments (see note 11)		29,518	—	29,518
Other (1)		5,373	—	5,373
Total other assets, net				$186,125
	Amortizable intangibles by segment			
	Birds Eye Frozen			$63,319
	Duncan Hines Grocery			58,090

Specialty Foods	4,385
	$125,794

(1) As of June 29, 2014 and December 29, 2013, Other primarily consists of security deposits and supplemental savings plan investments.

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Amortization of intangible assets was $3,186 and $7,361 for the three and six months ended June 29, 2014, respectively. Amortization of intangible assets was $3,872 and $7,744 for the three and six months ended June 30, 2013, respectively. Estimated amortization expense for each of the next five years and thereafter is as follows: remainder of 2014 - $6,400; 2015 - $12,200; 2016 - $11,000; 2017 - $6,400; 2018 - $4,700 and thereafter - $77,700. As of June 29, 2014, Food Service and Private Label customer relationships were fully amortized.

Deferred Financing Costs

All deferred financing costs, which relate to the Senior Secured Credit Facility and Senior Notes are amortized into interest expense over the life of the related debt using the effective interest method. Amortization of deferred financing costs was $1,032 and $2,056 during the three and six months ended June 29, 2014, respectively. Amortization of deferred financing costs was $1,042 and $2,755 during the three and six months ended June 30, 2013, respectively. In addition, as part of the April 2013 Refinancing and debt repayments including usage of the proceeds from the IPO, the Company expensed financing costs of $4,762 and wrote off deferred financing costs of $12,725. The April 2013 Refinancing is described in further detail in Note 9 of the Consolidated Financial Statements "Debt and Interest Expense".
The following summarizes deferred financing cost activity:

	Gross Carrying Amount	Accumulated Amortization	Net
Balance, December 29, 2013	$46,638	$(21,198)	$25,440
2014 - Additions	214	—	214
Amortization	—	(2,056)	(2,056)
Balance, June 29, 2014	$46,852	$(23,254)	$23,598

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9. Debt and Interest Expense

	June 29, 2014	December 29, 2013
Short-term borrowings		
- Notes payable	$1,998	$2,437
Total short-term borrowings	$1,998	$2,437
Long-term debt		
- Senior Secured Credit Facility - Tranche G Term Loans due 2020	1,613,700	1,621,850
- Senior Secured Credit Facility - Tranche H Term Loans due 2020	522,375	525,000
- 4.875% Senior Notes due 2021	350,000	350,000
- 3.0% Note payable to Gilster Mary Lee Corporation due 2018	14,266	—
- Unamortized discount on long term debt	(14,818)	(16,085)
- Capital lease obligations	18,534	19,982
	2,504,057	2,500,747
Less: current portion of long-term obligations	28,082	24,580
Total long-term debt	$2,475,975	$2,476,167

Interest expense	Three months ended		Six months ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
Interest expense, third party	$22,764	$23,657	$45,560	$61,179
Related party interest expense (Note 13)	509	347	1,025	926
Amortization of debt acquisition costs (Note 8)	1,032	1,042	2,056	2,755
Write-off of debt acquisition costs (Note 8)	—	12,725	—	12,725
Write-off of loan discount	—	2,182	—	2,182
Financing costs (Note 8)	—	4,762	—	4,762
Interest rate swap losses (Note 11)	219	2,912	250	3,754
Total interest expense	$24,524	$47,627	$48,891	$88,283

Senior Secured Credit Facility

To partially fund the Wish-Bone acquisition, on October 1, 2013 as described in Note 3, Pinnacle Foods Finance entered into an amendment to the Second Amended and Restated Senior Secured Credit Facility (the “Amendment”) in the form of incremental term loans in the amount of $525.0 million (the “Tranche H Term Loans”). In connection with Tranche H Term Loans, Pinnacle Foods Finance incurred $8.5 million of original issue discount and deferred financing fees of $10.5 million.

On April 3, 2013, the Company completed its IPO which is further described in Note 1. A portion of the proceeds was used to redeem the entire $465.0 million in aggregate principal amount of Pinnacle Foods Finance's 9.25% Senior

Notes at a redemption price of 100.0%. This is explained in greater detail under the section titled, “Senior and Other Notes.” The remaining net proceeds, together with cash on hand, was used to repay $202.0 million.

On April 29, 2013, (the "April 2013 Refinancing"), Pinnacle Foods Finance, entered into the Second Amendment to the Amended and Restated Senior Secured Credit Facility, which provided for a seven year term loan facility in the amount of $1,630.0 million (the "Tranche G Term Loans") and replaced the existing revolving credit facility with a new five year $150.0 million revolving credit facility. Additionally, Pinnacle Foods Finance issued $350.0 million aggregate principal amount of 4.875% Senior Notes (the "4.875% Senior Notes") due 2021.

As a result of the April 2013 Refinancing, Pinnacle Foods Finance used a portion of the proceeds from the Tranche G Term Loans and the 4.875% Senior Notes issuance to (i) repay all existing indebtedness outstanding under the then existing Senior Secured

Credit Facility, consisting of (a) $38.1 million of Tranche B Non-Extended Term Loans, (b) $634.7 million of Tranche B Extended Term Loans, (c) $396.0 million of Tranche E Term Loans and (d) $446.6 million of Tranche F Term Loans and (ii) redeem $400.0 million in aggregate principal amount of Pinnacle Foods Finance's 8.25% Senior Notes due 2017 at a redemption price of 108.5%.

In connection with the April 2013 Refinancing, Pinnacle Foods Finance incurred deferred financing fees which are detailed in Note 8 to the Consolidated Financial Statements, "Goodwill, Tradenames and Other Assets". Also, Pinnacle Foods Finance incurred $4,075 of original issue discount on the new Tranche G Term Loans, and wrote off $2,182 of existing original issue discount.

The stated maturity dates are: April 29, 2020 for the Tranche G Loans and the Tranche H Term Loans, and April 29, 2018 for the revolving credit facility.

Pinnacle Foods Finance's borrowings under the Senior Secured Credit Facility, bear interest at a floating rate and are maintained as base rate loans or as eurocurrency rate loans. Base rate loans bear interest at the base rate plus the applicable base rate margin, as described in the Senior Secured Credit Facility. The base rate is defined as the highest of (i) the administrative agent's prime rate, (ii) the federal funds effective rate plus 1/2 of 1% and (iii) the eurocurrency rate that would be payable on such day for a eurocurrency rate loan with a one-month interest period plus 1%. Eurocurrency rate loans bear interest at the adjusted eurocurrency rate plus the applicable eurocurrency rate margin, as described in the Senior Secured Credit Facility. The eurocurrency rate is determined by reference to the British Bankers Association "BBA" LIBOR rate for the interest period relevant to such borrowing. With respect to Tranche G Term Loans and Tranche H Term Loans, the eurocurrency rate shall be no less than 0.75% per annum and the base rate shall be no less than 1.75% per annum. The interest rate margin for Tranche G Term Loans and Tranche H Term Loans under the Senior Secured Credit Facility is 1.50%, in the case of the base rate loans and 2.50%, in the case of eurocurrency rate loans. The margin is subject to a 25 basis point step down upon achievement by Pinnacle Foods Finance of a total net leverage ratio of less than 4.25:1.0.

The obligations under the Senior Secured Credit Facility are unconditionally and irrevocably guaranteed by Peak Finance Holdings LLC, any subsidiary of Peak Finance Holdings LLC that directly or indirectly owns 100% of the issued and outstanding equity interests of Pinnacle Foods Finance, subject to certain exceptions, each of Pinnacle Foods Finance's direct or indirect material wholly-owned domestic subsidiaries (collectively, the “Guarantors”) and by the Company effective with the April 2013 refinancing. In addition, subject to certain exceptions and qualifications, borrowings under the Senior Secured Credit Facility are secured by first priority or equivalent security interests in (i) all the capital stock of, or other equity interests in, each direct or indirect domestic material subsidiary of Pinnacle Foods Finance and 65% of the capital stock of, or other equity interests in, each direct material "first tier" foreign subsidiary of Pinnacle Foods Finance and (ii) certain tangible and intangible assets of Pinnacle Foods Finance and those of the Guarantors (subject to certain exceptions and qualifications).
The total combined amount of the Senior Secured Credit Facility Loans that were owed to affiliates of Blackstone as of June 29, 2014 and December 29, 2013, was $54,376 and $63,796, respectively.

A commitment fee of 0.375% per annum based on current leverage ratios is applied to the unused portion of the revolving credit facility. There were no revolver borrowings made during fiscal 2013 or 2014, except in respect of letters of credit as set forth below. As of June 29, 2014 and December 29, 2013, the eurocurrency rate would have been 2.65% and 2.67% as of such dates. For the three and six months ended June 29, 2014, the weighted average interest rate on the term loan components of the Senior Secured Credit Facility was 3.25% and 3.25%, respectively. For the three and six months ended June 30, 2013, the weighted average interest rate on the term loan components of the Senior Secured Credit Facility was 3.55% and 3.82%, respectively. As of June 29, 2014 and December 29, 2013 the eurocurrency interest rate on the term loan facilities was 3.25% and 3.25%, respectively.

Pinnacle Foods Finance pays a fee for all outstanding letters of credit drawn against the revolving credit facility at an annual rate equivalent to the applicable eurocurrency rate margin then in effect under the revolving credit facility, plus the fronting fee payable in respect of the applicable letter of credit. The fronting fee is equal to 0.125% per annum of the daily maximum amount then available to be drawn under such letter of credit. The fronting fees are computed on a quarterly basis in arrears. Total letters of credit issued under the revolving credit facility cannot exceed $50,000. As of June 29, 2014 and December 29, 2013, Pinnacle Foods Finance had utilized $30,716 and $32,923, respectively of the revolving credit facility for letters of credit. As of June 29, 2014 and December 29, 2013, respectively, there was $119,284 and $117,077 of borrowing capacity under the revolving credit facility, of which $19,284 and $17,077 was available to be used for letters of credit.

Under the terms of the Senior Secured Credit Facility, Pinnacle Foods Finance is required to use 50% of its “Excess Cash Flow” to prepay the term loans under the Senior Secured Credit Facility (which percentage will be reduced to 25% at a total net leverage ratio of between 4.50 and 5.49 and to 0% at a total net leverage ratio below 4.50). As of June 29, 2014, Pinnacle Foods Finance had a total net leverage ratio of 4.61 (proforma adjusted for the Wish-Bone acquisition in compliance with the terms of the Senior Secured Credit Facility). Excess Cash Flow is defined as consolidated net income (as defined), as adjusted for certain items, including (1) all non-cash charges and credits included in arriving at consolidated net income, (2) changes in working capital, (3) capital expenditures (to the extent they were not financed with debt), (4) the aggregate amount of principal payments on indebtedness and (5) certain other items defined in the Senior Secured Credit Facility. For the 2013 reporting year, Pinnacle Foods Finance determined that there were no amounts due under the Excess Cash Flow requirements of the Senior Secured Credit Facility. In December 2014, Pinnacle Foods Finance will determine if amounts are due under the Excess Cash Flow requirements of the Senior Secured Credit Facility for the 2014 reporting year.

The term loans under the Senior Secured Credit Facility amortize in quarterly installments of 0.25% of their aggregate funded total principal amount. The scheduled principal payments of the Tranche G Term Loans outstanding as of June 29, 2014 are $8.2 million in the remainder of 2014, $16.3 million in 2015, $16.3 million in 2016, $20.4 million in 2017, $12.2 million in 2018 and $1,540.4 million thereafter. The scheduled principal payments of the Tranche H Term Loans outstanding as of June 29, 2014 are $2.6 million in the remainder of 2014, $5.3 million in 2015, $5.3 million in 2016, $6.6 million in 2017, $3.9 million in 2018 and $498.7 million thereafter.

Pursuant to the terms of the Senior Secured Credit Facility, Pinnacle Foods Finance is required to maintain a ratio of Net First Lien Secured Debt to Covenant Compliance EBITDA of no greater than 5.75 to 1.00. Net First Lien Secured Debt is defined as aggregate consolidated secured indebtedness, less the aggregate amount of all unrestricted cash and cash equivalents. In addition, under the Senior Secured Credit Facility and the indenture governing the Senior Notes, Pinnacle Foods Finance's ability to engage in activities such as incurring additional indebtedness, making investments and paying dividends is tied to the Senior Secured Leverage Ratio (which is currently the same as the ratio of Net First Lien Secured Debt to Covenant Compliance EBITDA described above), in the case of the Senior Secured Credit Facility, or to the ratio of Covenant Compliance EBITDA to fixed charges for the most recently concluded four consecutive fiscal quarters, in the case of the Senior Notes. The Senior Secured Credit Facility also permits restricted payments up to an aggregate amount of (together with certain other amounts) the greater of $50 million and 2% of Pinnacle Foods Finance's consolidated total assets, so long as no default has occurred and is continuing and its pro forma Senior Secured Leverage Ratio would be no greater than 4.25 to 1.00. As of June 29, 2014 the Company is in compliance with all covenants and other obligations under the Senior Secured Credit Facility and the indenture governing the Senior Notes.

Senior and other Notes

To partially fund the Gilster acquisition, on March 31, 2104 as described in Note 3, PFG LLC entered into a $14.9 million note payable to Gilster Mary Lee Corporation. The note has a four-year term with a maturity date of March 31, 2018 and bears interest at 3.0% per annum.

On April 3, 2013, the Company completed its IPO which is further described in Note 1. A portion of the proceeds was used to redeem the entire $465.0 million in aggregate principal amount of Pinnacle Foods Finance's 9.25% Senior

Notes at a redemption price of 100.0%.

On April 29, 2013, as part of the April 2013 Refinancing, Pinnacle Foods Finance, an indirect subsidiary of the Company, issued $350.0 million aggregate principal amount of 4.875% Senior Notes (the "4.875% Senior Notes") due 2021.

As a result of the April 2013 Refinancing, Pinnacle Foods Finance used a portion of the proceeds from the Tranche G Term Loans and the 4.875% Senior Notes issuance to redeem $400.0 million in aggregate principal amount of Pinnacle Foods Finance's 8.25% Senior Notes due 2017 at a redemption price of 108.5%.

The 4.875% Senior Notes are general senior unsecured obligations of Pinnacle Foods Finance, effectively subordinated in right of payment to all existing and future senior secured indebtedness of Pinnacle Foods Finance and guaranteed on a full, unconditional, joint and several basis by Pinnacle Foods Finance’s wholly-owned domestic subsidiaries that guarantee other indebtedness of Pinnacle Foods Finance and by the Company. See Note 17 for the condensed Consolidated Financial Statements for Guarantor and Nonguarantor Financial Statements.
Pinnacle Foods Finance may redeem some or all of the 4.875% Senior Notes at any time prior to May 1, 2016 at a price equal to 100% of the principal amount of notes redeemed plus the Applicable Premium as of, and accrued and unpaid interest to, the

redemption date, subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date. The "Applicable Premium" is defined as the greater of (1) 1.0% of the principal amount of such note and (2) the excess, if any, of (a) the present value at such redemption date of (i) the redemption price of such 4.875% Senior Notes at May 1, 2016, plus (ii) all required interest payments due on such 4.875% Senior Notes through May 1, 2016 (excluding accrued but unpaid interest to the redemption date), computed using a discount rate equal to the treasury rate plus 50 basis points over (b) the principal amount of such note.

Pinnacle Foods Finance may redeem the 4.875% Senior Notes at the redemption prices listed below, if redeemed during the twelve-month period beginning on May 1st of each of the years indicated below:

4.875% Senior Notes	
Year	Percentage
2016	103.656%
2017	102.438%
2018	101.219%
2019 and thereafter	100.000%

In addition, until May 1, 2016, Pinnacle Foods Finance may redeem up to 35% of the aggregate principal amount of the 4.875% Senior Notes at a redemption price equal to 104.875% of the aggregate principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date, subject to the right of holders of the 4.875% Senior Notes of record on the relevant record date to receive interest due on the relevant interest payment date, with the net cash proceeds received by Pinnacle Foods Finance from one or more equity offerings; provided that (i) at least 50% of the aggregate principal amount of the 4.875% Senior Notes originally issued under the indenture remains outstanding immediately after the occurrence of each such redemption and (ii) each such redemption occurs within 120 days of the date of closing of each such equity offering.

As market conditions warrant, Pinnacle Foods Finance and its subsidiaries, affiliates or significant equity holders (including Blackstone and its affiliates) may from time to time, in its or their sole discretion, purchase, repay, redeem or retire any of Pinnacle Foods Finance's outstanding debt or equity securities (including any publicly issued debt or equity securities), in privately negotiated or open market transactions, by tender offer, exchange offer or otherwise.

The estimated fair value of the Company's long-term debt, including the current portion, as of June 29, 2014, is as follows:

	June 29, 2014	
Issue	Face Value	Fair Value
Senior Secured Credit Facility - Tranche G Term Loans	1,613,700	1,603,614
Senior Secured Credit Facility - Tranche H Term Loans	522,375	519,110
3.0% Notes payable to Gilster Mary Lee Corporation due 2018	14,266	14,266
4.875% Senior Notes	350,000	341,250
	$2,500,341	$2,478,240

The estimated fair value of the Company’s long-term debt, including the current portion, as of December 29, 2013, is as follows:

	December 29, 2013	
Issue	Face Value	Fair Value
Senior Secured Credit Facility - Tranche G Term Loans	1,621,850	1,619,823
Senior Secured Credit Facility - Tranche H Term Loans	525,000	524,344
4.875% Senior Notes	350,000	329,000
	$2,496,850	$2,473,167

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The estimated fair values of the Company's long-term debt are classified as Level 2 in the fair value hierarchy. The fair value is based on the quoted market price for such notes and borrowing rates currently available to the Company for loans with similar terms and maturities.

10. Pension and Retirement Plans
The Company accounts for pension and retirement plans in accordance with the authoritative guidance for retirement benefit compensation. This guidance requires recognition of the funded status of a benefit plan in the statement of financial position. The guidance also requires recognition in accumulated other comprehensive earnings of certain gains and losses that arise during the period but are deferred under pension accounting rules.
The Company uses a measurement date for the pension benefit plan that coincides with its year end.
On December 31, 2013, the Pinnacle Foods Pension Plan merged into the Birds Eye Foods Pension Plan in order to achieve administrative, operational and cost efficiencies. The merged plan was renamed the Pinnacle Foods Group LLC Pension Plan (the "PFG Plan"). The Company has one defined benefit plan which is frozen for future benefit accruals, two qualified 401(k) plans, two non-qualified supplemental savings plans and participates in a multi-employer defined benefit plan.
Pinnacle Foods Group LLC Pension Plan
The Company maintains a non-contributory defined benefit pension plan that covers eligible union employees and provides benefits generally based on years of service and employees' compensation. The plan is frozen for future benefits. The PFG Plan is funded in conformity with the funding requirements of applicable government regulations. Plan assets consist principally of cash equivalents, equity and fixed income common collective trusts. Plan assets do not include any of the Company's own equity or debt securities.
The following represents the components of net periodic (benefit) cost:

Pension Benefits	Three months ended June 29, 2014	Three months ended June 30, 2013	Six months ended June 29, 2014	Six months ended June 30, 2013
Interest cost	2,902	2,660	5,803	5,499
Expected return on assets	(3,292)	(3,373)	(6,584)	(6,747)
Amortization of:				
Actuarial loss	32	275	64	731
Net periodic benefit	$(358)	$(438)	$(717)	$(517)

Cash Flows
Contributions. In fiscal 2014, the Company expects to make contributions of $10.6 million to the PFG Plan, of which minimum required payments of $2.3 million and $4.4 million were made in the three and six months ended June 29, 2014, respectively. The Company made contributions to the pension plan totaling $8.3 million in fiscal 2013, of which $0.7 million and $0.8 million were made in the three and six months ended June 30, 2013, respectively.
Multi-employer Plans

Pinnacle contributes to the United Food and Commercial Workers International Union Industry Pension Fund (EIN 51-6055922) (the "UFCW Plan") under the terms of the collective-bargaining agreement with its Fort Madison

employees.

For the three and six months ended June 29, 2014, contributions to the UFCW Plan were $191 and $384, respectively. For the three and six months ended June 30, 2013, contributions to the UFCW Plan were $246 and $435, respectively. The contributions to this plan are paid monthly based upon the number of employees. They represent less than 5% of the total contributions received by this plan during the most recent plan year.

The risks of participating in multi-employer plans are different from single-employer plans in the following aspects: (a) assets contributed to a multi-employer plan by one employer may be used to provide benefits to employees of other participating

employers, (b) if a participating employer stops contributing to the multi-employer plan, the unfunded obligations of the plan may be borne by the remaining participating employers and (c) if the Company chooses to stop participating in the plan, the Company may be required to pay a withdrawal liability based on the underfunded status of the plan.

The UFCW Plan received a Pension Protection Act “green” zone status for the plan year ending June 30, 2013. The zone status is based on information the Company received from the plan and is certified by the plan's actuary. Among other factors, plans in the "green" zone are at least 80 percent funded. The UFCW Plan did not utilize any extended amortization provisions that effect its placement in the "green" zone. The UFCW Plan has never been required to implement a funding improvement plan nor is one pending at this time.

11. Financial Instruments

Risk Management Objective of Using Derivatives

The Company is exposed to certain risks arising from both its business operations and economic conditions. The Company principally manages its exposures to a wide variety of business and operational risks through management of its core business activities. The Company manages economic risks, including interest rate, liquidity, and credit risk primarily by managing the amount, sources, and duration of its debt funding and the use of derivative financial instruments. The primary risks managed by using derivative instruments are interest rate risk, foreign currency exchange risk and commodity price risk. Specifically, the Company enters into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates, foreign exchange rates or commodity prices.

The Company manages interest rate risk based on the varying circumstances of anticipated borrowings and existing variable and fixed rate debt, including the Company’s revolving credit facility. Examples of interest rate management strategies include capping interest rates using targeted interest cost benchmarks, hedging portions of the total amount of debt, or hedging a period of months and not always hedging to maturity, and at other times locking in rates to fix interests costs.

Certain parts of the Company’s foreign operations in Canada expose the Company to fluctuations in foreign exchange rates. The Company’s goal is to reduce its exposure to such foreign exchange risks on its foreign currency cash flows and fair value fluctuations on recognized foreign currency denominated assets, liabilities and unrecognized firm commitments to acceptable levels primarily through the use of foreign exchange-related derivative financial instruments. The Company enters into derivative financial instruments to protect the value or fix the amount of certain obligations in terms of its functional currency. The Company does not enter into these transactions for non-hedging purposes.

The Company purchases raw materials in quantities expected to be used in a reasonable period of time in the normal course of business. The Company generally enters into agreements for either spot market delivery or forward delivery. The prices paid in the forward delivery contracts are generally fixed, but may also be variable within a capped or collared price range. Forward derivative contracts on certain commodities are entered into to manage the price risk associated with forecasted purchases of materials used in the Company’s manufacturing processes.

Cash Flow Hedges of Interest Rate Risk

The Company’s objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate swaps. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount. During the three and six months ended June 29, 2014 and June 30, 2013, such derivatives were used to hedge the variable cash flows associated with existing variable-rate debt.

The second quarter 2013 IPO (Note 1) and debt refinancings (Note 9) resulted in significant changes to the Company's debt profile. For the two $650 million interest rate swaps in place at the time that were scheduled to mature April 2014, it became probable that the associated original forecasted transactions would not occur. As such, the Company discontinued hedge accounting and accelerated the reclassification of amounts in AOCL to earnings as a result of the hedged forecasted transactions becoming probable not to occur. In the second quarter 2013, these accelerated amounts resulted in a $2.8 million charge to interest expense ($1.7 million, net of tax benefits) and a $9.1 million non-cash charge to the provision for income tax expenses related to the release of

deferred tax charges recorded in Other comprehensive income (see Note 15 for additional details). Prospective changes in the fair value of these derivatives no longer designated in hedging relationships were recorded directly in earnings prior to their maturity in April 2014. As of June 29, 2014, all of the Company's interest rate swaps have been designated as cash flow hedges.

As of June 29, 2014, the Company had the following interest rate swaps that were designated as cash flow hedges of interest rate risk:

Product	Number of Instruments	Current Notional Amount	Fixed Rate Range	Index	Trade Dates	Maturity Dates
Interest Rate Swaps	16	$1,637,450	0.76% - 2.97%	USD-LIBOR-BBA	April 2013 - October 2013	November 2014 - April 2020

The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges is recorded in Accumulated other comprehensive loss (“AOCL”) in the Consolidated Balance Sheets and is subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portion of the change in fair value of the derivatives is recognized directly in earnings. Amounts reported in AOCL related to derivatives will be reclassified to Interest expense as interest payments are made on the Company’s variable-rate debt. During the next twelve months, the Company estimates that an additional $2,022 will be reclassified as an increase to Interest expense.

Cash Flow Hedges of Foreign Exchange Risk

The Company’s operations in Canada expose the Company to changes in the U.S. Dollar – Canadian Dollar ("USD-CAD") foreign exchange rate. From time to time, the Company’s Canadian subsidiary purchases inventory denominated in U.S. Dollars ("USD"), a currency other than its functional currency. The subsidiary sells that inventory in Canadian dollars ("CAD"). The subsidiary uses currency forward and collar agreements to manage its exposure to fluctuations in the USD-CAD exchange rate. Currency forward agreements involve fixing the USD-CAD exchange rate for delivery of a specified amount of foreign currency on a specified date. Currency collar agreements involve the sale of CAD currency in exchange for receiving U.S. dollars if exchange rates rise above an agreed upon rate and purchase of USD currency in exchange for paying CAD currency if exchange rates fall below an agreed upon rate at specified dates.

As of June 29, 2014, the Company had the following foreign currency exchange contracts (in aggregate) that were designated as cash flow hedges of foreign exchange risk:

Product	Number of Instruments	Notional Sold in Aggregate in CAD	Notional Purchased in Aggregate in USD	USD to CAD Exchange Rates	Trade Date	Maturity Dates
CAD Forward	12	$24,400	$22,522	1.073 - 1.102	December 2013 - April	August 2014 - December

2014	2014

The effective portion of changes in the fair value of derivatives designated that qualify as cash flow hedges of foreign exchange risk is recorded in AOCL in the Consolidated Balance Sheets and subsequently reclassified into earnings in the period that the hedged forecasted transaction affects earnings. The ineffective portions of the change in fair value of the derivative, as well as amounts excluded from the assessment of hedge effectiveness, are recognized directly in Cost of products sold in the Consolidated Statements of Operations.

Non-designated Hedges of Commodity Risk

Derivatives not designated as hedges are not speculative and are used to manage the Company’s exposure to commodity price risk but do not meet the authoritative guidance for hedge accounting. From time to time, the Company enters into commodity forward contracts to fix the price of natural gas, diesel fuel, corn, wheat and soybean oil purchases and other commodities at a future delivery date. Changes in the fair value of derivatives not designated in hedging relationships are recorded directly in Cost of products sold in the Consolidated Statements of Operations.

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As of June 29, 2014, the Company had the following derivative instruments that were not designated in qualifying hedging relationships:

Commodity Contracts	Number of Instruments	Notional Amount	Price/Index	Trade Dates	Maturity Dates
Diesel Fuel Contracts	8	3,697,733 Gallons	$3.85 - $4.02 per Gallon	October 2013 - June 2014	July 2014 - December 2014
Natural Gas Contracts	2	1,004,608 MMBTU’s	$4.396 - 4.405 per MMBTU	May 2014 - June 2014	December 2014 - December 2015

The table below presents the fair value of the Company’s derivative financial instruments as well as their classification in the Consolidated Balance Sheets as of June 29, 2014 and December 29, 2013.

	Tabular Disclosure of Fair Values of Derivative Instruments			
	Asset Derivatives		Liability Derivatives	
	Balance Sheet Location	Fair Value as of June 29, 2014	Balance Sheet Location	Fair Value as of June 29, 2014
Derivatives designated as hedging instruments				
Interest Rate Contracts	Other assets, net	$12,570	Accrued liabilities	$881
			Other long-term liabilities	3,555
Foreign Exchange Contracts			Accrued liabilities	299
Total derivatives designated as hedging instruments		$12,570		$4,735
Derivatives not designated as hedging instruments				
Commodity Contracts	Other current assets	$388	Accrued liabilities	100
Total derivatives not designated as hedging instruments		$388		$100

	Balance Sheet Location	Fair Value as of December 29, 2013	Balance Sheet Location	Fair Value as of December 29, 2013
Derivatives designated as hedging instruments				

Interest Rate Contracts			Accrued liabilities	$70
	Other assets, net	$29,518	Other long-term liabilities	1,136
Foreign Exchange Contracts	Other current assets	307		
Total derivatives designated as hedging instruments		$29,825		$1,206
Derivatives not designated as hedging instruments				
Interest Rate Contracts			Accrued liabilities	$698
Commodity Contracts	Other current assets	$543		
Total derivatives not designated as hedging instruments		$543		$698

The table below presents the effect of the Company's derivative financial instruments in the Consolidated Statements of Operations and Accumulated other comprehensive loss ("AOCL") for the three and six months ended June 29, 2014 and June 30, 2013.

Tabular Disclosure of the Effect of Derivative Instruments
Gain/(Loss)

Derivatives in Cash Flow Hedging Relationships	Recognized in AOCL on Derivative (Effective Portion)	Effective portion reclassified from AOCL to:	Reclassified from AOCL into Earnings (Effective Portion)	Ineffective portion recognized in Earnings in:	Recognized in Earnings on Derivative (Ineffective Portion)
Interest Rate Contracts	$ (11,691)	Interest expense	$ (204)	Interest expense	$ —
Foreign Exchange Contracts	(790)	Cost of products sold	387	Cost of products sold	(11)
Three months ended June 29, 2014	$ (12,481)		$ 183		$ (11)
Interest Rate Contracts	$ (20,423)	Interest expense	$ (245)	Interest expense	$ —
Foreign Exchange Contracts	201	Cost of products sold	800	Cost of products sold	(8)
Six months ended June 29, 2014	$ (20,222)		$ 555		$ (8)
Interest Rate Contracts	$ 28,837	Interest expense	$ (3,093) (a)	Interest expense	$ 16
Foreign Exchange Contracts	894	Cost of products sold	490	Cost of products sold	6
Three months ended June 30, 2013	$ 29,731		$ (2,603)		$ 22
Interest Rate Contracts	$ 28,706	Interest expense	$ (3,945) (a)	Interest expense	$ 26
Foreign Exchange Contracts	1,629	Cost of products sold	682	Cost of products sold	7
Six months ended June 30, 2013	$ 30,335		$ (3,263)		$ 33

Derivatives Not Designated as Hedging Instruments	Recognized in Earnings in:	Recognized in Earnings on Derivative
Commodity Contracts	Cost of products sold	$ 309

Interest Rate Contracts	Interest expense	(15)
Three months ended June 29, 2014		$ 294
Commodity Contracts	Cost of products sold	$ (44)
Interest Rate Contracts	Interest expense	(5)
Six months ended June 29, 2014		$ (49)
Commodity Contracts	Cost of products sold	$ (302)
Interest Rate Contracts	Interest expense	$ 165
Three months ended June 30, 2013		$ (137)
Commodity Contracts	Cost of products sold	$ (97)
Interest Rate Contracts	Interest expense	$ 165
Six months ended June 30, 2013		$ 68

(a) Includes $2.8 million of accelerated reclassifications out of AOCL.

Credit risk-related contingent features

The Company has agreements with certain counterparties that contain a provision whereby the Company could be declared in default on its derivative obligations if repayment of the underlying indebtedness is accelerated by the lender due to the Company’s default on the indebtedness. As of June 29, 2014, the Company has not posted any collateral related to these agreements. If the Company had breached this provision at June 29, 2014, it could have been required to settle its obligations under the

agreements at their termination value, which differs from the recorded fair value. The table below summarizes the aggregate fair values of those derivatives that contain credit risk-related contingent features as of June 29, 2014 and December 29, 2013.

June 29, 2014

Asset/(Liability)

Counterparty	Contract Type	Termination Value	Performance Risk Adjustment	Accrued Interest	Fair Value (excluding interest)
Barclays	Interest Rate Contracts	$3,525	$552	$(91)	$4,168
	Commodity Contracts	53	—	—	53
Bank of America	Interest Rate Contracts	5,190	412	—	5,602
	Foreign Exchange Contracts	(220)	2	—	(218)
Credit Suisse	Interest Rate Contracts	245	89	(91)	425
	Foreign Exchange Contracts	(82)	1	—	(81)
Macquarie	Interest Rate Contracts	(2,170)	104	(4)	(2,062)
	Commodity Contracts	235	—	—	235
Total		$6,776	$1,160	$(186)	$8,122

December 29, 2013

Asset/(Liability)

Counterparty	Contract Type	Termination Value	Performance Risk Adjustment	Accrued Interest	Fair Value (excluding interest)
Barclays	Interest Rate Contracts	$12,303	$(12)	$(155)	$12,446
	Commodity Contracts	543	—	—	543
Bank of America	Interest Rate Contracts	12,930	(124)	—	12,806
Credit Suisse	Interest Rate Contracts	2,634	62	(75)	2,771
	Foreign Exchange Contracts	300	6	—	306
Macquarie	Interest Rate Contracts	(506)	93	(3)	(410)
Total		$28,204	$25	$(233)	$28,462

12. Commitments and Contingencies

General

From time to time, the Company and its operations are parties to, or targets of, lawsuits, claims, investigations, and proceedings, which are being handled and defended in the ordinary course of business. Although the outcome of such items cannot be determined with certainty, the Company's general counsel and management are of the opinion that the

final outcome of these matters will not have a material effect on the Company’s financial condition, results of operations or cash flows.

No single item individually, nor are all of them in the aggregate, is material.

13. Related Party Transactions

At the closing of its acquisition by Blackstone, the Company entered into an advisory agreement with an affiliate of Blackstone pursuant to which such entity or its affiliates provided certain strategic and structuring advice and assistance to the Company. In addition, under this agreement, affiliates of Blackstone provided certain monitoring, advisory and consulting services to the Company for an aggregate annual management fee equal to the greater of $2,500 or 1.0% of Covenant Compliance EBITDA (as defined in the credit agreement governing the Company’s Senior Secured Credit Facility). Expenses relating to the management

fee were $0 and $1,148 in the three and six months ended June 30, 2013, respectively. The Company reimbursed Blackstone for out-of-pocket expenses totaling $450 in the three and six months ending June 29, 2014.

On April 3, 2013, the advisory agreement was terminated in accordance with its terms for a fee paid of $15,100. In addition, prepaid expenses for related party management fees of $3,345 that were recorded to Other current assets were expensed in the second quarter of 2013.

Customer Purchases

Performance Food Group Company, which is controlled by affiliates of Blackstone, is a foodservice supplier that purchases products from the Company. Sales to Performance Food Group Company were $1,133 and $2,208 in the three and six months ended June 29, 2014, respectively. Sales to Performance Food Group Company were $935 and $2,079 in the three and six months ended June 30, 2013, respectively. As of June 29, 2014 and December 29, 2013, amounts due from Performance Food Group Company were $106 and $57, respectively, and were recorded on the Accounts receivable, net of allowances line in the Consolidated Balance Sheets.

Interest Expense

For the three and six months ended June 29, 2014, fees and interest expense recognized in the Consolidated Statements of Operations for debt owed to affiliates of Blackstone Advisors L.P. totaled $509 and $1,025, respectively. For the three and six months ended June 30, 2013, fees and interest expense recognized in the Consolidated Statements of Operations for debt owed to affiliates of Blackstone Advisors L.P. totaled $347 and $926, respectively. As of June 29, 2014 and December 29, 2013, debt owed to related parties was $54,376 and $63,796, respectively and was recorded on the Long-term debt line in the Consolidated Balance Sheets. As of June 29, 2014 and December 29, 2013, interest accrued on debt owed to related parties was $274 and $319, respectively, and was recorded on the Accrued liabilities line in the Consolidated Balance Sheets.

14. Segments

The Company is a leading manufacturer, marketer and distributor of high quality, branded food products in North America. The Company manages the business in three operating segments: Birds Eye Frozen, Duncan Hines Grocery and Specialty Foods.

The Birds Eye Frozen Division manages its Leadership Brands in the United States retail frozen vegetables (Birds Eye), frozen complete bagged meals (Birds Eye Voila!), and frozen seafood (Van de Kamp's and Mrs. Paul's) categories, as well as its Foundation Brands in the frozen and refrigerated bagels (Lender's), frozen pizza for one (Celeste), full-calorie single-serve frozen dinners and entrées (Hungry-Man), and frozen breakfast (Aunt Jemima) categories.

The Duncan Hines Grocery Division manages its Leadership Brands in the baking mixes and frostings (Duncan Hines), shelf-stable pickles (Vlasic), liquid and dry-mix salad dressings (Wish-Bone and Western), and table syrups (Mrs. Butterworth's and Log Cabin) categories, and its Foundation Brands in the canned meat (Armour, Nalley and Brooks), pie and pastry fillings (Duncan Hines Comstock and Wilderness), barbecue sauces (Open Pit) and salad dressing (Bernstein's) categories as well as all Canadian operations.

The Company refers to the sum of the Birds Eye Frozen Division and the Duncan Hines Grocery Division as the North America Retail businesses.

The Specialty Foods Division consists of snack products (Tim's Cascade and Snyder of Berlin) and foodservice and private label businesses.

Segment performance is evaluated by the Company’s Chief Operating Decision Maker and is based on earnings before interest and taxes. Transfers between segments and geographic areas are recorded at cost plus markup or at market. Identifiable assets are those assets, including goodwill, which are identified with the operations in each segment or geographic region. Corporate assets consist of prepaid and deferred tax assets. Unallocated corporate expenses consist of corporate overhead such as executive management, finance and legal functions, IPO and refinancing related charges and costs incurred related to the terminated merger agreement previously in place with Hillshire.

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	Three months ended		Six months ended	
SEGMENT INFORMATION	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
Net sales				
Birds Eye Frozen	$246,188	$244,040	$540,466	$536,491
Duncan Hines Grocery	289,963	238,821	554,867	466,029
Specialty Foods	81,649	86,183	166,506	179,505
Total	$617,800	$569,044	$1,261,839	$1,182,025
Earnings before interest and taxes				
Birds Eye Frozen	$37,068	$36,527	$83,796	$85,453
Duncan Hines Grocery	46,349	29,702	89,022	59,134
Specialty Foods	6,348	4,875	13,420	13,061
Unallocated corporate expenses	(7,855)	(60,133)	(14,237)	(66,006)
Total	$81,910	$10,971	$172,001	$91,642
Depreciation and amortization				
Birds Eye Frozen	$9,714	$9,339	$19,663	$18,627
Duncan Hines Grocery	6,901	5,489	13,363	11,316
Specialty Foods	2,962	3,927	6,932	8,082
Total	$19,577	$18,755	$39,958	$38,025
Capital expenditures (1)				
Birds Eye Frozen	$11,374	$14,901	$17,355	$25,011
Duncan Hines Grocery	19,268	8,557	34,008	19,166
Specialty Foods	3,162	3,916	5,129	6,107
Total	$33,804	$27,374	$56,492	$50,284
NET SALES BY PRODUCT TYPE				
Net sales				
Frozen	$283,597	$284,617	$620,831	$622,642
Meals and Meal Enhancers (2)	233,125	182,290	443,825	356,779
Desserts	73,951	75,917	144,672	151,875
Snacks	27,127	26,220	52,511	50,729
Total	$617,800	$569,044	$1,261,839	$1,182,025
GEOGRAPHIC INFORMATION				
Net sales				
United States	$612,793	$562,492	$1,252,610	$1,169,073
Canada	17,661	21,932	37,852	42,548
Intercompany	(12,654)	(15,380)	(28,623)	(29,596)
Total	$617,800	$569,044	$1,261,839	$1,182,025

(1) Includes new capital leases.

(2) The Wish-Bone and Western salad dressing business was acquired on October 1, 2013 and will add approximately $190 million of annual sales to Meals & Meal Enhancers.

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SEGMENT INFORMATION	June 29, 2014	December 29, 2013
Total assets		
Birds Eye Frozen	$2,009,527	$2,004,250
Duncan Hines Grocery	2,623,148	2,577,093
Specialty Foods	360,992	358,198
Corporate	151,803	141,650
Total	$5,145,470	$5,081,191
GEOGRAPHIC INFORMATION		
Long-lived assets		
United States	$552,925	$523,250
Canada	22	20
Total	$552,947	$523,270

15. Provision for Income Taxes

The provision (benefit) for income taxes and related effective tax rates for the three and six months ended June 29, 2014 and June 30, 2013, respectively, were as follows:

Provision (benefit) for Income Taxes	Three months ended June 29, 2014	Three months ended June 30, 2013	Six months ended June 29, 2014	Six months ended June 30, 2013
Current	$748	$774	$1,398	$1,494
Deferred	21,086	(5,549)	45,438	8,953
Total	$21,834	$(4,775)	$46,836	$10,447
Effective tax rate	38.0 %	13.0 %	38.0 %	306.9 %

Income taxes are accounted for in accordance with the authoritative guidance for accounting for income taxes under which deferred tax assets and liabilities are determined based on the difference between their financial statement basis and tax basis, using enacted tax rates in effect for the year in which the differences are expected to reverse.

During the three and six months ended June 29, 2014, state legislation was enacted which resulted in benefits of $0.5 million and $1.1 million, respectively, to the provision for income taxes. During the three and six months ended June 30, 2013, the Company refinanced all of its outstanding debt (Note 9) and the Company discontinued hedge accounting for interest rate swaps in effect at that time (Note 11). Effective with the swap termination, deferred tax expense of $9.1 million, which was recorded in Accumulated Other Comprehensive Loss through the swap termination date, was reclassified as non-cash deferred tax expense in the provision for income taxes through the consolidated statement of operations.

The Company regularly evaluates its deferred tax assets for future realization. A valuation allowance is established when the Company believes that it is more likely than not that some portion of its deferred tax assets will not be

realized. Changes in valuation allowances from period to period are included in the Company's tax provision in the period of change.

As of June 29, 2014 and June 30, 2013, the Company maintained a valuation allowance for certain state net operating loss ("NOL") carryovers, state tax credit carryovers and foreign loss carryovers. There was no change in the valuation allowance for either of the three and six month reporting periods ended June 29, 2014. For the three and six months ended June 30, 2013 a benefit of $1.5 million was recognized to the income tax provision for reduction of the valuation allowance for state NOL carryovers and state credits attributable to a projected decrease of interest expense from the IPO and the April 2013 refinancing.

On September 13, 2013 the IRS issued final and proposed Tangible Property Regulations. The final regulations are generally effective for taxable years beginning on or after January 1, 2014. The adoption of the final regulations did not result in a material impact on the Company.

16. Recently Issued Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2014-09, “Revenue from Contracts with Customers (Topic 606),” (“ASU 2014-09”). The new guidance establishes principals regarding the nature, timing, and uncertainty of revenue from contracts with customers. It removes inconsistencies in existing revenue requirements, provides a more robust framework for addressing revenue issues and improves comparability of revenue recognition practices across entities, industries, jurisdictions and capital markets. The updated guidance will be effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. Early adoption is not permitted. The Company is in the process of evaluating this guidance; however, it is not expected to have a material effect on the consolidated financial statements upon adoption.

In June 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update No. 2014-12, “Compensation - Stock Compensation (Topic 718): Accounting for Share-Based Payments when the terms of an award provide that a performance target could be achieved after the requisite service period,” (“ASU 2014-12”). Current U.S. GAAP does not contain explicit guidance on whether to treat a performance target that could be achieved after the requisite service period as a performance condition that affects vesting or as a nonvesting condition that affects the grant-date fair value of an award. The new guidance requires that a performance target that affects vesting and that could be achieved after the requisite service period is treated as a performance condition. As such, the performance target should not be reflected in estimating the grant-date fair value of the award. The updated guidance will be effective for annual reporting periods beginning after December 15, 2015, including interim periods within that reporting period. Early adoption is permitted. The Company is in the process of evaluating this guidance; however, it is not expected to have a material effect on the consolidated financial statements upon adoption.

17. Guarantor and Nonguarantor Statements

The 4.875% Senior Notes are general senior unsecured obligations of Pinnacle Foods Finance, effectively subordinated in right of payment to all existing and future senior secured indebtedness of Pinnacle Foods Finance and guaranteed on a full, unconditional, joint and several basis by the Company and Pinnacle Foods Finance's 100% owned domestic subsidiaries that guarantee other indebtedness of the Company.
The following condensed consolidating financial information presents:
(1)(a) Condensed consolidating balance sheets as of June 29, 2014 and December 29, 2013.
(b) The related condensed consolidating statements of operations and comprehensive earnings for the Company, Pinnacle Foods Finance, all guarantor subsidiaries and the non-guarantor subsidiaries for the following:
i. Three and six months ended June 29, 2014; and
ii. Three and six months ended June 30, 2013.

(c) The related condensed consolidating statements of cash flows for the Company, Pinnacle Foods Finance, all guarantor subsidiaries and the non-guarantor subsidiaries for the following:
i. Six months ended June 29, 2014; and
ii. Six months ended June 30, 2013.

(2) Elimination entries necessary to consolidate the Company, Pinnacle Foods Finance with its guarantor subsidiaries and non-guarantor subsidiaries.

Investments in subsidiaries are accounted for by the parent using the equity method of accounting. The guarantor subsidiaries are presented on a combined basis. The principal elimination entries eliminate investments in subsidiaries and intercompany balances and transactions and include a reclassification entry of net non-current deferred tax assets to non-current deferred tax liabilities.

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Pinnacle Foods Inc.
Condensed Consolidating Balance Sheet
June 29, 2014

	Pinnacle Foods Inc.	Pinnacle Foods Finance LLC	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations and Reclassifications	Consolidated Total
Current assets:						
Cash and cash equivalents	$—	$—	$161,699	$9,135	$—	$170,834
Accounts receivable, net	—	—	165,921	7,199	—	173,120
Intercompany accounts receivable	25,746	—	250,007	—	(275,753)	—
Inventories, net	—	—	334,008	5,210	—	339,218
Other current assets	—	388	7,948	742	—	9,078
Deferred tax assets	—	(2,982)	152,305	706	—	150,029
Total current assets	25,746	(2,594)	1,071,888	22,992	(275,753)	842,279
Plant assets, net	—	—	552,925	22	—	552,947
Investment in subsidiaries	1,614,593	2,116,084	10,398	—	(3,741,075)	—
Intercompany note receivable	—	1,972,980	7,270	9,800	(1,990,050)	—
Tradenames	—	—	1,951,392	—	—	1,951,392
Other assets, net	—	35,786	125,304	117	—	161,207
Deferred tax assets	—	295,511	—	—	(295,511)	—
Goodwill	—	—	1,637,645	—	—	1,637,645
Total assets	$1,640,339	$4,417,767	$5,356,822	$32,931	$(6,302,389)	$5,145,470
Current liabilities:						
Short-term borrowings	$—	$—	$1,998	$—	$—	$1,998
Current portion of long-term obligations	—	21,550	6,532	—	—	28,082
Accounts payable	—	164	155,518	2,083	—	157,765
Intercompany accounts payable	—	270,571	—	5,182	(275,753)	—
Accrued trade marketing expense	—	—	28,143	3,787	—	31,930
Accrued liabilities	—	15,268	76,695	383	—	92,346
Dividends payable	25,746	—	—	—	—	25,746
Total current liabilities	25,746	307,553	268,886	11,435	(275,753)	337,867
Long-term debt	—	2,449,707	26,268	—	—	2,475,975
Intercompany note payable	—	—	1,982,054	7,996	(1,990,050)	—
Pension and other postretirement benefits	—	—	44,400	—	—	44,400
Other long-term liabilities	—	3,555	20,684	2,730	—	26,969

Deferred tax liabilities	—	42,359	898,446	372	(295,511)	645,666
Total liabilities	25,746	2,803,174	3,240,738	22,533	(2,561,314)	3,530,877
Commitments and contingencies (Note 12)						
Shareholder’s equity:						
Pinnacle common stock	1,173	—	—	—	—	1,173
Additional paid-in-capital	1,331,185	1,332,358	1,285,870	2,324	(2,620,552)	1,331,185
Retained earnings	302,545	302,545	856,822	8,790	(1,168,157)	302,545
Accumulated other comprehensive loss	(20,310)	(20,310)	(26,608)	(716)	47,634	(20,310)
Total Shareholders' equity	1,614,593	1,614,593	2,116,084	10,398	(3,741,075)	1,614,593
Total liabilities and shareholders' equity	$ 1,640,339	$ 4,417,767	$ 5,356,822	$ 32,931	$ (6,302,389)	$ 5,145,470

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Pinnacle Foods Inc.
Condensed Consolidating Balance Sheet
December 29, 2013

	Pinnacle Foods Inc.	Pinnacle Foods Finance LLC	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations and Reclassifications	Consolidated Total
Current assets:						
Cash and cash equivalents	$—	$—	$104,345	$12,394	$—	$116,739
Accounts receivable, net	—	—	156,417	8,247	—	164,664
Intercompany accounts receivable	25,119	—	188,941	—	(214,060)	—
Inventories, net	—	—	355,685	6,187	—	361,872
Other current assets	—	850	6,931	111	—	7,892
Deferred tax assets	—	—	141,162	(20)	—	141,142
Total current assets	25,119	850	953,481	26,919	(214,060)	792,309
Plant assets, net	—	—	523,250	20	—	523,270
Investment in subsidiaries	1,598,041	2,027,337	12,453	—	(3,637,831)	—
Intercompany note receivable	—	1,984,956	7,270	9,800	(2,002,026)	—
Tradenames	—	—	1,951,392	—	—	1,951,392
Other assets, net	—	54,530	131,464	131	—	186,125
Deferred tax assets	—	284,606	—	—	(284,606)	—
Goodwill	—	—	1,628,095	—	—	1,628,095
Total assets	$1,623,160	$4,352,279	$5,207,405	$36,870	$(6,138,523)	$5,081,191
Current liabilities:						
Short-term borrowings	$—	$—	$2,437	$—	$—	$2,437
Current portion of long-term obligations	—	21,550	3,030	—	—	24,580
Accounts payable	—	158	140,694	1,501	—	142,353
Intercompany accounts payable	—	207,123	—	6,937	(214,060)	—
Accrued trade marketing expense	—	—	32,627	4,433	—	37,060
Accrued liabilities	—	15,306	83,667	782	—	99,755
Dividends payable	25,119	—	—	—	—	25,119
Total current liabilities	25,119	244,137	262,455	13,653	(214,060)	331,304
Long-term debt	—	2,459,215	16,952	—	—	2,476,167
Intercompany note payable	—	—	1,994,163	7,863	(2,002,026)	—
Pension and other postretirement benefits	—	—	49,847	—	—	49,847

Other long-term liabilities	—	1,136	20,694	2,730	—	24,560
Deferred tax liabilities	—	49,750	835,957	171	(284,606)	601,272
Total liabilities	25,119	2,754,238	3,180,068	24,417	(2,500,692)	3,483,150
Commitments and contingencies (Note 12)						
Shareholder’s equity:						
Pinnacle common stock	1,172	—	—	—	—	1,172
Additional paid-in-capital	1,328,847	1,330,019	1,285,084	2,324	(2,617,427)	1,328,847
Retained earnings	275,519	275,519	768,718	10,504	(1,054,741)	275,519
Accumulated other comprehensive loss	(7,497)	(7,497)	(26,465)	(375)	34,337	(7,497)
Total Shareholders' equity	1,598,041	1,598,041	2,027,337	12,453	(3,637,831)	1,598,041
Total liabilities and shareholders' equity	$1,623,160	$4,352,279	$5,207,405	$36,870	$(6,138,523)	$5,081,191

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Pinnacle Foods Inc.
Condensed Consolidating Statement of Operations and Comprehensive Earnings
For the three months ended June 29, 2014

	Pinnacle Foods Inc.	Pinnacle Foods Finance LLC	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	$—	$ —	$612,793	$ 17,661	$ (12,654)	$617,800
Cost of products sold	—	285	452,115	15,558	(12,375)	455,583
Gross profit	—	(285)	160,678	2,103	(279)	162,217
Operating expenses						
Marketing and selling expenses	—	657	45,603	1,710	—	47,970
Administrative expenses	—	1,655	22,063	900	—	24,618
Research and development expenses	—	75	2,801	—	—	2,876
Intercompany royalties	—	—	—	9	(9)	—
Intercompany technical service fees	—	—	—	270	(270)	—
Other expense (income), net	—	250	4,593	—	—	4,843
Equity in (earnings) loss of investees	(35,584)	(41,701)	625	—	76,660	—
Total operating expenses	(35,584)	(39,064)	75,685	2,889	76,381	80,307
Earnings before interest and taxes	35,584	38,779	84,993	(786)	(76,660)	81,910
Intercompany interest (income) expense	—	(16,891)	16,855	36	—	—
Interest expense	—	23,980	537	7	—	24,524
Interest income	—	—	17	15	—	32
Earnings (loss) before income taxes	35,584	31,690	67,618	(814)	(76,660)	57,418
Provision (benefit) for income taxes	—	(3,894)	25,917	(189)	—	21,834
Net earnings (loss)	$35,584	$ 35,584	$41,701	$ (625)	$ (76,660)	$35,584
Total comprehensive earnings (loss)	$27,852	$ 27,852	$40,987	$ (1,358)	$ (67,481)	$27,852

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Condensed Consolidating Statement of Operations and Comprehensive Earnings
For the three months ended June 30, 2013

	Pinnacle Foods Inc.	Pinnacle Foods Finance LLC	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	$—	$ —	$562,492	$21,932	$(15,380)	$569,044
Cost of products sold	—	289	421,143	18,317	(15,133)	424,616
Gross profit	—	(289)	141,349	3,615	(247)	144,428
Operating expenses						
Marketing and selling expenses	—	865	44,468	2,175	—	47,508
Administrative expenses	—	13,887	30,571	869	—	45,327
Research and development expenses	—	64	2,725	—	—	2,789
Intercompany royalties	—	—	—	19	(19)	—
Intercompany technical service fees	—	—	—	228	(228)	—
Other expense (income), net	—	34,180	3,653	—	—	37,833
Equity in (earnings) loss of investees	31,839	(27,046)	(169)	—	(4,624)	—
Total operating expenses	31,839	21,950	81,248	3,291	(4,871)	133,457
Earnings before interest and taxes	(31,839)	(22,239)	60,101	324	4,624	10,971
Intercompany interest (income) expense	—	(15,261)	15,220	41	—	—
Interest expense	—	47,137	483	7	—	47,627
Interest income	—	—	31	11	—	42
Earnings (loss) before income taxes	(31,839)	(54,115)	44,429	287	4,624	(36,614)
Provision (benefit) for income taxes	—	(22,276)	17,383	118	—	(4,775)
Net (loss) earnings	$(31,839)	$ (31,839)	$27,046	$169	$4,624	$(31,839)
Total comprehensive earnings (loss)	$(2,970)	$ (2,970)	$27,399	$361	$(24,790)	$(2,970)

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Pinnacle Foods Inc.
Condensed Consolidating Statement of Operations and Comprehensive Earnings
For the six months ended June 29, 2014

	Pinnacle Foods Inc.	Pinnacle Foods Finance LLC	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	$—	$ —	$ 1,252,610	$ 37,852	$ (28,623)	$ 1,261,839
Cost of products sold	—	479	926,060	34,487	(28,065)	932,961
Gross profit	—	(479)	326,550	3,365	(558)	328,878
Operating expenses						
Marketing and selling expenses	—	928	88,244	2,926	—	92,098
Administrative expenses	—	3,351	45,168	2,076	—	50,595
Research and development expenses	—	116	5,242	—	—	5,358
Intercompany royalties	—	—	—	18	(18)	—
Intercompany technical service fees	—	—	—	540	(540)	—
Other expense (income), net	—	250	8,576	—	—	8,826
Equity in (earnings) loss of investees	(76,332)	(88,104)	1,714	—	162,722	—
Total operating expenses	(76,332)	(83,459)	148,944	5,560	162,164	156,877
Earnings before interest and taxes	76,332	82,980	177,606	(2,195)	(162,722)	172,001
Intercompany interest (income) expense	—	(33,781)	33,710	71	—	—
Interest expense	—	47,892	984	15	—	48,891
Interest income	—	—	28	30	—	58
Earnings (loss) before income taxes	76,332	68,869	142,940	(2,251)	(162,722)	123,168
Provision (benefit) for income taxes	—	(7,463)	54,836	(537)	—	46,836
Net earnings (loss)	$ 76,332	$ 76,332	$ 88,104	$ (1,714)	$ (162,722)	$ 76,332
Total comprehensive earnings (loss)	$ 63,519	$ 63,519	$ 87,620	$ (2,306)	$ (148,833)	$ 63,519

Pinnacle Foods Inc.
Condensed Consolidating Statement of Operations and Comprehensive Earnings
For the six months ended June 30, 2013

	Pinnacle Foods Inc.	Pinnacle Foods Finance LLC	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	$—	$ —	$1,169,073	$42,548	$(29,596)	$1,182,025
Cost of products sold	—	301	875,626	35,882	(29,053)	882,756
Gross profit	—	(301)	293,447	6,666	(543)	299,269
Operating expenses						
Marketing and selling expenses	—	935	88,369	3,832	—	93,136
Administrative expenses	—	14,465	51,634	1,786	—	67,885
Research and development expenses	—	69	5,047	—	—	5,116
Intercompany royalties	—	—	—	28	(28)	—
Intercompany technical service fees	—	—	—	515	(515)	—
Other expense (income), net	—	34,180	7,310	—	—	41,490
Equity in (earnings) loss of investees	7,043	(62,471)	(258)	—	55,686	—
Total operating expenses	7,043	(12,822)	152,102	6,161	55,143	207,627
Earnings before interest and taxes	(7,043)	12,521	141,345	505	(55,686)	91,642
Intercompany interest (income) expense	—	(38,551)	38,478	73	—	—
Interest expense	—	87,217	1,052	14	—	88,283
Interest income	—	—	33	12	—	45
Earnings (loss) before income taxes	(7,043)	(36,145)	101,848	430	(55,686)	3,404
Provision (benefit) for income taxes	—	(29,102)	39,377	172	—	10,447
Net (loss) earnings	$(7,043)	$ (7,043)	$62,471	$258	$(55,686)	$(7,043)
Total comprehensive earnings (loss)	$22,949	$ 22,949	$63,508	$854	$(87,311)	$22,949

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PINNACLE FOODS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
(thousands of dollars, except share and per share amounts and where noted in millions)

Pinnacle Foods Inc.
Condensed Consolidating Statement of Cash Flows
For the six months ended June 29, 2014

	Pinnacle Foods Inc.	Pinnacle Foods Finance LLC	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations and Reclassifications	Consolidated Total
Cash flows from operating activities						
Net cash provided by (used in) operating activities	$—	$ (16,554)	$ 206,373	$ (3,265)	$ —	$ 186,554
Cash flows from investing activities						
Payments for business acquisition	—	—	(11,769)	—	—	(11,769)
Intercompany accounts receivable/payable	—	—	—	—	—	—
Repayments of intercompany loans	—	45,717	—		(45,717)	—
Investment in Subsidiary	50,745	—	—	—	(50,745)	—
Capital expenditures	—	—	(56,210)	—	—	(56,210)
Net cash (used in) provided by investing activities	50,745	45,717	(67,979)	—	(96,462)	(67,979)
Cash flows from financing activities						
Proceeds from issuance of common stock	165	—	—	—	—	165
Excess tax benefits on stock-based compensation	786	—	—	—	—	786
Taxes paid related to net share settlement of equity awards	(3,061)	—	—	—	—	(3,061)
Dividends paid	(48,635)	—	—	—	—	(48,635)
Repayments of long-term obligations	—	(10,775)	(585)	—	—	(11,360)
Proceeds from short-term borrowing	—	—	1,773	—	—	1,773
Repayments of short-term borrowing	—	—	(2,185)	—	—	(2,185)
Intercompany accounts receivable/payable	—	(16,278)	16,278		—	—
Parent investment	—	(2,110)	(48,635)	—	50,745	—
Repayments of intercompany loans	—	—	(45,717)	—	45,717	—
Repayment of capital lease obligations	—	—	(1,755)	—	—	(1,755)
Debt acquisition costs	—	—	(214)	—	—	(214)
Net cash (used in) provided by financing activities	(50,745)	(29,163)	(81,040)	—	96,462	(64,486)
Effect of exchange rate changes on cash	—	—	—	6	—	6
	—	—	57,354	(3,259)	—	54,095

Net change in cash and cash equivalents						
Cash and cash equivalents - beginning of period	—	—	104,345	12,394	—	116,739
Cash and cash equivalents - end of period	$—	$ —	$ 161,699	$ 9,135	$ —	$ 170,834
Supplemental disclosures of cash flow information:						
Interest paid	$—	$ 44,423	$ 952	$ —	$ —	$ 45,375
Interest received	—	30	28	—	—	58
Income taxes paid	—	—	3,124	532	—	3,656
Non-cash investing and financing activities:						
New capital leases	—	—	282	—	—	282
Dividends payable	25,746	—	—	—	—	25,746

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PINNACLE FOODS INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (unaudited)
(thousands of dollars, except share and per share amounts and where noted in millions)

Pinnacle Foods Inc.
Condensed Consolidating Statement of Cash Flows
For the six months ended June 30, 2013

	Pinnacle Foods Inc.	Pinnacle Foods Finance LLC	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations and Reclassifications	Consolidated Total
Cash flows from operating activities						
Net cash provided by (used in) operating activities	$—	$ (55,886)	$ 165,264	$ 2,739	$ —	$ 112,117
Cash flows from investing activities						
Intercompany accounts receivable/payable	—	99,748	—	—	(99,748)	—
Investment in subsidiaries	(624,146)	—	—	—	624,146	—
Capital expenditures	—	—	(43,823)	—	—	(43,823)
Sale of plant assets	—	—	1,775	—	—	1,775
Net cash (used in) provided by investing activities	(624,146)	99,748	(42,048)	—	524,398	(42,048)
Cash flows from financing activities						
Proceeds from the issuance of initial public offering	623,929	—	—	—	—	623,929
Proceeds from the issuance of common stock	217	—	—	—	—	217
Proceeds from bond offering	—	350,000	—	—	—	350,000
Proceeds from bank term loan	—	1,625,925	—	—	—	1,625,925
Repayments of long-term obligations	—	(1,732,071)	—	—	—	(1,732,071)
Repurchase of notes	—	(899,180)	—	—	—	(899,180)
Proceeds from short-term borrowing	—	—	1,935	—	—	1,935
Repayments of short-term borrowing	—	—	(2,732)	—	—	(2,732)
Intercompany accounts receivable/payable	—	—	(99,748)		99,748	—
Repayment of capital lease obligations	—	—	(1,377)	—	—	(1,377)
Investment from parent	—	624,146	—	—	(624,146)	—
Debt acquisition costs	—	(12,491)	—	—	—	(12,491)
Parent reduction in investment in subsidiary	191	(191)	—	—	—	—

Repurchases of equity	(191)	—	—	—	—	(191)
Net cash (used in) provided by financing activities	624,146	(43,862)	(101,922)	—	(524,398)	(46,036)
Effect of exchange rate changes on cash	—	—	—	212	—	212
Net change in cash and cash equivalents	—	—	21,294	2,951	—	24,245
Cash and cash equivalents - beginning of period	—	—	83,123	9,158	—	92,281
Cash and cash equivalents - end of period	$—	$ —	$ 104,417	$ 12,109	$ —	$ 116,526
Supplemental disclosures of cash flow information:						
Interest paid	$—	$ 76,725	$ 1,009	$ —	$ —	$ 77,734
Interest received	—	—	34	11	—	45
Income taxes (refunded) paid	—	—	1,939	205	—	2,144
Non-cash investing and financing activities:						
New capital leases	—	—	6,461	—	—	6,461
Dividends payable	21,107	—	—	—	—	21,107

18. Subsequent Events

On May 12, 2014 the Company entered into a definite merger agreement for the sale of the Company to The Hillshire Brands Company ("Hillshire"). Subsequently, Hillshire received an offer from Tyson Foods, Inc. ("Tyson") to acquire all of its outstanding common shares. On June 16, 2014, in light of the Tyson offer, Hillshire's board of directors withdrew its recommendation of the pending acquisition of Pinnacle. Under the terms of the merger agreement, as a result of the change in recommendation, the Company had the right to terminate its merger agreement with Hillshire, which it did on June 30, 2014. As a result of the termination, on July 2, 2014, the Company received a merger termination fee payment of $163.0 million from Tyson, on behalf of Hillshire, which will be recorded in the third quarter of 2014. One-time fees and expenses associated with the merger agreement, including external advisors and employee incentives are expected to total approximately $20 million. These fees and expenses are expected to impact the Company's earnings statements by the following approximate amounts: second quarter 2014 $2.1 million, third quarter 2014 $12 million, fourth quarter 2014 $4 million and first quarter 2015 $2 million. The termination fee payment net of one-time fees and expenses, as well as income taxes, is expected to add approximately $87 million to earnings on an after-tax basis.

On July 8, 2014, the Company paid down $200.0 million of the Tranche G Term Loans with a combination of the merger termination fee payment and cash on hand.

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

(dollars in millions, except where noted)

You should read the following discussion of our results of operations and financial condition together with the audited consolidated financial statements appearing in our annual report on Form 10-K filed with the Securities and Exchange Commission on March 6, 2014 and the unaudited Consolidated Financial Statements and the notes thereto included in this quarterly report. This discussion contains forward-looking statements and involves numerous risks and uncertainties, including, but not limited to, those described in the "Risk Factors" section of our Form 10-K, and the section entitled "Special Note Regarding Forward-Looking Statements" in this report. Actual results may differ materially from those contained in any forward-looking statements.

Overview

We are a leading manufacturer, marketer and distributor of high quality, branded food products in North America. We manage the business in three operating segments: Birds Eye Frozen, Duncan Hines Grocery and Specialty Foods. Our Birds Eye Frozen Division manages our Leadership Brands in the United States retail frozen vegetables (Birds Eye), frozen complete bagged meals (Birds Eye Voila!), and frozen prepared seafood (Van de Kamp's and Mrs. Paul's) categories, as well as our Foundation Brands in the full-calorie single-serve frozen dinners and entrées (Hungry-Man), frozen pancakes / waffles / French Toast (Aunt Jemima), frozen and refrigerated bagels (Lender's) and frozen pizza for one (Celeste) categories. Our Duncan Hines Grocery Division manages our Leadership Brands in the baking mixes and frostings (Duncan Hines), shelf-stable pickles (Vlasic), liquid and dry-mix salad dressings (Wish-Bone and Western), and table syrups (Mrs. Butterworth's and Log Cabin) categories, and our Foundation Brands in the canned meat (Armour, Nalley and Brooks), pie and pastry fillings (Duncan Hines Comstock and Wilderness), and barbecue sauces (Open Pit) categories as well as all Canadian operations. We refer to the sum of our Birds Eye Frozen Division and our Duncan Hines Grocery Division as our North America Retail businesses. Our Specialty Foods Division consists of snack products (Tim's Cascade and Snyder of Berlin) and our Foodservice and Private Label businesses. Within our divisions, we actively manage our portfolio by segregating our business into Leadership Brands and Foundation Brands. Our Leadership Brands enjoy a combination of higher growth, greater potential for value-added innovation and enhanced responsiveness to consumer marketing than do our Foundation Brands. As a result, we focus our brand-building activities on our Leadership Brands. By contrast, we manage our Foundation Brands for revenue and market share stability and for cash flow generation to support investment in our Leadership Brands, reduce our debt and fund other corporate priorities. As a result, we focus spending for our Foundation Brands on brand renovation and targeted consumer and trade programs.

Segment performance is evaluated by the Company's Chief Operating Decision Maker and is based on earnings before interest and taxes. Transfers between segments and geographic areas are recorded at cost plus markup or at market. Identifiable assets are those assets, including goodwill, which are identified with the operations in each segment or geographic region. Corporate assets consist of prepaid and deferred tax assets. Unallocated corporate expenses consist of corporate overhead such as executive management and finance and legal functions. Product contribution is defined as gross profit less direct to consumer advertising and marketing expenses, selling commission and direct brand marketing overhead expenses.

Business Drivers and Measures

In operating our business and monitoring its performance, we pay attention to trends in the food manufacturing industry and a number of performance measures and operational factors. The industry has experienced volatility in overall commodity prices over the past three years. The industry has managed this commodity inflation by increasing retail prices, which has affected consumer buying patterns and led to lower volumes in many categories. The overall food industry continues to face top line challenges, with overall volume softness and a more challenging environment to fully pass on price increases due to weak consumer demand.

Industry Trends

Growth in our industry is driven primarily by population growth, changes in product selling prices and changes in consumption between out-of-home and in-home eating. In the current economic environment, consumers are looking for value alternatives, which has caused an increase in the percentage of products sold on promotion and a shift from traditional retail grocery to mass merchandisers, club stores and the dollar store channels. We are well positioned in grocery and alternative channels, maintaining strong customer relationships across key retailers in each division.

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In order to maintain and grow our business, we must successfully react to, and offer products that respond to, evolving consumer trends, such as changing health trends and focus on convenience and products tailored for busy lifestyles. Incremental growth in the industry is principally driven by product and packaging innovation.

Revenue Factors

Our net sales are driven principally by the following factors:

- Gross sales, which change as a function of changes in volume and list price; and
- the costs that we deduct from gross sales to arrive at net sales, which consist of:

Cash discounts, returns and other allowances.

Trade marketing expenses, which include the cost of temporary price reductions (“on sale” prices), promotional displays and advertising space in store circulars.

New product distribution (slotting) expenses, which are the costs of having certain retailers stock a new product, including amounts retailers charge for updating their warehousing systems, allocating shelf space and in-store systems set-up, among other things.

Consumer coupon redemption expenses, which are costs from the redemption of coupons we circulate as part of our marketing efforts.

Cost Factors

Costs recorded in Cost of products sold in the consolidated statement of operations include:

Raw materials, such as sugar, cucumbers, broccoli, corn, peas, green beans, carrots, flour (wheat), poultry, seafood, vegetable oils, shortening, meat and corn syrup, among others, are available from numerous independent suppliers but are subject to price fluctuations due to a number of factors, including changes in crop size, federal and state agricultural programs, export demand, weather conditions and insects, among others.

Packaging costs. Our broad array of products entails significant costs for packaging and is subject to fluctuations in the price of aluminum, glass jars, plastic trays and bottles, corrugated fiberboard, and plastic packaging materials.

Conversion costs, which include all costs necessary to convert raw materials into finished product. Key components of this cost include direct labor, and plant overhead such as salaries, benefits, utilities and depreciation.

Freight and distribution. We use a combination of common carriers and inter-modal rail to transport our products from our manufacturing facilities to distribution centers and to deliver products to our customers from both those centers and directly from our manufacturing plants. Our freight and distribution costs are influenced by fuel costs as well as capacity within the industry.

Costs recorded in marketing and selling expenses in the consolidated statement of operations include:

Advertising and other marketing expenses. These expenses represent advertising and other consumer and trade-oriented marketing programs. A key strategy is to continue to invest in marketing and public relations that build brand affinity for our Leadership Brands.

Brokerage commissions and other overhead expenses.

Costs recorded in administrative and research and development expenses in the consolidated statement of operations include.

Administrative expenses. These expenses consist of personnel and facility charges and also include third party professional and other services. Our lean, nimble structure and efficient internal processes has enabled us to hold our overhead costs (i.e., selling, general and administrative expenses, excluding marketing investment and one-time items) at approximately 9.0% of net sales.

Research and Development. These expenses consist of personnel and facility charges and include expenditures on new products and the improvement and maintenance of existing products and processes.

Working Capital

Our working capital is primarily driven by accounts receivable and inventories, which fluctuate throughout the year due to seasonality in both sales and production. See “Seasonality.” We will continue to focus on reducing our working capital requirements while simultaneously maintaining our customer service levels and fulfilling our production requirements. We have historically

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relied on internally generated cash flows and temporary borrowings under our revolving credit facility to satisfy our working capital requirements.

Other Factors

Other factors that have influenced our results of operations and may do so in the future include:

- Interest Expense. Our 2013 IPO and debt refinancings (the "April 2013 Refinancing") have improved our debt profile and significantly reduced our leverage and our expected future interest expense. See Note 1 and Note 9 to the consolidated financial statements included elsewhere in this 10-Q for further details. However, as a result of the Blackstone Transaction, the Birds Eye acquisition and the Wish-Bone acquisition, we still have significant indebtedness. Although we expect to continue to reduce our leverage over time, which includes our July 8, 2014 $200.0 million principal payment of the Tranche G Term Loans, we expect interest expense to continue to be a significant, although declining, component of our expenses. See "Liquidity and Capital Resources" below.
- Cash Taxes. We have significant tax-deductible intangible asset amortization and federal and state Net Operating Loss Carryforwards, ("NOLCs"), which resulted in minimal federal and state cash taxes in recent years. We expect continued amortization and utilization of our NOLCs will reduce the majority of our federal and state income tax through 2015 and generate modest annual cash tax savings beyond 2015.
- Acquisitions and Consolidations. We believe we have the expertise to identify and integrate value-enhancing acquisitions to further grow our business. We have successfully integrated acquisitions in the past. We have, however, incurred significant costs in connection with integrating these businesses and streamlining our operations. On October 1, 2013 we acquired Wish-Bone from Unilever PLC for cash consideration of $575.2 million and expect to incur approximately $50.0 million in capital expenditures and approximately $8.0 million of additional expenditures to integrate the business and drive significant synergies and cost efficiencies. As of December 30, 2013, exclusive of the ongoing co-manufacturing agreement, the Wish-Bone business was fully integrated into Pinnacle. On March 31, 2014 we acquired the Duncan Hines manufacturing business from Gilster, the Company's primary co-packer. We expect to incur approximately $5.0 million in capital expenditures and approximately $5.0 million of additional expenditures to integrate the business.

Seasonality

Our sales and cash flows are affected by seasonal cyclicality. Sales of frozen foods, including frozen vegetables and frozen complete bagged meals, tend to be marginally higher during the winter months. Seafood sales peak during Lent, in advance of the Easter holiday. Sales of pickles, relishes, barbecue sauces, potato chips and salad dressings tend to be higher in the spring and summer months, and demand for Duncan Hines products, Birds Eye vegetables and our pie and pastry fruit fillings tend to be higher around the Easter, Thanksgiving, and Christmas holidays. Since many of the raw materials we process under the Birds Eye, Vlasic and Duncan Hines Comstock and Wilderness brands are agricultural crops, production of these products is predominantly seasonal, occurring during and immediately following the purchase of such crops. We also increase our Duncan Hines inventories in advance of the peak fall selling season. As a result, our inventory levels tend to be higher during August, September, and October, and thus we require more working capital during these months. Typically, we are a seasonal net user of cash in the third quarter of the calendar year.

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Results of Operations:

Consolidated Statements of Operations

The following tables set forth our statement of operations data expressed in dollars and as a percentage of net sales.

	Three months ended						Six months ended					
	June 29, 2014			June 30, 2013			June 29, 2014			June 30, 2013		
Net sales	$617.8	100.0	%	$569.0	100.0	%	$1,261.8	100.0	%	$1,182.0	100.0	%
Cost of products sold	455.6	73.7	%	424.6	74.6	%	933.0	73.9	%	882.8	74.7	%
Gross profit	162.2	26.3	%	144.4	25.4	%	328.8	26.1	%	299.2	25.3	%
Operating expenses:												
Marketing and selling expenses	$48.0	7.8	%	$47.5	8.3	%	$92.1	7.3	%	$93.1	7.9	%
Administrative expenses	24.6	4.0	%	45.3	8.0	%	50.6	4.0	%	67.9	5.7	%
Research and development expenses	2.9	0.5	%	2.8	0.5	%	5.4	0.4	%	5.1	0.4	%
Other expense (income), net	4.8	0.8	%	37.8	6.6	%	8.8	0.7	%	41.5	3.5	%
Total operating expenses	$80.3	13.0	%	$133.4	23.4	%	$156.9	12.4	%	$207.6	17.6	%
Earnings before interest and taxes	$81.9	13.3	%	$11.0	1.9	%	$172.0	13.6	%	$91.6	7.7	%

	Three months ended		Six months ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
Net sales				
Birds Eye Frozen	$246.2	$244.0	$540.5	$536.5
Duncan Hines Grocery	290.0	238.8	554.9	466.0
North America Retail	536.2	482.8	1,095.3	1,002.5
Specialty Foods	81.6	86.2	166.5	179.5
Total	$617.8	$569.0	$1,261.8	$1,182.0
Earnings before interest and taxes				
Birds Eye Frozen	$37.1	$36.5	$83.8	$85.5
Duncan Hines Grocery	46.3	29.7	89.0	59.1
Specialty Foods	6.3	4.9	13.4	13.1
Unallocated corporate expenses	(7.9)	(60.1)	(14.2)	(66.0)
Total	$81.9	$11.0	$172.0	$91.6
Depreciation and amortization				
Birds Eye Frozen	$9.7	$9.3	$19.7	$18.6
Duncan Hines Grocery	6.9	5.5	13.4	11.3
Specialty Foods	3.0	3.9	6.9	8.1
Total	$19.6	$18.7	$40.0	$38.0

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Adjustments to Earnings (loss) before Interest and Taxes and Depreciation and Amortization used in the calculation of Adjusted EBITDA as described below in the "Covenant Compliance" section, by Segment, are as follows:

	Three months ended		Six months ended	
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013
Adjustments to Earnings (loss) before interest and taxes (1)				
Birds Eye Frozen	$(0.1)	$2.4	$0.3	$3.2
Duncan Hines Grocery	2.2	4.4	4.4	6.8
Specialty Foods	—	0.2	0.1	0.2
Unallocated corporate expenses	2.3	53.2	2.3	54.3

(1) The amounts in the three and six months ended June 30, 2013 have been conformed to the current year presentation as equity-based compensation is no longer treated as an adjustment to Earnings (loss) before interest and taxes.

Three months ended June 29, 2014 compared to the three months ended June 30, 2013

Net sales

Net sales for the three months ended June 29, 2014 increased $48.8 million or 8.6% versus year-ago to $617.8 million, reflecting a 9.6% increase from the benefit of the Wish-Bone acquisition and a 2.0% increase from volume/mix, largely reflecting the benefit of the Easter holiday occurring three weeks later in 2014 as compared to 2013. Partially offsetting these factors were lower net pricing of 2.8%, stemming from Easter-related promotional activity and trade investments made during the quarter to strengthen our presence at retail and a 0.2% decrease from foreign exchange. Net sales in our North America Retail businesses for the second quarter increased 11.0% versus year-ago to $536.2 million, including an 11.2% increase from the Wish-Bone acquisition and a 3.2% increase from volume/mix. Also impacting the comparison was lower net pricing of 3.2%, largely due to the aforementioned Easter-related promotional activity and trade investments and a 0.2% decrease from foreign exchange. In an industry marked by no growth and heavier promotional spending, we again outpaced the performance of our composite categories, driving another quarter of market share growth.

Birds Eye Frozen Division:

Net sales in the three months ended June 29, 2014 increased 0.9% versus year-ago to $246.2 million, reflecting a 5.0% increase from volume/mix partially offset by lower net pricing of 4.1%, reflecting the impact of Easter-related promotional spending and trade investments to strengthen retail presence, particularly Birds Eye frozen vegetables and Birds Eye Voila! complete bagged meals. The increase is primarily attributable to growth in Birds Eye frozen vegetables and Birds Eye Voila! complete bagged meals, reflecting the later Easter holiday in 2014, distribution expansion and the benefit of recently launched products such as new Birds Eye Steamfresh and Birds Eye Voila! family size varieties. This increase was partially offset by lower sales of Celeste pizza, Aunt Jemima breakfast products and Mrs. Paul's and Van de Kamp's seafood.

Duncan Hines Grocery Division:

Net sales in the three months ended June 29, 2014 increased 21.4% versus year-ago to $290.0 million, reflecting a 22.6% increase from the Wish-Bone acquisition and a 1.3% increase from volume/mix, partially offset by lower net pricing of 2.0%, reflecting the impacts of Easter-related promotional spending and a 0.5% decrease from foreign exchange. In addition to Wish-Bone, positive contributors to the quarter included Duncan Hines, which benefited

from the first quarter launch of the new blue and pink velvet varieties of our Signature cakes, and Vlasic pickles, primarily driven by the later Easter holiday in 2014. Partially offsetting these increases were lower sales from our Canadian business, resulting from a heightened promotional environment and the unfavorable impact from foreign exchange.

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Specialty Foods Division:
Net sales in the three months ended June 29, 2014 were $81.6 million, a decline of 5.3%, reflecting a 4.6% decrease from volume/mix and lower net pricing of 1.7%, partially offset by a 1.0% benefit from the Wish-Bone foodservice business. This decline was primarily driven by increased sales from our snacks business more than offset by lower volume of private label canned meat.
Gross profit
Gross profit for the three months ended June 29, 2014 was $162.2 million, or 26.3% of net sales, compared to $144.4 million, or 25.4% of net sales, in the comparable prior year period. The increase in gross profit as a percentage of net sales was largely driven by improved productivity and favorable product mix partially offset by lower net price realization and inflation.
The following table outlines the factors resulting in the $17.8 million increase in gross profit in the three months ended June 29, 2014 and the 0.9 percentage-point increase in gross margin percentage.

	$ (in millions)	% net sales
Productivity	$13.0	2.1 %
Favorable product mix	12.9	1.9
Inflation	(5.0)	(0.8)
Lower net price realization, including slotting	(16.1)	(1.9)
Higher depreciation expense	(0.9)	(0.1)
Other	(2.8)	(0.3)
Subtotal	$1.1	0.9 %
Higher sales volume	16.7	
Total	$17.8	

Marketing and selling expenses
Marketing and selling expenses increased 1.0% to $48.0 million, or 7.8% of net sales, for the three months ended June 29, 2014, compared to $47.5 million, or 8.3% of net sales for the prior year period. The 0.5 percentage-point decrease as a percentage of net sales was driven by $3.0 million of higher expense in the prior year period, primarily business optimization expenses related to the expansion of headquarter direct sales coverage. Excluding these items affecting comparability, Marketing and selling expenses were $48.0 million, or 7.8% of net sales, for the three months ended June 29, 2014, compared to $44.5 million, or 7.8% of net sales for the prior year period.
Administrative expenses
Administrative expenses were $24.6 million, or 4.0% of net sales, for the three months ended June 29, 2014, compared to $45.3 million, or 8.0% of net sales, for the comparable prior year period. The decrease was principally related to $18.5 million in charges incurred in the comparable prior year period related to the termination at the IPO date of the advisory agreement previously in place with Blackstone. Excluding these charges, Administrative expenses were $24.6 million or 4.0% of net sales, for the three months ended June 29, 2014, compared to $26.8 million, or 4.7% of net sales for the prior year period. The improvement primarily reflected lower personnel costs and equity-based compensation.

Research and development expenses:
Research and development expenses were $2.9 million, or 0.5% of net sales, for the three months ended June 29, 2014 compared to $2.8 million, or 0.5% of net sales, for the prior year period.

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Other income and expense

	Three months ended	
	June 29, 2014	June 30, 2013
Other expense (income), net consists of:		
Amortization of intangibles/other assets	$ 3.2	$ 3.9
Termination costs associated with the Hillshire merger agreement	2.1	—
Redemption premium on the early extinguishment of debt	—	34.2
Royalty income and other	(0.4)	(0.2)
Total other expense (income), net	$ 4.8	$ 37.8

Hillshire merger agreement. Primarily represents professional fees incurred during the quarter related to the terminated merger agreement previously in place with Hillshire. See Note 18 of the Consolidated Financial Statements for further details.

Redemption premium on the early extinguishment of debt. On May 10, 2013, as part of a debt refinancing (the "April 2013 Refinancing") the Company redeemed all $400.0 million of its outstanding 8.25% Senior Notes at a redemption price of 108.5% of the aggregate principal amount at a premium of $34.2 million

Earnings before interest and taxes

Earnings before interest and taxes for the three months ended June 29, 2014 increased $70.9 million, versus year-ago to $81.9 million. The primary driver of the increase was $52.7 million of charges in the comparable prior year period related to the early extinguishment of debt and the IPO related termination of the advisory agreement with Blackstone. Also impacting the comparison was improved gross profit in the current quarter, driven by productivity, favorable product mix and higher volumes, including the benefit of the Wish-Bone acquisition.

Birds Eye Frozen Division:
Earnings before interest and taxes for the three months ended June 29, 2014 were $37.1 million, an increase of $0.5 million, or 1.5%, versus year-ago, largely resulting from improved productivity and increased volume/mix, including Birds Eye frozen vegetables and Birds Eye Voila! complete bagged meals, partially offset by trade investments made in the quarter in addition to higher commodity and logistics costs.

Duncan Hines Grocery Division:
Earnings before interest and taxes increased 56.0%, or $16.6 million, versus year-ago to $46.3 million for the three months ended June 29, 2014, primarily reflecting improved gross profit driven by the benefit of the Wish-Bone acquisition, productivity and reduced commodity prices partially offset by increased logistics costs. Also impacting the comparison was increased investment in consumer focused marketing, such as advertising.
Specialty Foods Division:
Earnings before interest and taxes increased 30.2%, or $1.5 million, versus year-ago to $6.3 million for the three months ended June 29, 2014, primarily due to higher gross profit driven by higher productivity, reduced commodity prices and favorable mix.
Unallocated corporate expense:
Unallocated corporate expense decreased 86.9%, or $52.3 million, to $7.9 million, primarily reflecting the impact of charges incurred in the comparable prior year period of $34.2 million related to the early extinguishment of debt and $18.5 million related to the termination at the IPO date of the advisory agreement previously in place with Blackstone.

Interest expense, net

Net interest expense declined 48.5%, or $23.1 million, to $24.5 million in the three months ended June 29, 2014 from $47.6 million in the three months ended June 30, 2013. Included in net interest expense in the three months ended June 30, 2013 are $22.5

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million of charges associated with our 2013 refinancing, which are described below. Excluding these charges, net interest expense declined 2.4%, or $0.6 million.

Our 2013 refinancing included using the net proceeds of $623.9 million ($667.0 million of gross proceeds, net of $43.1 million of underwriting discounts and other fees) from our April 3, 2013 IPO along with cash on hand to redeem all $465.0 million of our 9.25% Senior Notes on April 15, 2013 and to repay $202.0 million of Tranche B Term Loans. In addition, on April 29, 2013, the Company entered into the Second Amended and Restated Credit Agreement which provided for the issuance of $1.63 billion of Tranche G Term Loans due 2020 and the extension of the due date of our revolving credit facility to 2018. The proceeds were used to repay all previous outstanding borrowings under the Senior Secured Credit Facility. This refinancing resulted in our recognizing approximately $22.5 million of charges to interest expense during the second quarter of 2013. The charges recognized consisted of $14.9 million of existing deferred financing costs and original issue discounts as well as $4.8 million of new costs incurred in connection with the transaction that were recorded directly to interest expense and a $2.8 million charge resulting from the de-designation and termination of interest rate swaps.

We utilize interest rate swap agreements to reduce the potential exposure to interest rate movements and to achieve a desired proportion of variable versus fixed rate debt. Any gains or losses realized on the interest rate swap agreements, excluding the Accumulated other comprehensive (loss) earnings (“AOCL”) portion, are recorded as an adjustment to interest expense. Included in net interest expense was $0.2 million and $0.1 million for the first quarters of 2014 and 2013, respectively, recorded from losses on interest rate swap agreements.

Provision for income taxes

The effective tax rate was 38.0% for the three months ended June 29, 2014, including a benefit of $0.5 million to the provision for income taxes primarily driven by changes to state tax legislation. The effective tax rate was 13.0% for the three months ended June 30, 2013. The effective rate difference for 2013 primarily resulted from the Company discontinuing hedge accounting at the time of the April 2013 refinancing for interest rate swaps in effect at that time (Note 11). Accordingly, changes to the fair value and associated tax effects accumulated in other comprehensive income were recognized to the statement of operations during the second quarter of 2013, resulting in a $9.1 non-cash million deferred tax charge to the provision for income taxes. For the three months ended June 29, 2014, and June 30, 2013 we maintained a valuation allowance against certain state net operating loss carryovers, state tax credits carryovers and foreign loss carryovers. See Note 15 to the Consolidated Financial Statements for Income Taxes.

Under Internal Revenue Code (“the Code”) Section 382, the Company is a loss corporation. Section 382 of the Code places limitations on our ability to use a portion of our NOL carryovers to offset income. The annual Federal NOL limitation that applies to a portion of our NOLCs is approximately $17.0 million to $23.0 million, subject to other rules and restrictions. The Company also has available unencumbered NOLCs that are expected to be utilized. Our NOLCs and certain other tax attributes generated prior to December 23, 2009 may not be utilized to offset Birds Eye income from recognized built-in gains through December 2014, pursuant to Section 384 of the Code.

We have significant tax-deductible intangible asset amortization and federal and state NOLCs, which resulted in minimal federal and state cash taxes in recent years. We expect continued amortization and utilization of our NOLCs will reduce the majority of our federal and state income tax through 2015.

Six months ended June 29, 2014 compared to the six months ended June 30, 2013

Net sales

Net sales for the six months ended June 29, 2014 increased $79.8 million or 6.8% versus year-ago to $1,261.8 million, reflecting a 8.5% increase from the benefit of the Wish-Bone acquisition and a 0.3% increase from volume/mix. This was partially offset by lower net pricing of 1.7% and a 0.3% decrease from foreign exchange.

Net sales in our North American retail businesses for the six months ended June 30, 2013 increased 9.3% versus year-ago to $1,095.3 million including an 9.9% increase from the Wish-Bone acquisition and a 1.6% increase from volume/mix, offset by lower net pricing of 1.9% and a 0.3% decrease from foreign exchange.
Birds Eye Frozen Division:
Net sales in the six months ended June 29, 2014 increased 0.7% versus year-ago to $540.5 million, reflecting a 2.6% increase from volume/mix, partially offset by 1.9% lower net pricing. During the period we realized strong sales of Birds Eye frozen vegetables and Birds Eye Voila! complete bagged meals driven by distribution gains associated with the new

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Recipe Ready and Voila! family size varieties, partially offset by lower sales in our Aunt Jemima breakfast product and Celeste pizza, and new product introductory costs behind Birds Eye Steamfresh and Hungry-Man Selects varieties.

Duncan Hines Grocery Division:

Net sales in the six months ended June 29, 2014 increased 19.1% versus year-ago to $554.9 million, reflecting a 21.2% increase from the Wish-Bone acquisition and a 0.4% increase from volume/mix. This was partially offset by lower net pricing of 1.8% and a 0.7% decrease from foreign exchange. Driving higher sales were Armour canned meats on distribution gains and Vlasic pickles. Offsetting these increases were lower sales from our Canadian business in part due to unfavorable foreign exchange, lower sales of our syrups and lower net sales of Duncan Hines.

Specialty Foods Division:

Net sales in the six months ended June 29, 2014 were $166.5 million, a decline of 7.2%, reflecting a 6.7% decrease from volume/mix and lower net pricing of 1.3%, partially offset by a 0.8% benefit from the Wish-Bone foodservice business. Consistent with the three months ended June 29, 2014 the decrease was primarily driven by increased sales from our snacks business more than offset by lower volume of private label canned meat.

Gross profit

Gross profit for the six months ended June 29, 2014 was $328.8 million, or 26.1% of net sales, compared to $299.2 million, or 25.3% of net sales, in the comparable prior year period. The increase in gross profit as a percentage of net sales was largely driven by productivity and favorable product mix partially offset by lower net price realization and higher inflation.

The following table outlines the factors resulting in the $29.6 million increase in gross profit in the six months ended June 29, 2014 and the 0.8 percentage-point increase in gross margin percentage.

	$ (in millions)		% net sales	
Productivity	$26.0		2.1	%
Favorable product mix	22.5		1.6	
Inflation	(21.0	)	(1.6	)
Lower net price realization, including slotting	(21.4	)	(1.2	)
Higher depreciation expense	(1.0	)	(0.1	)
Other	(0.2	)	—	
Subtotal	$4.9		0.8	%
Higher sales volume	24.7			
Total	$29.6			

Marketing and selling expenses

Marketing and selling expenses were $92.1 million, or 7.3% of net sales, for the six months ended June 29, 2014, compared to $93.1 million, or 7.9% of net sales, for the comparable prior year period. The decrease as a percentage of net sales was driven by $4.6 million of higher expense in the prior year period, primarily business optimization expenses related to the expansion of headquarter direct sales coverage. Excluding these items affecting comparability, Marketing and selling expenses were $92.1 million, or 7.3% of net sales, for the three months ended June 29, 2014, compared to $88.6 million, or 7.5% of net sales for the prior year period.

Administrative expenses

Administrative expenses were $50.6 million, or 4.0% of net sales, for the six months ended June 29, 2014, compared to $67.9 million, or 5.7% of net sales, for the comparable prior year period. The decrease was principally related to $18.5 million in charges incurred in the prior year period related to the termination at the IPO date of the advisory agreement previously in place with Blackstone. Excluding these charges, Administrative expenses increased $1.2 million, or 0.1% of net sales, primarily reflecting higher equity- based compensation and depreciation expense partially offset by lower personnel costs.

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Research and development expenses:
Research and development expenses were $5.4 million, or 0.4% of net sales, for the six months ended June 29, 2014 compared to $5.1 million, or 0.4% of net sales, for the comparable prior year period. The increase was primarily related to increased personnel costs from the integration of the Wish-Bone business.

Other income and expense

	Six months ended	
	June 29, 2014	June 30, 2013
Other expense (income), net consists of:		
Amortization of intangibles/other assets	$ 7.4	$ 7.7
Termination costs associated with the Hillshire merger agreement	2.1	—
Redemption premiums on the early extinguishment of debt	—	34.2
Royalty income and other	(0.6)	(0.4)
Total other expense (income), net	$ 8.8	$ 41.5

Hillshire merger agreement. Primarily represents professional fees incurred related to the terminated merger agreement previously in place with Hillshire. See Note 18 of the Consolidated Financial Statements for further details.

Redemption premium on the early extinguishment of debt. On May 10, 2013, as part of a debt refinancing (the "April 2013 Refinancing") the Company redeemed all $400.0 million of its outstanding 8.25% Senior Notes at a redemption price of 108.5% of the aggregate principal amount at a premium of $34.2 million

Earnings before interest and taxes

Earnings before interest and taxes for the six months ended June 29, 2014 increased $80.4 million, or 87.7%, versus year-ago to $172.0 million. The primary driver of the increase was $53.4 million of charges in the comparable prior year period related to the early extinguishment of debt and the IPO related termination and ongoing fees of the advisory agreement with Blackstone. Also impacting the comparison was improved gross profit in the current period, driven by productivity, favorable product mix and higher volumes, including the benefit of the Wish-Bone acquisition.

Birds Eye Frozen Division:
Earnings before interest and taxes for the six months ended June 29, 2014 were $83.8 million, a decline of $1.7 million, or 1.9%, versus year-ago, primarily reflecting lower gross profit driven by higher commodity and logistics costs partially offset by higher sales and improved productivity.

Duncan Hines Grocery Division:
Earnings before interest and taxes for the six months ended June 29, 2014 were $89.0 million, an increase of 50.5%, primarily reflecting improved gross profit driven by the benefit of the Wish-Bone acquisition, improved productivity and lower commodity prices partially offset by increased investment in consumer focused marketing, such as advertising.
Specialty Foods Division:
Earnings before interest and taxes for the six months ended June 29, 2014 were $13.4 million, a decline of $0.4 million, or 2.7%, versus year-ago, primarily reflecting lower private label canned meat sales which was nearly offset by improved plant productivity.
Unallocated corporate expense:
Unallocated corporate expense decreased 78.4%, or $51.8 million, to $14.2 million, primarily reflecting charges incurred in the comparable prior year period of $34.2 million related to the early extinguishment of debt and $18.5

million related to the termination at the IPO date of the advisory agreement previously in place with Blackstone.

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Interest expense, net

Net interest expense declined 44.6%, or $39.4 million, to $48.8 million in the six months ended June 29, 2014 from $88.2 million in the six months ended June 30, 2013. Included in net interest expense in the six months ended June 30, 2013 are charges associated with our 2013 refinancing. These items which total $22.5 million in 2013 are described below. Excluding these items, net interest expense declined by $16.9 million largely resulting from lower outstanding debt balances driven by IPO related debt reduction as well as lower interest rates on our Notes due to the benefit of our 2013 refinancing.

Our 2013 refinancing included using the net proceeds of $623.9 million ($667.0 million of gross proceeds, net of $43.1 million of underwriting discounts) from our April 3, 2013 IPO along with cash on hand to redeem all $465.0 million of our 9.25% Senior Notes on April 15, 2013 and to repay $202.0 million of Tranche B Term Loans. In addition, on April 29, 2013, the Company entered into the Second Amended and Restated Credit Agreement which provided for the issuance of $1.63 billion of Tranche G Term Loans due 2020 and the extension of the due date of our revolving credit facility to 2018. The proceeds were used to repay all previous outstanding borrowings under the Senior Secured Credit Facility. This refinancing resulted in our recognizing approximately $22.5 million of charges to interest expense in the first six months of 2013. The charges recognized consisted of $14.9 million of existing deferred financing costs and original issue discounts as well as $4.8 million of new costs incurred in connection with the transaction that were recorded directly to interest expense and a $2.8 million charge resulting from the de-designation and termination of interest rate swaps.

We utilize interest rate swap agreements to reduce the potential exposure to interest rate movements and to achieve a desired proportion of variable versus fixed rate debt. Any gains or losses realized on the interest rate swap agreements, excluding the Accumulated other comprehensive (loss) earnings (“AOCL”) portion, are recorded as an adjustment to interest expense. Included in net interest expense was $0.2 million and $0.9 million for the first six months of 2014 and 2013, respectively, recorded from losses on interest rate swap agreements.

Provision (benefit) for income taxes

The effective tax rate was 38.0% for the six months ended June 29, 2014, including a benefit of $1.1 million to the provision for income taxes primarily driven by changes to state tax legislation. The effective tax rate was 306.9% for the six months ended June 30, 2013. The effective rate difference for 2013 primarily resulted from the Company discontinuing hedge accounting at the time of the April 2013 refinancing for interest rate swaps in effect at that time (Note 11). Accordingly, changes to the fair value and associated tax effects accumulated in other comprehensive income were recognized to the statement of operations during the second quarter of 2013, resulting in a $9.1 million non-cash deferred tax charge to the provision for income taxes. For the six months ended June 29, 2014 and June 30, 2013 we maintained a valuation allowance against certain state net operating carryovers, state tax credits carryovers and foreign loss carryovers. See Note 15 to the Consolidated Financial Statements for Income Taxes.

Under Internal Revenue Code (“the Code”) Section 382, the Company is a loss corporation. Section 382 of the Code places limitations on our ability to use a portion of our NOL carryovers to offset income. The annual Federal NOL limitation that applies to a portion of our NOLCs is approximately $17.0 million to $23.0 million, subject to other rules and restrictions. The Company also has available unencumbered NOLCs that are expected to be utilized. Our NOLCs and certain other tax attributes generated prior to December 23, 2009 may not be utilized to offset Birds Eye income from recognized built-in gains through December 2014, pursuant to Section 384 of the Code.

We have significant tax-deductible intangible asset amortization and federal and state NOLCs, which resulted in minimal federal and state cash taxes in recent years. We expect continued amortization and utilization of our NOLCs will reduce the majority of our federal and state income tax through 2015.

Liquidity and capital resources

Historical

Our cash flows are seasonal. Typically we are a net user of cash in the third quarter of the calendar year (i.e., the quarter ending in September) and a net generator of cash over the balance of the year.

Our principal liquidity requirements have been, and we expect will be, for working capital and general corporate purposes, including capital expenditures and debt service. In addition, subsequent to the IPO, the Company initiated a quarterly dividend program. Currently, the quarterly payment is $0.235 per share, or approximately $28 million per quarter. Capital expenditures are expected

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to be approximately $120 to $130 million in 2014, which include approximately $55 million related to our acquisition integration projects (Wish-Bone and Gilster acquisitions). We have historically satisfied our liquidity requirements with internally generated cash flows and availability under our revolving credit facility. We expect that our ability to generate cash from our operations and ability to borrow from our credit facilities should be sufficient to support working capital needs, planned growth, capital expenditures, debt service and dividends for the next 12 months and for the foreseeable future. We keep an insignificant amount of cash in foreign accounts, primarily related to the operations of our Canadian business. Tax liabilities related to bringing these funds back into the United States would not be significant and have been accrued.

On July 8, 2014, the Company paid down $200.0 million of the Tranche G Term Loans with a combination of the merger termination fee payment and cash on hand.

Statements of cash flows for the six months ended June 29, 2014 compared to the six months ended June 30, 2013

For the six months ended June 29, 2014, net cash flow increased $54.1 million compared to an increase in net cash flow of $24.2 million for the six months ended June 30, 2013.

Net cash provided by operating activities was $186.6 million for the six months ended June 29, 2014 and was the result of net earnings, excluding non-cash charges and credits, of $164.4 million and a decrease in working capital of $22.2 million. The decrease in working capital was primarily the result of a $33.3 million decrease in inventories resulting from the sell-down of the seasonal inventory build from December 2013 and a $13.8 million increase in accounts payable related to both Wish-Bone and the timing of our inventory purchases. These were partially offset by an $8.4 million increase in accounts receivable driven by the timing of sales, a $9.5 million decrease in accrued liabilities primarily attributable to payment of the 2013 annual bonus and a $5.2 million decrease in accrued trade marketing driven by the seasonality of our marketing programs. The aging profile of accounts receivable has not changed significantly from December 2013. All other working capital accounts generated a net $1.9 million cash outflow.

Net cash provided by operating activities for the six months ended June 30, 2013 was $112.1 million and was the result of net earnings, excluding non-cash charges and credits, of $95.3 million and a decrease in working capital of $16.8 million. The decrease in working capital was primarily the result of a $69.1 million decrease in inventories resulting from the sell-down of the seasonal inventory build from December 2012. These were offset by a $13.2 million decrease in accrued liabilities primarily attributable to lower interest payable resulting from the debt refinancings and debt pay downs, $5.4 million increase in accounts receivable driven by the timing of sales, a $21.1 million decrease in accounts payable driven by the timing of our inventory purchases and a $8.0 million decrease in accrued trade marketing expense driven by the seasonality of our marketing programs. The aging profile of accounts receivable did not change significantly from December 2012. All other working capital accounts generated a net $4.7 million cash outflow.

Net cash used in investing activities was $68.0 million for the six months ended June 29, 2014 and included $56.2 million for capital expenditures as well as $11.8 million of cash outflows to partially fund the acquisition of the Duncan Hines co-manufacturing business. Capital expenditures during the first six months of 2014 included approximately $24.3 million of costs related to our acquisition integration projects.

Net cash used in investing activities for the six months ended June 30, 2013 was $42.0 million and was primarily related to capital expenditures. Capital expenditures during the first six months of 2013 included approximately $5.9 million of costs related to our facility consolidation projects. Investing activities also included $1.8 million of proceeds from the sale of assets previously held for sale.

Net cash used by financing activities for the six months ended June 29, 2014 was $64.5 million and consisted of $48.6 million of dividends paid, $11.4 million of term loan repayments, $2.1 million of cash outflows related to our equity

based compensation plans and $2.1 million of net capital leases and notes payable activity. All other financing activities generated a net $0.3 million outflow.

Net cash used by financing activities for the six months ended June 30, 2013 was impacted by our April 2013 refinancing, which is explained in greater detail in Note 9 to the Consolidated Financial Statements. Net cash used by financing activities was $46.0 million and consisted of $1,625.9 million of proceeds from our new Tranche G Term Loan, $623.9 million of proceeds ($667.0 million of gross proceeds net of $43.1 million of underwriting discounts and other fees) from our IPO and $350.0 million of proceeds from our bond offering which were more than offset by $1,732.1 million of term Loan repayments, $899.2 million of repurchases of outstanding notes, $12.5 million of debt acquisition costs and $2.2 million of net capital leases and notes payable activity. All other financing activities generated a net $0.4 million outflow.

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Debt

As of June 29, 2014 and December 29, 2013, our long term debt consisted of the following:

	June 29, 2014	December 29, 2013
Long-term debt		
- Senior Secured Credit Facility - Tranche G Term Loan due 2020	1,613.7	1,621.9
- Senior Secured Credit Facility - Tranche H Term Loan due 2020	522.4	525.0
- 4.875% Senior Notes due 2021	350.0	350.0
- 3.0% Note payable to Gilster Mary Lee Corporation due 2018	14.3	—
- Unamortized discount on long term debt	(14.8)	(16.1)
- Capital lease obligations	18.5	20.0
	2,504.1	2,500.8
Less: current portion of long-term obligations	28.1	24.6
Total long-term debt	$ 2,476.0	$ 2,476.2

To partially fund the Gilster acquisition, on March 31, 2104 as described in Note 3, PFG LLC entered into a $14.9 million note payable to Gilster Mary Lee Corporation. The note has a four-year term with a maturity date of March 31, 2018 and bears interest at 3.0% per annum.

To partially fund the Wish-Bone acquisition, on October 1, 2013 Pinnacle Foods Finance, the Company's wholly-owned subsidiary, entered into an amendment to the Second Amended and Restated Credit Agreement (the “Amendment”) in the form of incremental term loans in the amount of $525.0 million (the “Tranche H Term Loans”). In connection with the Tranche H Term Loans, Pinnacle Foods Finance incurred $8.5 million of original issue discount and deferred financing fees of $10.5 million.

On April 29, 2013, Pinnacle Foods Finance, entered into the second amendment to the Amended and Restated Senior Secured Credit Facility, which provided for a seven year term loan facility in the amount of $1,630.0 million (the "Tranche G Term Loans") and replaced the existing revolving credit facility with a new five year $150.0 million revolving credit facility. Additionally, Pinnacle Foods Finance issued $350.0 million aggregate principal amount of 4.875% Senior Notes (the "4.875% Senior Notes") due 2021.

We meet the service requirements on our debt utilizing cash flow generated from operations. In addition, the revolving credit facility is available to fund our working capital needs and can also be used to issue up to $50.0 million of letters of credit. There were no borrowings against the revolving credit facility as of June 29, 2014 and December 29, 2013, except in respect of letters of credit. As of June 29, 2014 and December 29, 2013, we had issued approximately $30.7 million and $32.9 million, respectively, of letters of credit under this facility, leaving approximately $119.3 million and $117.1 million, respectively, of unused capacity under the revolving credit facility.

The term loans under the Senior Secured Credit Facility amortize in quarterly installments of 0.25%. The scheduled principal payments of the Tranche G Term Loans outstanding as of June 29, 2014 are $8.2 million in the remainder of 2014, $16.3 million in 2015, $16.3 million in 2016, $20.4 million in 2017, $12.2 million in 2018 and $1,540.4 million thereafter. The scheduled principal payments of the Tranche H Term Loans outstanding as of June 29, 2014 are $2.6 million in the remainder of 2014, $5.3 million in 2015, $5.3 million in 2016, $6.6 million in 2017, $3.9 million in 2018 and $498.7 million thereafter.

Under the terms of our Senior Secured Credit Facility, we are required to use 50% of our “Excess Cash Flow” to prepay the term loans under the Senior Secured Credit Facility (which percentage will be reduced to 25% at a total leverage ratio of between 4.50 and 5.49 and 0% at a total leverage ratio below 4.50). Excess Cash Flow is defined as consolidated net income (as defined), as adjusted for certain items, including (1) all non-cash charges and credits included in arriving at consolidated net income, (2) changes in working capital, (3) capital expenditures (to the extent they were not financed with debt), (4) the aggregate amount of principal payments on indebtedness and (5) certain

other items defined in the Senior Secured Credit Facility. For the 2013 reporting year, we determined that there were no amounts due under the Excess Cash Flow requirements of the Senior Secured Credit Facility. In December 2014, Pinnacle Foods Finance will determine if amounts are due under the Excess Cash Flow requirements of the Senior Secured Credit Facility for the 2014 reporting year.

As market conditions warrant, we and our subsidiaries, affiliates or significant equity holders (including Blackstone and its affiliates) may from time to time, in our or their sole discretion, purchase, repay, redeem or retire any of our outstanding debt or equity

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securities (including any publicly issued debt or equity securities), in privately negotiated or open market transactions, by tender offer, exchange offer or otherwise.

Covenant Compliance

The following is a discussion of the financial covenants contained in our debt agreements.

Senior Secured Credit Facility

Our Senior Secured Credit Facility contains a number of covenants that, among other things, restrict, subject to certain exceptions, our ability to:

- incur additional indebtedness and make guarantees;
- create liens on assets;
- engage in mergers or consolidations;
- sell assets;
- pay dividends and distributions or repurchase our capital stock;
- make investments, loans and advances, including acquisitions; and
- engage in certain transactions with affiliates.

The Senior Secured Credit Facility also contains certain customary affirmative covenants and events of default.

4.875% Senior Notes

The 4.875% Senior Notes are general senior unsecured obligations, effectively subordinated in right of payment to all of our existing and future senior secured indebtedness, and guaranteed on a full, unconditional, joint and several basis by our wholly-owned domestic subsidiaries that guarantee our other indebtedness.

The indenture governing the 4.875% Senior Notes limits our (and most or all of our subsidiaries') ability to, subject to certain exceptions:

- incur additional debt or issue certain preferred shares;
- pay dividends on or make other distributions in respect of our capital stock or make other restricted payments;
- make certain investments;
- sell certain assets;
- create liens on certain assets to secure debt;
- consolidate, merge, sell or otherwise dispose of all or substantially all of our assets;
- enter into certain transactions with our affiliates; and
- designate our subsidiaries as unrestricted subsidiaries.

Subject to certain exceptions, the indenture governing the 4.875% Senior Notes permits us and our restricted subsidiaries to incur additional indebtedness, including secured indebtedness.

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Covenant Compliance EBITDA

The Company's metric of Adjusted EBITDA, which is used in creating targets for the bonus portion of our compensation plan, is substantially equivalent to Covenant Compliance EBITDA under our debt agreements.

Pursuant to the terms of the Senior Secured Credit Facility, Pinnacle Foods Finance is required to maintain a ratio of Net First Lien Secured Debt to Covenant Compliance EBITDA of no greater than 5.75 to 1.00. Net First Lien Secured Debt is defined as Pinnacle Foods Finance's aggregate consolidated secured indebtedness secured on a first lien basis, less the aggregate amount of all unrestricted cash and cash equivalents.

In addition, under the Senior Secured Credit Facility and the indenture governing the 4.875% Senior Notes, our ability to engage in activities such as incurring additional indebtedness, making investments and paying dividends is tied to the Senior Secured Leverage Ratio (which is currently the same as the ratio of Net First Lien Secured Debt to Covenant Compliance EBITDA described above), in the case of the Senior Secured Credit Facility, or to the ratio of Covenant Compliance EBITDA to fixed charges for the most recently concluded four consecutive fiscal quarters, in the case of the Senior Notes. We believe that these covenants are material terms of these agreements and that information about the covenants is material to an investor's understanding our financial performance. As of June 29, 2014, we were in compliance with all covenants and other obligations under the Senior Secured Credit Facility and the indenture governing the 4.875% Senior Notes.

Covenant Compliance EBITDA is defined as earnings (loss) before interest expense, taxes, depreciation and amortization (“EBITDA”), further adjusted to exclude non-cash items, extraordinary, unusual or non-recurring items and other adjustment items permitted in calculating Covenant Compliance EBITDA under the Senior Secured Credit Facility and the indenture governing the Senior Notes. We believe that the inclusion of supplementary adjustments to EBITDA applied in presenting Covenant Compliance EBITDA is appropriate to provide additional information to investors to demonstrate compliance with our financial covenants.

EBITDA and Covenant Compliance EBITDA do not represent net earnings or loss or cash flow from operations as those terms are defined by U.S. Generally Accepted Accounting Principles (“GAAP”) and do not necessarily indicate whether cash flows will be sufficient to fund cash needs. In particular, the definitions of Covenant Compliance EBITDA in the Senior Secured Credit Facility and the indenture allow us to add back certain non-cash, extraordinary, unusual or non-recurring charges that are deducted in calculating net earnings or loss. However, these are expenses that vary greatly and are difficult to predict. While EBITDA and Covenant Compliance EBITDA and similar measures are frequently used as measures of operations and the ability to meet debt service requirements, they are not necessarily comparable to other similarly titled captions of other companies due to the potential inconsistencies in the method of calculation.

Our ability to meet the covenants specified above in future periods will depend on events beyond our control, and we cannot assure you that we will meet those ratios. A breach of any of these covenants in the future could result in a default under, or an inability to undertake certain activities in compliance with, the Senior Secured Credit Facility and the indenture governing the 4.875% Senior Notes, at which time the lenders could elect to declare all amounts outstanding under the Senior Secured Credit Facility to be immediately due and payable. Any such acceleration would also result in a default under the indenture governing the 4.875% Senior Notes.

The following table provides a reconciliation from our net earnings to EBITDA and Covenant Compliance EBITDA for the three and six months ended June 29, 2014 and June 30, 2013, and the fiscal year ended December 29, 2013. The terms and related calculations are defined in the Senior Secured Credit Facility and the indenture governing the 4.875% Senior Notes.

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(thousands of dollars)	Three months ended		Six months ended		Fiscal Year Ended
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013	December 29, 2013
Net earnings	$35,584	$(31,839)	$76,332	$(7,043)	$89,349
Interest expense, net	24,492	47,585	48,833	88,238	132,213
Income tax expense	21,834	(4,775)	46,836	10,447	71,475
Depreciation and amortization expense	19,578	18,755	39,958	38,025	78,225
EBITDA	$101,488	$29,726	$211,959	$129,667	$371,262
Non-cash items (a)	(158)	430	264	26	5,620
Acquisition, merger and other restructuring charges (b)	4,384	7,088	6,587	11,106	22,137
Other adjustment items (c)	169	52,636	169	53,359	53,361
Adjusted EBITDA	$105,883	$89,880	218,979	194,158	$452,380
Wish-Bone acquisition adjustments (1)	3,000	19,194	6,000	37,265	54,716
Non-cash equity-based compensation charges (2)	$2,336	3,150	4,448	3,325	7,933
Covenant Compliance EBITDA	$111,219	$112,224	$229,427	234,748	515,029
Last twelve months Covenant Compliance EBITDA			$509,708		

(1) For the three and six months ended June 29, 2014, represents the net cost savings projected to be realized from acquisition synergies, calculated consistent with the definition of Covenant Compliance EBITDA. For fiscal 2013, represents proforma additional EBITDA from Wish-Bone for the period of fiscal 2013 prior to the Wish-Bone acquisition and the net cost savings projected to be realized from acquisition synergies, calculated consistent with the definition of Covenant Compliance EBITDA.

(2) Represents non-cash compensation charges related to the granting of equity awards.

(a) Non-cash items are comprised of the following:

(thousands of dollars)	Three months ended		Six months ended		Fiscal Year Ended
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013	December 29, 2013
Unrealized losses (gains) resulting from hedging activities (1)	(158)	430	264	26	(693)
Effects of adjustments related to the application of purchase accounting (2)	—	—	—	—	6,313
Total non-cash items	$(158)	$430	$264	$26	$5,620

(1) Represents non-cash gains and losses resulting from mark-to-market adjustments of obligations under derivative contracts.

(2) For fiscal year ended December 29, 2013, represents expense related to the write-up to fair market value of inventories acquired as a result of the Wish-Bone acquisition.

(b) Acquisition, merger and other restructuring charges are comprised of the following:

(thousands of dollars)	Three months ended		Six months ended		Fiscal Year Ended
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013	December 29, 2013
	$2,100	$452	$2,100	$791	$9,485

Expenses in connection with an acquisition or other non-recurring merger costs (1)					
Restructuring charges, integration costs and other business optimization expenses (2)	2,284	3,963	4,062	7,444	7,979
Employee severance (3)	—	2,673	425	2,871	4,673
Total acquisition, merger and other restructuring charges	$4,384	$7,088	$6,587	$11,106	$ 22,137

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(1) For the three and six months ended June 29, 2014, primarily represents professional fees incurred related to the terminated agreement previously in place with Hillshire Brands. See Note 18 to the Consolidated Financial Statements for further details. For the three and six months ended June 30, 2013, primarily represents IPO related expenses and due diligence investigations. For the fiscal year ended December 29, 2013, primarily represents costs related to the Wish-Bone acquisition, IPO related expenses and due diligence investigations.

(2) For the three and six months June 29, 2014, represents integration costs of the Duncan Hines manufacturing business located in Centralia, Illinois and of the Wish-Bone acquisition and restructuring related costs from the closure of our Millsboro, DE facility. For the three and six months ended June 30, 2013, primarily represents restructuring and restructuring related charges related to the closure of our Millsboro, DE facility and consulting and business optimization expenses related to the expansion of headquarter direct sales coverage for retail. For the fiscal year ended December 29, 2013, primarily represents restructuring and restructuring related charges related to the closure of our Millsboro, DE facility, consulting and business optimization expenses related to the expansion of headquarter direct sales coverage for retail and a gain from the sale of our Tacoma, WA location in July 2013.

(3) Represents severance costs paid, or to be paid, to terminated employees.

(c) Other adjustment items are comprised of the following:

(thousands of dollars)	Three months ended		Six months ended		Fiscal Year Ended
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013	December 29, 2013
Management, monitoring, consulting and advisory fees (1)	$—	$18,456	$—	$19,179	$ 19,181
Other (2)	169	34,180	169	34,180	34,180
Total other adjustments	$169	$52,636	$169	$53,359	$ 53,361

(1) Represents management/advisory fees and expenses paid to an affiliate of Blackstone. For the fiscal year ended December 29, 2013 and the three and six months ended June 30, 2013, includes $15.1 million relating to the termination of the advisory agreement in connection with its terms.

(2) For the fiscal year ended December 29, 2013, primarily represents $34.2 million of the premiums paid on the redemption of $400.0 million of 8.25% Senior Notes due 2017.

Our covenant requirements and actual ratios for the twelve months ended June 29, 2014 are as follows:

	Covenant Requirement	Actual Ratio
Senior Secured Credit Facility		
Net First Lien Leverage Ratio (1)	5.75 to 1.00	3.89
Total Leverage Ratio (2)	Not applicable	4.61
Senior Notes (3)		
Minimum Covenant Compliance EBITDA to fixed charges ratio required to incur additional debt pursuant to ratio provisions (4)	2.00 to 1.00	5.48

(1) Pursuant to the terms of the Senior Secured Credit Facility, Pinnacle Foods Finance is required to maintain a ratio of Net First Lien Secured Debt to Covenant Compliance EBITDA of no greater than 5.75 to 1.00. Net First Lien Secured Debt is defined as Pinnacle Foods Finance's aggregate consolidated secured indebtedness secured on a first lien priority basis, less the aggregate amount of all unrestricted cash and cash equivalents.

(2) The Total Leverage Ratio is not a financial covenant but is used to determine the applicable margin rate under the Senior Secured Credit Facility. The interest rate on our Term Loans will decrease by 0.25 percent after we have attained a Total Leverage Ratio of less than 4.25 to 1.00. The Total Leverage Ratio is calculated by dividing

consolidated total debt less the aggregate amount of all unrestricted cash and cash equivalents by Covenant Compliance EBITDA.

(3) Our ability to incur additional debt and make certain restricted payments under the indenture governing the 4.875% Senior Notes, subject to specified exceptions, is tied to a Covenant Compliance EBITDA to fixed charges ratio of at least 2.00 to 1.00.

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(4) Fixed charges is defined in the indenture governing the 4.875% Senior Notes as (i) consolidated interest expense (excluding specified items) plus consolidated capitalized interest less consolidated interest income, plus (ii) cash dividends and distributions paid on preferred stock or disqualified stock.

Inflation

Historically, inflation did not have a significant effect on us as we had been successful in mitigating the effects of inflation with cost reduction and productivity programs. However, inflation became more pronounced in 2012 and 2013, particularly in ingredient costs such as vegetables, flours, shortening/oils, beef, dairy, cocoa, corn sweeteners and energy. In the second half of 2013 the impact of inflation was higher than the previous year, the impact of which flowed through in the first half of 2014. To the extent possible, we offset inflation with productivity programs. However, we spend approximately $1.1 billion annually on ingredients, therefore each 1% change in our weighted average cost of ingredients would increase our Cost of products sold by approximately $11.0 million. If we experience significant inflation, price increases may be necessary in order to preserve our margins and returns. Severe increases in inflation could have an adverse impact on our business, financial condition and results of operations.

Adjusted Gross Profit

Our management uses Adjusted Gross Profit as an operating performance measure. Adjusted Gross Profit is defined as gross profit before accelerated depreciation related to restructuring activities, certain non-cash items, acquisition, merger and other restructuring charges and other adjustments noted in the table below. We believe that the presentation of Adjusted Gross Profit is useful to investors because it is consistent with our definition of Adjusted EBITDA (defined above), a measure frequently used by securities analysts, investors and other interested parties in their evaluation of the operating performance of companies in industries similar to ours. In addition, we also use targets based on Adjusted Gross Profit as one of the components used to evaluate our management's performance. Adjusted Gross Profit is not defined under GAAP, should not be considered in isolation or as substitutes for measures of our performance prepared in accordance with GAAP and is not indicative of gross profit as determined under GAAP.

The following table provides a reconciliation from our gross profit to Adjusted Gross Profit for the six months ended June 29, 2014 and June 30, 2013, and the fiscal year ended December 29, 2013.

(thousands of dollars)	Three months ended		Six months ended		Fiscal Year Ended
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013	December 29, 2013
Gross profit	$162,217	$144,428	$328,878	$299,269	$ 654,249
Non-cash items (a)	(158)	430	264	26	5,620
Acquisition, merger and other restructuring charges (b)	2,108	2,354	3,663	4,142	4,504
Adjusted Gross Profit	$164,167	$147,212	$332,805	$303,437	$ 664,373

(a) Non-cash items are comprised of the following:

(thousands of dollars)	Three months ended		Six months ended		Fiscal Year Ended
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013	December 29, 2013
Unrealized losses (gains) resulting from hedging activities (1)	(158)	430	264	26	(693)

Effects of adjustments related to the application of purchase accounting (2)	—	—	—	—	6,313
Non-cash items	$(158)	$430	$264	$26	$ 5,620

(1) Represents non-cash gains and losses resulting from mark-to-market obligations under derivative contracts.

(2) For fiscal 2013, represents expense related to the write-up to fair market value of inventories acquired as a result of the Wish-Bone acquisition.

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(b) Acquisition, merger and other restructuring charges are comprised of the following:

(thousands of dollars)	Three months ended		Six months ended		Fiscal Year Ended
	June 29, 2014	June 30, 2013	June 29, 2014	June 30, 2013	December 29, 2013
Restructuring charges, integration costs and other business optimization expenses (1)	$2,108	$2,155	$3,663	$3,943	$4,305
Employee severance and recruiting (2)	—	199	—	199	199
Total acquisition, merger and other restructuring charges	$2,108	$2,354	$3,663	$4,142	$4,504

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(1) For the three and six months ended June 29, 2014 primarily represents restructuring related charges related to the Duncan Hines manufacturing business located in Centralia, Illinois, integration costs for the Wish-Bone acquisition and the closure of our Millsboro, DE facility. For the three and six months ended June 30, 2013, primarily represents restructuring and restructuring related charges, consulting and business optimization expenses in connection with the closures at our Millsboro, DE (March, 2013) and Fulton, NY (March, 2012) facilities. For the fiscal year ended December 29, 2013, primarily represents restructuring and restructuring related charges, consulting and business optimization expenses in connection with the closures at our Millsboro, DE (March 2013) and Fulton NY (March, 2012) facilities and a gain from the sale of our Tacoma, WA location in July 2013.

(2) Represents severance costs paid or accrued to terminated employees.

Contractual Commitments

Our contractual commitments consist mainly of payments related to long-term debt and related interest, operating and capital lease payments, certain take-or-pay arrangements entered into as part of the normal course of business and pension obligations. Refer to the “Contractual Commitments” section of the Management's Discussion and Analysis of Financial Condition and Results of Operations in our Form 10-K filed with the SEC on March 6, 2014 for details on our contractual obligations and commitments.

Off-Balance Sheet Arrangements

As of June 29, 2014, we did not have any off-balance sheet obligations.

Critical Accounting Policies and Estimates

We have disclosed in "Management Discussion and Analysis of Financial Condition and Results of Operations" included in our Form 10-K filed on March 6, 2014, those accounting policies that we consider to be significant in determining our results of operations and financial condition. There have been no material changes to those policies that we consider to be significant since the filing of our prospectus. We believe that the accounting principles utilized in preparing our unaudited consolidated financial statements conform in all material respects to GAAP.

ITEM 3: QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

FINANCIAL INSTRUMENTS

Risk Management Strategy

We are exposed to certain risks arising from both our business operations and economic conditions. We principally manage our exposures to a wide variety of business and operational risks through management of our core business activities. We manage economic risks, including interest rate, liquidity, and credit risk primarily by managing the

amount, sources, and duration of our debt funding and the use of derivative financial instruments. The primary risks managed by using derivative instruments are interest rate risk, foreign currency exchange risk and commodity price risk. Specifically, we enter into derivative financial instruments to manage exposures that arise from business activities that result in the receipt or payment of future known and uncertain cash amounts, the value of which are determined by interest rates, foreign exchange rates or commodity prices. Please refer to Note 11 of the Consolidated Financial Statements "Financial Instruments" for additional details regarding our derivatives and refer to Note 9 of the Consolidated Financial Statements "Debt and Interest Expense" for additional details regarding our debt instruments. There were no significant changes in our exposures to market risk since December 29, 2013.

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ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to provide reasonable assurance that information required to be disclosed by us in our reports that we file or submit under the Exchange Act (as defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, with the participation of our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of June 29, 2014. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that the design and operation of our disclosure controls and procedures are effective at a level of reasonable assurance.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting (as defined in Rule 15d-15(f) of the Exchange Act) that occurred during the fiscal quarter ended June 29, 2014 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II

ITEM 1: LEGAL PROCEEDINGS

No material legal proceedings are currently pending.

ITEM 1A: RISK FACTORS

Our risk factors are summarized under the “Risk Factors” section of our Form 10-K filed on March 6, 2014. There have been no material changes to our risk factors since the filing of the Form 10-K.

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

None

ITEM 3: DEFAULTS UPON SENIOR SECURITIES

None

ITEM 4: MINE SAFETY DISCLOSURES

None

ITEM 5: OTHER INFORMATION

Rule 10b5-1 Plans

Our policy governing transactions in our securities by our directors, officers and employees permits such persons to adopt stock trading plans pursuant to Rule 10b5-1 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended. Our directors, officers and employees have in the past and may from time to time establish such stock trading plans. We do not undertake any obligation to disclose, or to update or revise any disclosure regarding, any such plans and specifically do not undertake to disclose the adoption, amendment, termination or explanation of any such plans.

Pursuant to Section 219 of the Iran Threat Reduction and Syria Human Rights Act of 2012 (“ITRSHRA”), which added Section 13(r) of the Exchange Act, the Company hereby incorporates by reference herein Exhibit 99.1 of this report, which includes disclosures publicly filed and/or provided to Blackstone by Travelport Limited, which may be considered an affiliate of Blackstone and therefore our affiliate.

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ITEM 6: EXHIBITS

See the Exhibit Index immediately following the signature page hereto, which Exhibit Index is incorporated by reference as if fully set forth herein.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This report contains "forward-looking statements." All statements, other than statements of historical facts included in this report, including statements concerning our plans, objectives, goals, strategies, future events, future revenues or performance, financing needs, plans or intentions relating to acquisitions, business trends and other information referred to under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Note 12. Commitments and Contingencies" are forward-looking statements. When used in this report, the words "estimates," "expects," "contemplates", "anticipates," "projects," "plans," "intends," "believes," "forecasts," "may," "should" and variation words or similar expressions are intended to identify forward-looking statements. The forward-looking statements are not historical facts, and are based upon our current expectations, beliefs and projections, and various assumptions, many of which, by their nature, are inherently uncertain and beyond our control. Our expectations, beliefs and projections are expressed in good faith and we believe there is a reasonable basis for them. However, there can be no assurance that management's expectations, beliefs and projections will result or be achieved and actual results may vary materially from what is expressed in or indicated by the forward-looking statements.

There are a number of risks, uncertainties and other important factors that could cause our actual results to differ materially from the forward-looking statements contained in this report. Such risks, uncertainties and other important factors include, among others, the risks, uncertainties and factors set forth in our Form 10-K filed with the SEC on March 6, 2014 under the section entitled "Risk Factors," the section entitled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this report and the following risks, uncertainties and factors:

- competition;
- our ability to predict, identify, interpret and respond to changes in consumer preferences;
- the loss of any of our major customers;
- our reliance on single source provider for the manufacturing, co-packing and distribution of many of our products;
- fluctuations in price and supply of food ingredients, packaging materials and freight;
- volatility in commodity prices and our failure to mitigate the risks related to commodity price fluctuation and foreign exchange risk through the use of derivative instruments;
- costs and timeliness of integrating future acquisitions or our failure to realize anticipated cost savings, revenue enhancements or other synergies therefrom;
- our substantial leverage;
- litigation or claims regarding our intellectual property rights or termination of our material licenses;
- our inability to drive revenue growth in our key product categories or to add products that are in faster growing and more profitable categories;
- potential product liability claims;
- seasonality;
- the funding of our defined benefit pension plans;
- changes in our collective bargaining agreements or shifts in union policy;
- changes in the cost of compliance with laws and regulations, including environmental, worker health and workplace safety laws and regulations;
- our failure to comply with FDA, USDA or FTC regulations and the impact of governmental budget cuts;
- disruptions in our information technology systems;
- future impairments of our goodwill and intangible assets;
- difficulty in the hiring or the retention of key management personnel;
- changes in tax statutes, tax rates, or case laws which impact tax positions we have taken; and

- Affiliates of Blackstone beneficially own approximately 51% of our common stock.

You should evaluate all forward-looking statements made in this report in the context of these risks and uncertainties.

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We caution you that the risks, uncertainties and other factors referenced above may not contain all of the risks, uncertainties and other factors that are important to you. In addition, we cannot assure you that we will realize the results, benefits or developments that we expect or anticipate or, even if substantially realized, that they will result in the consequences or affect us or our business in the way expected. All forward-looking statements in this report apply only as of the date made and are expressly qualified in their entirety by the cautionary statements included in this report. We undertake no obligation to publicly update or revise any forward-looking statements to reflect subsequent events or circumstances.

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

PINNACLE FOODS INC.

By:	/s/ Craig Steeneck
Name:	Craig Steeneck
Title:	Executive Vice President and Chief Financial Officer (Principal Financial Officer, Principal Accounting Officer and Authorized Officer)
Date:	August 13, 2014

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EXHIBIT INDEX

Exhibit Number	Description of exhibit
2.1	Agreement and Plan of Merger, dated as of May 12, 2014, between the Company and Hillshire Brands (previously filed as Exhibit 2.1 to the Current Report on Form 8-K of Pinnacle Foods Inc. filed with the SEC on May 12, 2014 (Commission File Number: 001-35844), and incorporated herein by reference)
3.1	Form of Amended and Restated Certificate of Incorporation of Pinnacle Foods Inc. (previously filed as Exhibit 3.1 to the Current Report on Form 8-K of Pinnacle Foods Inc. filed with the SEC on April 3, 2013 (Commission File Number: 001-35844), and incorporated herein by reference)
3.2	Form of Amended and Restated Bylaws of Pinnacle Foods Inc. (previously filed as Exhibit 3.2 to the Current Report on Form 8-K of Pinnacle Foods Inc. filed with the SEC on April 3, 2013 (Commission File Number: 001-35844), and incorporated herein by reference)
10.1+	Form of Restricted Stock Unit Agreement under 2013 Omnibus Incentive Plan. (previously filed as Exhibit 10.1 to the Quarterly Report on Form 10-Q of Pinnacle Foods Inc. filed with the SEC on May 14, 2014 (Commission File Number: 001-35844), and incorporated herein by reference)
10.2+	Form of Nonqualified Stock Option Agreement under 2013 Omnibus Incentive Plan. (previously filed as Exhibit 10.2 to the Quarterly Report on Form 10-Q of Pinnacle Foods Inc. filed with the SEC on May 14, 2014 (Commission File Number: 001-35844), and incorporated herein by reference)
10.3+	Form of Performance Share Unit Agreement under 2013 Omnibus Incentive Plan. (previously filed as Exhibit 10.3 to the Quarterly Report on Form 10-Q of Pinnacle Foods Inc. filed with the SEC on May 14, 2014 (Commission File Number: 001-35844), and incorporated herein by reference)
10.4	Voting Agreement, dated as of May 12, 2014, between the Blackstone Entities and Hillshire Brands (previously filed as Exhibit 10.1 to the Current Report on Form 8-K of Pinnacle Foods Inc. filed with the SEC on May 12, 2014 (Commission File Number: 001-35844), and incorporated herein by reference)
31.1*	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer.
31.2*	Rule 13a-14(a)/15d-14(a) Certification of Executive Vice President and Chief Financial Officer.
32.1*	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (A)
32.2*	Certification of Executive Vice President and Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (A)

99.1*	Section 13(r) Disclosure
101.1*	The following materials are formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Statements of Operations, (ii) the Consolidated Statements of Comprehensive Earnings, (iii) the Consolidated Balance Sheets, (iv) the Consolidated Statements of Cash Flows, (v) the Consolidated Statements of Shareholders' Equity, (vi) Notes to Consolidated Financial Statements, and (vii) document and entity information. (B)

* Identifies exhibits that are filed as attachments to this document.

\+ Identifies exhibits that consist of a management contract or compensatory plan or arrangement.

(A) Pursuant to Commission Release No. 33-8212, this certification will be treated as “accompanying” this Form 10-Q and not “filed” as part of such report for purposes of Section 18 of Exchange Act, or otherwise subject to the liability of Section 18 of the Exchange Act and this certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Exchange Act, except to the extent that the registrant specifically incorporates it by reference.

(B) Pursuant to Rule 406T of Regulation S-T, the Interactive Data files on Exhibit 101.1 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 133, as amended, are deemed not file for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.