SMITHFIELD FOODS INC
Form 10-KT
March 20, 2014

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

FORM 10-K

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from: April 29, 2013 to December 29, 2013

Commission file number: 1-15321

SMITHFIELD FOODS, INC.
(Exact name of registrant as specified in its charter)

Virginia (State or other jurisdiction of incorporation or organization)	52-0845861 (I.R.S. Employer Identification No.)
200 Commerce Street Smithfield, Virginia (Address of principal executive offices)	23430 (Zip Code)

(757) 365-3000
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:
None

Securities registered pursuant to Section 12(g) of the Act:
None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes þ No o

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 o No þ

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 þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Large accelerated filer o Accelerated filer o Non-accelerated filer þ Smaller reporting company o

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

As of October 27, 2013, the last business day of the registrant's most recently completed second fiscal quarter, there was no established public trading market for the common stock of the registrant and therefore, an aggregate market value of the registrant's shares is not determinable.
At March 18, 2014, 1,000 shares of the registrant's Common Stock (no par value per share) were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE
None

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PART I

ITEM 1. BUSINESS

GENERAL DEVELOPMENT OF BUSINESS

Smithfield Foods, Inc., together with its subsidiaries (the "Company," "Smithfield," "we," "us" or "our"), began as a pork processing operation called The Smithfield Packing Company, founded in 1936 by Joseph W. Luter and his son, Joseph W. Luter, Jr. Through a series of acquisitions starting in 1981, we have become the largest pork processor and hog producer in the world.

We produce and market a wide variety of fresh meat and packaged meats products both domestically and internationally. We operate in a cyclical industry and our results are affected by fluctuations in commodity prices. Additionally, some of the key factors influencing our business are customer preferences and demand for our products; our ability to maintain and grow relationships with customers; the introduction of new and innovative products to the marketplace; accessibility to international markets for our products including the effects of any trade barriers; and operating efficiencies of our facilities.

We conduct our operations through four reportable segments: Pork, Hog Production, International and Corporate, each of which is comprised of a number of subsidiaries, joint ventures and other investments. A fifth reportable segment, the Other segment, contains the results of our former turkey production operations and our previous 49% interest in Butterball, LLC (Butterball), which were sold in December 2010. The Pork segment consists mainly of our three wholly owned U.S. fresh pork and packaged meats subsidiaries: The Smithfield Packing Company, Inc. (Smithfield Packing), Farmland Foods, Inc. (Farmland Foods) and John Morrell Food Group (John Morrell). The Hog Production segment consists of our hog production operations located in the U.S. The International segment is comprised mainly of our meat processing and distribution operations in Poland, Romania and the United Kingdom, our interests in meat processing operations, mainly in Western Europe and Mexico, our hog production operations located in Poland and Romania and our interests in hog production operations in Mexico. The Corporate segment provides management and administrative services to support our other segments.

WH Group Merger

On September 26, 2013 (the Merger Date), pursuant to the Agreement and Plan of Merger dated May 28, 2013 (the Merger Agreement) with WH Group Limited, formerly Shuanghui International Holdings Limited, a corporation formed under the laws of the Cayman Islands hereinafter referred to as WH Group, the Company merged with Sun Merger Sub, Inc., a Virginia corporation and wholly owned subsidiary of WH Group (Merger Sub), in a transaction hereinafter referred to as the Merger. As a result of the Merger, the Company survived as a wholly owned subsidiary of WH Group.

Upon completion of the Merger, all outstanding shares of Smithfield were cancelled and the Company's shareholders received $34.00 in cash (the Merger Consideration) for each share of common stock held prior to the effective time of the Merger. In addition, all outstanding stock-based compensation awards, both vested and unvested, were converted into the right to receive the Merger Consideration, less the exercise price of such awards, if any.

In connection with the Merger, Merger Sub issued $500.0 million aggregate principal amount of 5.25% senior notes due August 1, 2018 and $400.0 million aggregate principal amount of 5.875% senior notes due August 1, 2021 (together, the Merger Sub Notes). Merger Sub incurred $20.4 million in transaction fees in connection with the issuance of the Merger Sub Notes, which are being amortized over the life of the Merger Sub Notes. As a result of the Merger and the transactions entered into in connection therewith, we have assumed the liabilities and obligations of Merger Sub, including Merger Sub's obligations under the Merger Sub Notes. Proceeds from the Merger Sub Notes were held in escrow prior to the Merger Date and used to fund a portion of the total consideration paid, repay certain outstanding debt of the Company and pay certain transaction fees associated with the Merger.

The Merger enables Smithfield to continue to execute on its strategic priorities while maintaining brand excellence and its commitment to environmental stewardship and animal welfare. We have established Smithfield as the world's leading vertically integrated pork processor and hog producer with best-in-class operations and outstanding food safety practices. Operationally, we have become part of an enterprise that shares our belief in global opportunities and our commitment to the highest standards of product safety and quality. With our shared expertise and leadership, we expect to accelerate a global expansion strategy as part of WH Group.

On January 16, 2014, in connection with the consummation of the Merger, the Company elected to change its fiscal year end from the 52 or 53 week period which ends on the Sunday nearest to April 30 to the 52 or 53 week period which ends on the Sunday nearest to December 31. Unless otherwise noted, all references to “fiscal” in this report refer to the twelve-month fiscal year, which as of and prior to April 29, 2013 ended on the Sunday nearest to April 30, and beginning after December 29, 2013 ends on the Sunday nearest December 31 of each year. This Form 10-K covers the transition period of April 29, 2013 through December 29, 2013 (the Transition Period).

Acquisition

Kansas City Sausage, LLC

In May 2013, we acquired a 50% interest in Kansas City Sausage Company, LLC (KCS), for $36.0 million in cash. Upon closing, in addition to the cash purchase price, we advanced $10.0 million to the seller in exchange for a promissory note, which is secured by the remaining membership interests in KCS held by the seller. Additionally, we entered into a revolving loan agreement with KCS, under which we agreed to make loans from time to time up to an aggregate principal amount of $20.0 million. The aggregate amount of any obligations incurred under the revolving loan agreement is secured by a first priority security interest in all of the assets of KCS.

KCS is a leading U.S. sausage producer and sow processor. We intend to merge KCS's low-cost, efficient operations and high-quality products with our strong brands and sales and marketing team to continue to grow our packaged meats business. The venture will operate in Des Moines, Iowa and Kansas City, Missouri. In Des Moines, the venture will produce premium raw materials for sausage, as well as value-added products, including boneless hams and hides. The Kansas City plant is a modern sausage processing facility and is designed for optimum efficiency to provide retail and foodservice customers with high quality products. With our strong ongoing focus on building our packaged meats business, and our access to 15% of the U.S. sow population, this joint venture is a logical fit for the Company. It will provide a growth platform in two key packaged meats categories — breakfast sausage and dinner sausage — and will allow us to expand our product offerings to our customers. These categories represent over $4.0 billion in retail and foodservice sales annually.

DESCRIPTION OF SEGMENTS

Pork Segment

The Pork segment consists mainly of three wholly-owned U.S. fresh pork and packaged meats subsidiaries: Smithfield Packing, Farmland Foods and John Morrell. The Pork segment produces a wide variety of fresh pork and packaged meats products in the U.S. and markets them nationwide and to numerous foreign markets, including China, Japan, Mexico, Russia and Canada. The Pork segment currently operates approximately 40 processing plants. We process hogs at eight plants (five in the Midwest and three in the Southeast), with an aggregate slaughter capacity of approximately 113,000 hogs per day. In the Transition Period, the Pork segment processed approximately 19.3 million hogs.

The Pork segment sold approximately 2.6 billion pounds of fresh pork in the Transition Period. A substantial portion of our fresh pork is sold to retail customers as unprocessed, trimmed cuts such as butts, loins (including roasts and chops), picnics and ribs.

The Pork segment also sold approximately 1.9 billion pounds of packaged meats products in the Transition Period. We produce a wide variety of packaged meats, including smoked and boiled hams, bacon, sausage, hot dogs (pork, beef and chicken), deli and luncheon meats, specialty products such as pepperoni, dry meat products, and ready-to-eat, prepared foods such as pre-cooked entrees and pre-cooked bacon and sausage. We market our domestic packaged meats products under a number of labels including the following core brand names: Smithfield, Farmland, John Morrell, Gwaltney, Armour, Eckrich, Margherita, Carando, Kretschmar, Cook’s, Curly's and Healthy Ones. We also sell a substantial quantity of packaged meats as private-label products.

Our product lines also include leaner fresh pork products as well as lower-fat and lower-salt packaged meats. We also market a line of lower-fat, value-priced luncheon meats, smoked sausage and hot dogs, as well as fat-free deli hams and 40% lower-fat bacon.

The following table shows the percentages of Pork segment revenues derived from packaged meats products and fresh pork for the periods indicated.

	The Transition Period	Fiscal Year Ended		
	April 29 - December 29, 2013	April 28, 2013	April 29, 2012	May 1, 2011
Packaged meats	56 %	56 %	54 %	56 %
Fresh pork [1]	44	44	46	44
	100 %	100 %	100 %	100 %

[1] Includes by-products and rendering.

In the Transition Period, export sales comprised approximately 14% of the Pork segment's volumes and approximately 12% of the segment's revenues.

Hog Production Segment

As a complement to our Pork segment, we have vertically integrated into hog production and are the world's largest hog producer. The Hog Production segment consists of our hog production operations located in the U.S. The Hog Production segment operates numerous hog production facilities with approximately 894,000 sows producing about 16.2 million market hogs annually.

The profitability of hog production is directly related to the market price of live hogs and the cost of feed grains such as corn and soybean meal. The Hog Production segment generates higher profits when hog prices are high and feed grain prices are low, and lower profits (or losses) when hog prices are low and feed grain prices are high. We believe that the Hog Production segment furthers our strategic initiative of vertical integration and reduces our exposure to fluctuations in profitability historically experienced by the pork processing industry. In addition, with the importance of food safety to the consumer, our vertically integrated system provides increased traceability from conception of livestock to consumption of the pork product.

The following table shows the percentages of Hog Production segment revenues derived from hogs sold internally and externally and other products for the periods indicated.

	The Transition Period	Fiscal Year Ended		
	April 29 - December 29, 2013	April 28, 2013	April 29, 2012	May 1, 2011
Internal hog sales	80 %	76 %	80 %	78 %
External hog sales	13	14	17	19
Other products [1]	7	10	3	3
	100 %	100 %	100 %	100 %

[1] Consists primarily of grains, feed and gains (losses) on derivatives.

Genetics

We own certain genetic lines of breeding stock which are marketed using the name Smithfield Premium Genetics (SPG). The Hog Production segment makes extensive use of these genetic lines, with approximately 894,000 SPG breeding sows. In addition, we have sublicensed some of these rights to some of our strategic hog production partners. In the Transition Period, we produced approximately 10.9 million market hogs from SPG breeding stock.

Hog production operations

We use advanced management techniques to produce premium quality hogs on a large scale at a low cost. We develop breeding stock, optimize diets for our hogs at each stage of the growth process, process feed for our hogs and design hog containment facilities. We believe our economies of scale and production methods, together with our use of the advanced SPG genetics, make us a low cost producer of premium quality hogs. We also utilize independent farmers and their facilities to raise hogs produced from our breeding stock. Under multi-year contracts, a farmer provides the initial facility investment, labor and front line management in exchange for a service fee. In the Transition Period, approximately 74% of our market hogs were finished on contract farms.

International Segment

The International segment includes our meat processing and distribution operations in Poland, Romania and the United Kingdom, our interests in meat processing operations, mainly in Western Europe and Mexico, our hog production operations located in Poland and Romania and our interests in hog production operations in Mexico. Our international meat processing operations produce a wide variety of fresh pork, beef, poultry and packaged meats products, including cooked hams, sausages, hot dogs, bacon and canned meats. Our noncontrolling interests in international meat processing operations include a 37% interest in the common stock of Campofrío Food Group (CFG), a leading European packaged meats company headquartered in Madrid, Spain, and one of the largest worldwide with annual sales of approximately $2.5 billion.

The following table shows the percentages of International segment revenues derived from packaged meats, fresh meats and hog production for the periods indicated.

	The Transition Period		Fiscal Year Ended					
	April 29 - December 29, 2013		April 28, 2013		April 29, 2012		May 1, 2011	
Packaged meats	44	%	49	%	46	%	47	%
Fresh meats [1]	55		50		53		53	
Hog production [2]	1		1		1		—	
	100	%	100	%	100	%	100	%

(1) Includes feathers, by-products and rendering

(2) Includes external hog sales and feed

The International segment has sales denominated in foreign currencies and, as a result, is subject to certain currency exchange risk. See “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Derivative Financial Instruments” for a discussion of our foreign currency hedging activities.

SEGMENTS IN GENERAL

Sources and Availability of Raw Materials

Feed grains, including corn, soybean meal and wheat, are the primary raw materials of our hog production operations. These grains are readily available from numerous sources at competitive prices. We generally purchase corn and soybean meal through forward purchase contracts. Historically, grain prices have been subject to fluctuations and have escalated in recent years due to increased worldwide demand.

Live hogs are the primary raw materials of the Pork segment and our meat processing operations in the International segment. Historically, hog prices have been subject to substantial fluctuations. Hog supplies, and consequently prices, are affected by factors such as corn and soybean meal prices, weather and farmers’ access to capital. Hog prices tend to rise seasonally as hog supplies decrease during the hot summer months and tend to decline as supplies increase during the fall. This tendency is due to lower farrowing performance during the winter months and slower animal growth rates during the hot summer months.

The Pork segment purchased approximately 49% of its U.S. live hog requirements from the Hog Production segment in the Transition Period. In addition, we have established multi-year agreements with Maxwell Foods, Inc. and Prestage Farms, Inc., which provide us with a stable supply of high-quality hogs at market-indexed prices. These producers supplied approximately 12% of hogs processed by the Pork segment in the Transition Period. We also purchase hogs on a daily basis at our Southeastern and Midwestern processing plants and our company-owned buying stations in the Southeast and Midwest.

Like the Pork segment, live hogs are the primary raw materials of our meat processing operations in the International segment with the primary source of hogs being our hog production operations located in Poland and Romania. Our meat processing operations in the International segment purchased approximately 74% of its live hog requirements from our hog production operations located in Poland and Romania in the Transition Period.

We also purchase fresh pork from other meat processors to supplement our processing requirements. Additional purchases include raw beef, poultry and other meat products that are added to sausages, hot dogs and luncheon meats. Those meat products and other materials and supplies, including seasonings, smoking and curing agents, sausage casings and packaging materials, are readily available from numerous sources at competitive prices.

Nutrient Management and Other Environmental Issues

Our hog production facilities have been designed to meet or exceed all applicable zoning and other government regulations. These regulations require, among other things, maintenance of separation distances between farms and nearby residences, schools, churches, public use areas, businesses, rivers, streams and wells and adherence to required construction standards.

Hog production facilities generate significant quantities of manure, which must be managed properly to protect public health and the environment. We believe that we use the best technologies currently available and economically feasible for the management of swine manure, which require permits under state, and in some instances, federal law. The permits impose standards and conditions on the design and operation of the systems to protect public health and the environment, and can also impose nutrient management planning requirements depending on the type of system utilized. The most common system of swine manure management employed by our hog production facilities is the lagoon and spray field system, in which lined earthen lagoons are utilized to treat the manure before it is applied to agricultural fields by spray application. The nitrogen and phosphorus in the treated manure serve as a crop fertilizer.

We follow a number of other policies and protocols to reduce the impact of our hog production operations on the environment, including: the employment of environmental management systems; ongoing employee training regarding environmental controls; walk-around inspections at all sites by trained personnel; formal emergency response plans that are regularly updated; and collaboration with manufacturers regarding testing and developing new equipment. For further information see “Regulation” below.

Customers and Marketing

Our fundamental marketing strategy is to provide quality and value to the ultimate consumers of our fresh pork, packaged meats and other meat products. We have a variety of consumer advertising and trade promotion programs designed to build awareness and increase sales distribution and penetration. We also provide sales incentives for our customers through rebates based on achievement of specified volume and/or growth in volume levels.

We have significant market presence, both domestically and internationally, where we sell our fresh pork, packaged meats and other meat products to national and regional supermarket chains, wholesale distributors, the foodservice industry (fast food, restaurant and hotel chains, hospitals and other institutional customers), export markets and other further processors. We use both in-house salespersons as well as independent commission brokers to sell our products. In the Transition Period, we sold our products to more than 3,200 customers, none of whom accounted for as much as 10% of consolidated revenues. We have no significant or seasonally variable backlog because most customers prefer to order products shortly before shipment and, therefore, do not enter into formal long-term contracts.

Methods of Distribution

We use a combination of private fleets of leased tractor trailers and independent common carriers and owner operators to distribute live hogs, fresh pork, packaged meats and other meat products to our customers, as well as to move raw materials between plants for further processing. We coordinate deliveries and use backhauling to reduce overall transportation costs. In the U.S., we distribute products directly from some of our plants and from leased distribution centers primarily in Missouri, Pennsylvania, North Carolina, Virginia, Kansas, Wisconsin, Indiana, Illinois, California, Iowa, Nebraska and Texas. We also operate distribution centers adjacent to our plants in Bladen County, North Carolina, Sioux Falls, South Dakota and Crete, Nebraska. Internationally, we distribute our products through a combination of leased and owned warehouse facilities.

Trademarks

We own and use numerous marks, which are registered trademarks or are otherwise subject to protection under applicable intellectual property laws. We consider these marks and the accompanying goodwill and customer recognition valuable and material to our business. We believe that registered trademarks have been important to the success of our branded fresh pork and packaged meats products. In a number of markets, our brands are among the leaders in select product categories.

Seasonality

The meat processing business is somewhat seasonal in that, traditionally, the periods of higher sales for hams are the holiday seasons such as Christmas, Easter and Thanksgiving, and the periods of higher sales for smoked sausages, hot dogs and luncheon meats are the summer months. The Pork segment typically builds substantial inventories of hams in anticipation of its seasonal holiday business. In addition, the Hog Production segment experiences lower farrowing performance during the winter months and slower animal growth rates during the hot summer months resulting in a decrease in hog supplies in the summer and an increase in hog supplies in the fall.

Competition

The protein industry is highly competitive. Our products compete with a large number of other protein sources, including chicken, beef and seafood, but our principal competition comes from other pork processors.

We believe that the principal competitive factors in the pork processing industry are price, product quality and innovation, product distribution and brand loyalty. Some of our competitors are more diversified than us, especially now that we have sold our beef and turkey operations. To the extent that their other operations generate profits, these more diversified competitors may be able to support their meat processing operations during periods of low or negative profitability.

Research and Development

We conduct continuous research and development activities to develop new products and to improve existing products and processes. We incurred expenses on company-sponsored research and development activities of $55.1 million, $80.9 million, $75.9 million and $47.0 million in the Transition Period, fiscal year ended April 28, 2013, fiscal year ended April 29, 2012 and fiscal year ended May 1, 2011, respectively.

FINANCIAL INFORMATION ABOUT SEGMENTS

Financial information for each reportable segment, including revenues, operating profit and total assets, is disclosed in Note 15—Reportable Segments in “Item 8. Financial Statements and Supplementary Data.”

RISK MANAGEMENT AND HEDGING

We are exposed to market risks primarily from changes in commodity prices, as well as interest rates and foreign exchange rates. To mitigate these risks, we utilize derivative instruments to hedge our exposure to changing prices and rates. For further information see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Derivative Financial Instruments.”

REGULATION

Regulation in General

Like other participants in the industry, we are subject to various laws and regulations administered by federal, state and other government entities, including the United States Environmental Protection Agency (EPA) and corresponding state agencies, as well as the United States Department of Agriculture, the Grain Inspection, Packers and Stockyard Administration, the United States Food and Drug Administration, the United States Occupational Safety and Health Administration, the Commodities and Futures Trading Commission and similar agencies in foreign countries.

From time to time, we receive notices and inquiries from regulatory authorities and others asserting that we are not in compliance with particular laws and regulations. In some instances, litigation ensues. In addition, individuals may initiate litigation against us.

Many of our facilities are subject to environmental permits and other regulatory requirements, violations of which are subject to civil and criminal sanction. In some cases, third parties may also have the right to sue to enforce compliance.

We use internationally recognized management systems to manage many of our regulatory programs. For example, we use the International Organization for Standardization (ISO) 14001:2004 standard to manage and optimize environmental performance, and we were the first in the industry to achieve ISO 14001:2004 certification for our hog production and processing facilities. ISO guidelines require a long-term management plan integrating regular third-party audits, goal setting, corrective action, documentation, and executive review. Our Environmental Management System (EMS), which conforms to the ISO 14001:2004 standard, addresses the significant environmental aspects of our operations, provides employee training programs and facilitates engagement with local communities and regulators. Most importantly, the EMS allows the collection, analysis and reporting of relevant environmental data to facilitate our compliance with applicable environmental laws and regulations.

Water

In March 2011, the U.S. Court of Appeals for the Fifth Circuit overturned EPA's November 2008 rule requiring that confined animal feeding operations (CAFOs) that “discharge or propose to discharge” apply for permit coverage under the Clean Water Act's National Pollutant Discharge Elimination System (NPDES). The Fifth Circuit's decision (which held that only discharging CAFOs have a duty to apply for NPDES permit coverage) has clarified the extent of our obligations under the NPDES permit program. EPA has not yet proposed or finalized a rule in response to the Fifth Circuit's decision, and it is not clear whether any such action may attempt to impose additional obligations on our hog production operations.

Air

During calendar year 2002, the National Academy of Sciences (the Academy) undertook a study at EPA's request to assist EPA in considering possible future regulation of air emissions from animal feeding operations. The Academy's study identified a need for more research and better information, but also recommended implementing without delay technically and economically feasible management practices to decrease emissions. Further, our hog production subsidiaries have accepted EPA's offer to enter into an administrative consent agreement and order with owners and operators of hog farms and other animal production operations. Under the terms of the consent agreement and order, participating owners and operators agreed to pay a penalty, contribute towards the cost of an air emissions monitoring study and make their farms available for monitoring. In return, participating farms have been given immunity from federal civil enforcement actions alleging violations of air emissions requirements under certain federal statutes, including the Clean Air Act. Pursuant to our consent agreement and order, we paid a $100,000 penalty to EPA. Premium Standard Farm, Inc.'s (PSF's) (now Murphy-Brown of Missouri LLC's) Texas farms and company-owned farms in North Carolina also agreed to participate in this program. The National Pork Board, of which we are a member and financial contributor, paid the costs of the air emissions monitoring study on behalf of all hog producers, including us, out of funds collected from its members in previous years. The cost of the study for all hog producers was approximately $6.0 million. Monitoring under the study began in the spring 2007 and ended in the winter 2010. EPA made the data available to the public in January 2011 and also issued a Call for Information seeking additional emissions data to ensure it considers the broadest range of available scientific data as it develops improved methodologies for estimating emissions. EPA will review the data to develop emissions estimating methodologies where site-specific information is unavailable. In March 2012, EPA made available draft emission estimation methodologies for broilers and swine and dairy feedings operations for public comment. EPA has not announced when it expects to finalize the methodologies. New regulations governing air emissions from animal agriculture operations are likely to emerge from the monitoring program undertaken pursuant to the consent agreement and order. There can be no assurance that any new regulations that may be proposed to address air emissions from animal feeding operations will not have a material adverse effect on our financial position or results of operations.

Greenhouse Gases (GHGs) and Climate Change

In calendar year 2009, EPA finalized its Mandatory Reporting of Greenhouse Gases (GHGs) rule, which requires owners or operators of certain facilities (including facilities that contain a manure management system) that emit at least 25,000 metric tons or more of GHGs per year to report their emissions. Although EPA has not been implementing the rule as it applies to manure management systems due to a congressional restriction prohibiting the expenditure of funds for this purpose, there is no assurance that this prohibition will not be lifted in the future. Should that occur, the rule would impose additional costs on our hog production operations; however, it is not expected that such costs would have a material adverse effect on our hog production operations.

The EPA finalized regulations in calendar year 2010 under the Clean Air Act, which may trigger new source review and permitting requirements for certain sources of GHG emissions. Beginning in early 2011, when GHG emissions standards for light-duty vehicles took effect, permits issued under the Clean Air Act permitting programs for large stationary sources of air pollution - the Prevention of Significant Deterioration (PSD) and the Title V Operating Permit Programs - must address GHGs. In April 2012, EPA issued the GHG Tailoring Rule to ensure that only the largest sources of GHGs, those responsible for 70 percent of the GHG pollution from stationary sources, would require air permits.

As in virtually every industry, GHG emissions occur at several points across our operations, including production, transportation and processing. Compliance with future legislation, if any, and compliance with currently evolving regulation of GHGs by EPA and the states may result in increased compliance costs, capital expenditures, and operating costs. In the event that any future compliance requirements at any of our facilities require more than the sustainability measures that we are currently undertaking to monitor emissions and improve our energy efficiency, we may experience significant increases in our costs of operation. Such costs may include the cost to purchase offsets or allowances and costs to reduce GHG emissions if such reductions are required. These regulatory changes may also lead to higher cost of goods and services which may be passed on to us by suppliers.

As an agriculture-based company, changes to the climate and weather patterns could also affect key inputs to our business as the result of shifts in temperatures, water availability, precipitation, and other factors. Both the cost and availability of corn and other feed crops, for example, could be affected. The regulation or taxation of carbon emissions could also affect the prices of commodities, energy, and other inputs to our business. We believe there could also be opportunities for us as a result of heightened interest in alternative energy sources, including those derived from manure, and participation in carbon markets. However, it is not possible at this time to predict the complete structure or outcome of any future legislative efforts to address GHG emissions and climate change, whether EPA's regulatory efforts will survive court challenge, or the eventual cost to us of compliance. There can be no assurance that GHG regulation will not have a material adverse effect on our financial position or results of operations.

Regulatory and Other Proceedings

From time to time we receive notices from regulatory authorities and others asserting that we are not in compliance with certain environmental laws and regulations. In some instances, litigation ensues.

In March 2006, we entered into a consent decree that settled two citizen lawsuits alleging among other things violations of certain environmental laws. The consent decree provides, among other things, that our subsidiary, Murphy-Brown LLC, will undertake a series of measures designed to enhance the performance of the swine waste management systems on approximately 244 company-owned farms in North Carolina and thereby reduce the potential for surface water or ground water contamination from these farms. Murphy-Brown has successfully completed a number of the measures called for in the consent decree and expects to fulfill its remaining consent decree obligations over the next 12 to 24 months, at which time it will move for termination of the decree.

Prior to our acquisition of PSF, it had entered into a consent judgment with the State of Missouri and a consent decree with the federal government and a citizens group. The judgment and decree generally required that PSF pay penalties to settle past alleged regulatory violations, utilize new technologies to reduce nitrogen in the material that it applies to farm fields and research, and develop and implement “Next Generation Technology” for environmental controls at certain of its Missouri farm operations. PSF has successfully completed the measures called for in the state judgment and the state court terminated the judgment in the fall of 2012. PSF has also completed a number of the measures called for in the federal consent decree, but is unable to predict at this time when it will complete the remaining consent decree obligations or when the consent decree will be terminated.

Environmental Stewardship

In July 2000, in furtherance of our continued commitment to responsible environmental stewardship, we and our North Carolina-based hog production subsidiaries voluntarily entered into an agreement with the Attorney General of North Carolina (the Agreement) designed to enhance water quality in the State of North Carolina through a series of initiatives to be undertaken by us and our subsidiaries while protecting access to swine operations in North Carolina. One of the features of the Agreement reflects our commitment to preserving and enhancing the environment of eastern North Carolina by providing a total of $50.0 million to assist in the preservation of wetlands and other natural areas in eastern North Carolina and to promote similar environmental enhancement activities. To fulfill our commitment, we made annual contributions of $2.0 million beginning in fiscal 2001 through fiscal 2010. Due to the losses we were experiencing in our Hog Production segment in fiscal 2010, we entered into an agreement with the Attorney General of North Carolina to defer our annual payments in fiscal 2011 and fiscal 2012. This agreement does not reduce our $50.0 million commitment. We re-started our annual $2.0 million payment in fiscal 2013.

Animal Care

More than a decade ago, Smithfield developed and implemented a comprehensive, systematic animal care management program to monitor and measure the well-being of pigs on company-owned and contract farms. Developed in consultation with two of the world's foremost experts in animal behavior and handling, this system continues to guide our operations today. Our animal care management program guides the proper and humane care of our animals at every stage of their lives, from gestation to transport to processing plant. All farm employees and contract hog producers must employ the methods and techniques of the management system and take steps to verify their compliance. Adherence to proper animal welfare management is a condition of our agreements with contract producers.

Our Animal Care Policy underscores the company's Commitments to providing the following:

- shelter that is designed, maintained, and operated to meet the animals' needs;
- access to adequate water and high-quality feed to meet nutritional requirements;
- humane treatment of animals that enhances their well-being and complies with all applicable laws and regulations;
- identification and appropriate treatment of animals in need of health care; and
- use of humane methods to euthanize sick or injured animals not responding to care and treatment.

Several years ago, we volunteered to provide input and recommendations to help the National Pork Board enhance its animal care management program for all pork producers. That program, which includes many of the tenets of our own guidelines, became the National Pork Board's Pork Quality Assurance Plus (PQA Plus®) program. A pork producer becomes PQA Plus certified only after staff attend training sessions on good production practices (which includes topics such as responsible animal handling, disease prevention, biosecurity, responsible antibiotic use, and appropriate feeding). Farms entered into the program undergo on-farm site assessments and are subject to random third-party audits. We obtained certification of all company-owned and contract farms under the PQA Plus program by the end of calendar year 2009.

Smithfield was also one of the founding adopters of the National Pork Board's “We Care” program, which demonstrates that pork producers are accountable to established ethical principles and animal well-being practices.

At all of our slaughter facilities, we also use a systematic approach that includes the following:

- an animal welfare and humane handling manual;
- a comprehensive training program; and
- an auditing system with internal verification and third-party audits.

Our plants all have developed quality programs following the standards set in the U.S. Department of Agriculture's Process Verified Program (PVP), as described elsewhere in this report. Our PVP programs monitor aspects of traceability, country of origin, PQA Plus® adherence on farms, and Transport Quality Assurance status of drivers.

In January 2007, we announced a voluntary, ten-year program to phase out individual gestation stalls at our company-owned sow farms and replace the gestation stalls with group pens. We currently estimate the total cost of our transition to group pens to be approximately $360.0 million, including associated maintenance and repairs. This program represents a significant financial commitment and reflects our desire to be more animal friendly, as well as to address the concerns and needs of our customers. As of the end of calendar year 2013, we had completed conversions to group housing for over 54% of our sows on company-owned farms. We remain on track to finish conversion to group housing for all sows on company-owned farms by the end of 2017. Our hog production operations in Poland and Romania completed their conversions to group housing facilities a number of years ago.

In January 2014, we announced the recommendation that all of our contract sow growers join with us in converting their facilities to group housing systems for pregnant sows. We asked contract sow growers to convert by 2022 and offered a sliding scale of incentives to accelerate that timetable. Growers who commit to convert to group housing will receive contract extensions upon completion of the conversion.

EMPLOYEES

The following table shows the approximate number of our employees and the approximate number of employees covered by collective bargaining agreements or that are members of labor unions in each segment, as of December 29, 2013:

Segment	Employees	Employees Covered by Collective Bargaining Agreements [(1)]
Pork	32,400	18,166
International	10,250	755
Hog Production	5,050	—
Corporate	200	—
Totals	47,900	18,921

(1) Includes employees that are members of labor unions.

Approximately 3,600 employees are covered by collective bargaining agreements that expire in fiscal 2014. Collective bargaining agreements covering other employees expire over periods throughout the next several years. We believe that our relationship with our employees is satisfactory.

FINANCIAL INFORMATION ABOUT GEOGRAPHIC AREAS

See Note 15—Reportable Segments in “Item 8. Financial Statements and Supplementary Data” for financial information about geographic areas. See “Item 1A. Risk Factors” for a discussion of the risks associated with our international sales and operations.

AVAILABLE INFORMATION

Our website address is www.smithfieldfoods.com. The information on our website is not part of this transition report. Our transition report on Form 10-K, annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports are available free of charge through our website as soon as reasonably practicable after filing or furnishing the material to the SEC. You may read and copy documents we file at the SEC’s Public Reference Room at 100 F Street, N.E., Washington D.C. 20549. Please call the SEC at 1-800-SEC-0330 for information on the public reference room. The SEC maintains a website that contains transition, annual, quarterly and current reports, proxy statements and other information that issuers and voluntary reporting companies, like us, file electronically with the SEC. The SEC’s website is www.sec.gov.

ITEM 1A. RISK FACTORS

The following risk factors should be read carefully in connection with evaluating our business and the forward-looking information contained in this Transition Report on Form 10-K. The risk factors below represent what we believe are the known material risk factors with respect to us and our business. Any of the following risks could materially adversely affect our business, operations, industry, financial position or future financial results.

Our results of operations are cyclical and could be adversely affected by fluctuations in the commodity prices for hogs and grains.

We are largely dependent on the cost and supply of hogs and feed ingredients and the selling price of our products and competing protein products, all of which are determined by constantly changing and volatile market forces of supply and demand as well as other factors over which we have little or no control. These other factors include:

- competing demand for corn for use in the manufacture of ethanol or other alternative fuels,
- environmental and conservation regulations,
- import and export restrictions such as trade barriers resulting from, among other things, food safety concerns and developments in international relations,
- economic conditions,
- weather, including the impact of weather on our water supply and the availability and pricing of grains,
- energy prices, including the effect of changes in energy prices on our transportation costs and the cost of feed, and
- crop and livestock diseases.

We cannot assure you that all or part of any increased costs experienced by us from time to time can be passed along to consumers of our products, in a timely manner or at all.

Hog prices demonstrate a cyclical nature over periods of years, changing market supply and demand of hogs on the market. These fluctuations can be significant, as shown in recent years, with average domestic live hog prices going from $44 per hundredweight in fiscal 2010 to $65 per hundredweight in fiscal 2012. Further, hog raising costs are largely dependent on the fluctuations of commodity prices for corn and other feed ingredients. For example, our fiscal 2013 results of operations were negatively impacted by higher feed and feed ingredient costs which increased hog raising costs to $68 per hundredweight in fiscal 2013 compared to $54 per hundred weight in fiscal 2011. When hog prices are lower than our hog production costs which occurred in fiscal 2013, our non-vertically integrated competitors (i.e., those without significant hog production operations) may have a cost advantage over us. Additionally, commodity pork prices demonstrate a cyclical nature over periods of years, reflecting changes in the supply of fresh pork and competing animal proteins on the market, especially beef and chicken.

We attempt to manage certain of these risks through the use of our risk management and hedging programs. However, these programs may also limit our ability to participate in gains from favorable commodity fluctuations. Additionally, a portion of our commodity derivative contracts are marked-to-market such that the related unrealized gains and losses are reported in earnings on a quarterly basis. This accounting treatment may cause significant volatility in our quarterly earnings. See “Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Derivative Financial Instruments” for further information.

Outbreaks of disease among or attributed to livestock can significantly affect production, the supply of raw materials, demand for our products and our business.

We take precautions to ensure that our livestock are healthy and that our processing plants and other facilities operate in a sanitary manner. Nevertheless, we are subject to risks relating to our ability to maintain animal health and control diseases. Livestock health problems could adversely impact our production, our supply of raw materials and consumer confidence in all of our operating segments.

From time to time, we have experienced outbreaks of livestock diseases and we may experience additional occurrences of disease in the future. Disease can reduce the number of offspring produced, hamper the growth of livestock to finished size, result in expensive vaccination programs and require in some cases the destruction of infected livestock, any of which could adversely affect our production or ability to sell or export our products. Adverse publicity concerning any disease or health

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concern could also cause customers to lose confidence in the safety and quality of our food products, particularly as we expand our branded pork products. In addition to risks associated with maintaining the health of our livestock, any outbreak of disease elsewhere in the U.S. or in other countries could reduce consumer confidence in the meat products affected by the particular disease, generate adverse publicity, depress market conditions for our hogs internationally and/or domestically and result in the imposition of import or export restrictions.

Outbreaks of disease among or attributed to livestock also may have indirect consequences that adversely affect our business. For example, past outbreaks of avian influenza in various parts of the world reduced the global demand for poultry and thus created a temporary surplus of poultry both domestically and internationally. This poultry surplus placed downward pressure on poultry prices, which in turn reduced meat prices including pork prices both in the U.S. and internationally. The occurrence of similar events in the future could materially and adversely affect our business, financial condition, results of operations and prospects.

Our operations are subject to the general risks associated with the food industry, including perceived or real health risks related to our products or the food industry generally and risks associated with government regulations.

We are subject to risks affecting the food industry generally, including risks posed by the following:

- food spoilage,
- food contamination,
- food allergens,
- evolving consumer preferences and nutritional and health-related concerns,
- consumer product liability claims,
- product tampering,
- product labeling errors,
- the expense and possible unavailability of product liability insurance, and
- the potential cost and disruption of a product recall.

Negative publicity relating to our products, brands, operations, industry or products similar to ours may adversely affect consumer perceptions of our products and result in decreased demand for our products. In particular, negative publicity relating to one of our 12 core brands may be particularly harmful since we face risks from brand concentration. Adverse publicity concerning any perceived or real health risk associated with our brands or our products could also cause customers to lose confidence in the safety and quality of our food products, which could adversely affect our ability to sell our reputation, business, financial condition, results of operation and prospects, particularly as we expand our branded products business. We could also be adversely affected by perceived or real health risks associated with similar products produced by others to the extent such risks cause customers to lose confidence in the safety and quality of such products generally and, therefore, lead customers to opt for other meat options that are perceived as safe. The A(H1N1) influenza outbreak that occurred in late fiscal 2009 and early fiscal 2010 illustrates the adverse impact that can result from perceived health risks associated with the products we sell. Although the CDC and other regulatory and scientific bodies indicated that people cannot get A(H1N1) influenza from eating cooked pork or pork products, the perception of some consumers that the disease could be transmitted in that manner was the apparent cause of the temporary decline in pork consumption in late fiscal 2009 and early fiscal 2010.

Our products are susceptible to contamination by disease producing organisms or pathogens, such as Listeria monocytogenes, Salmonella, Campylobacter and generic E. coli. Because these organisms and pathogens are generally found in the environment, there is a risk that one or more, as a result of food processing, could be present in our products. We have systems in place designed to monitor food safety risks throughout all stages of our vertically integrated process. However, we cannot assure you that such systems, even when working effectively, will eliminate the risks related to food safety. These organisms and pathogens can also be introduced to our products as a result of improper handling in transportation or at the further processing, foodservice or consumer level. In addition to the risks caused by our processing operations and the subsequent handling of the products, we may encounter the same risks if any third party tampers with our products. We could be required to recall certain of our products in the event of contamination or adverse test results. Any product contamination also could subject us to product liability claims, adverse publicity and government scrutiny, investigation or intervention, resulting in increased costs and decreased sales as customers lose confidence in the safety and quality of our food products. Any of these events could have an adverse impact on our reputation, business, financial condition, results of operations and prospects.

Our manufacturing facilities and products, including the processing, packaging, storage, distribution, advertising and labeling of our products, are subject to extensive federal, state and foreign laws and regulations in the food safety area, including regular government inspections and governmental food processing controls. Loss of or failure to obtain necessary permits and registrations could delay or prevent us from meeting current product demand, introducing new products, building new facilities or acquiring new businesses and could adversely affect operating results. If we are found to be out of compliance with applicable laws and regulations, particularly if it relates to or compromises food safety, we could be subject to civil remedies, including fines, injunctions, recalls or asset seizures, as well as potential criminal sanctions, any of which could have a material adverse effect on our business, financial condition, results of operations and prospects. In addition, future material changes in food safety regulations could result in increased operating costs or could be required to be implemented on schedules that cannot be met without interruptions in our operations.

Environmental regulation and related litigation and commitments could have a material adverse effect on us.

Our past and present business operations and properties are subject to extensive and increasingly stringent federal, state, local and foreign laws and regulations pertaining to protection of the environment, including among others:

- the treatment and discharge of materials into the environment,
- the handling and disposition of manure and solid wastes and
- the emission of greenhouse gases.

Failure to comply with these laws and regulations or any future changes to them may result in significant consequences to us, including administrative, civil and criminal penalties, liability for damages and negative publicity. Some requirements applicable to us may also be enforced by citizen groups or other third parties. Natural disasters, such as flooding and hurricanes, can cause the discharge of effluents or other waste into the environment, potentially resulting in our being subject to further liability claims and governmental regulation as has occurred in the past. See “Item 1. Business—Regulation” for further discussion of regulatory compliance as it relates to environmental risk. We have incurred, and will continue to incur, significant capital and operating expenditures to comply with these laws and regulations.

We also face the risk of lawsuits even if we are operating in compliance with applicable regulations. For example, before we acquired PSF and subsequent to our acquisition of PSF, certain nuisance suits in Missouri resulted in jury verdicts against PSF. In fiscal 2013, we consummated a global settlement that resolved the vast majority of the outstanding nuisance litigation in Missouri. See “Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations-Results of Operations-Missouri litigation” for additional details. However, we cannot assure you that additional environmental related lawsuits, including additional nuisance claims, will not arise in the future.

In addition, new environmental issues could arise that would cause currently unanticipated investigations, assessments or expenditures.

Governmental authorities may take further action restricting our ability to produce and/or sell livestock or adopt new regulations impacting our production or processing operations, which could adversely affect our business.

A number of states, including Iowa and Missouri, have adopted legislation that prohibits or restricts the ability of meat packers, or in some cases corporations generally, from owning livestock or engaging in farming. In addition, Congress has in the past considered federal legislation that would ban meat packers from owning livestock. We cannot assure you that such or similar legislation affecting our operations will not be adopted at the federal or state levels in the future. Such legislation, if adopted and applicable to our current operations and not successfully challenged or settled, could have a material adverse impact on our operations and our financial statements.

In fiscal 2008, the State of North Carolina enacted a permanent moratorium on the construction of new hog farms using the lagoon and sprayfield system. The moratorium limits us from expanding our North Carolina production operations. This permanent moratorium replaced a 10-year moratorium on the construction of hog farms with more than 250 hogs or the expansion of existing large farms. This moratorium may over time lead to increased competition for contract growers.

Our level of indebtedness and the terms of our indebtedness could adversely affect our business and liquidity position.

As of December 29, 2013, we had:

- approximately $3.0 billion of indebtedness;
- guarantees of $9.5 million for leases that were transferred to JBS S.A. in connection with the sale of Smithfield Beef, Inc.; and
- aggregate unused capacity available totaling approximately $1.0 billion under (1) our inventory based revolving credit facility with capacity up to $1.025 billion, with an option to expand up to $1.225 billion (the Inventory Revolver), (2) our accounts receivable securitization facility with capacity up to $275.0 million (the Securitization Facility) and (3) our other credit facilities with capacity of $142.0 million, such total taking into account outstanding borrowings of $314.1 million and $91.4 million of outstanding letters of credit under the Securitization Facility.

Because the borrowing capacity under the Inventory Revolver and Securitization Facility depend, in part, on inventory and accounts receivable levels, respectively, which fluctuate from time to time, such amounts may not reflect actual borrowing capacity.

Our indebtedness may increase from time to time for various reasons, including fluctuations in operating results, working capital needs, capital expenditures and potential acquisitions or joint ventures. In addition, due to the volatile nature of the commodities markets, we may have to borrow significant amounts to cover any margin calls under our risk management and hedging programs. During the Transition Period, margin deposits posted by us ranged from $21.7 million to $106.4 million. Our consolidated indebtedness level could significantly affect our business because:

- it may, together with the financial and other restrictive covenants in the agreements governing our indebtedness, limit or impair our ability in the future to obtain financing, refinance any of our indebtedness, sell assets or raise equity on commercially reasonable terms or at all, which could cause us to default on our obligations and materially impair our liquidity,
- a downgrade in our credit rating could restrict or impede our ability to access capital markets at attractive rates and increase the cost of future borrowings,
- it may reduce our flexibility to respond to changing business and economic conditions or to take advantage of business opportunities that may arise,
- a portion of our cash flow from operations must be dedicated to interest payments on our indebtedness and is not available for other purposes, which amount would increase if prevailing interest rates rise,
- substantially all of our working capital assets in the United States secure the Inventory Revolver and the Securitization Facility, all of which could limit our ability to dispose of such assets or utilize the proceeds of such dispositions and, upon an event of default under any such secured indebtedness, the lenders thereunder could foreclose upon our pledged assets, and
- it could make us more vulnerable to downturns in general economic or industry conditions or in our business.

Further, our debt agreements restrict the payment of dividends to shareholders and, under certain circumstances, may limit additional borrowings, investments, the acquisition or disposition of assets, mergers and consolidations, transactions with affiliates, the creation of liens and the repayment of certain debt.

Should market conditions deteriorate, or our operating results be depressed in the future, we may have to request amendments or waivers to our covenants and restrictions under our debt agreements. There can be no assurance that we will be able to obtain such relief should it be needed in the future. A breach of any of these covenants or restrictions could result in a default that would permit our senior lenders, including lenders under the Inventory Revolver, the Securitization Facility, the Rabobank Term Loan and the holders of our senior unsecured notes, as the case may be, to declare all amounts outstanding under the Inventory Revolver, the Securitization Facility, the Rabobank Term Loan or the senior unsecured notes to be due and payable, together with accrued and unpaid interest, and the commitments of the relevant lenders to make further extensions of credit under the Inventory Revolver and the Securitization Facility could be terminated. If we were unable to repay our secured indebtedness to our lenders, these lenders could proceed against the collateral securing that indebtedness, which could include substantially all of our working capital assets in the United States. Our future ability to comply with financial covenants and other conditions, make scheduled payments of principal and interest, or refinance existing borrowings depends on future business performance which is subject to economic, financial, competitive and other factors, including the other risks set forth in this Item 1A. Any failure to comply with the covenants of our debt agreements could have a material adverse effect on our business, financial condition, results of operations and prospects.

Our operations are subject to the risks associated with acquisitions and investments in joint ventures.

From time to time we review opportunities for strategic growth through acquisitions. We have also pursued and may in the future pursue strategic growth through investment in joint ventures. These acquisitions and investments may involve large transactions or realignment of existing investments. These transactions present financial, managerial and operational challenges, including:

- diversion of management attention from managing our existing business,
- difficulty with integrating businesses, operations, personnel and financial and other systems,
- lack of experience in operating in the geographical or product markets of the acquired business,
- increased levels of debt potentially leading to associated reduction in ratings of our debt securities and adverse impact on our various financial ratios,
- the requirement that we periodically review the value at which we carry our investments in joint ventures and, in the event we determine that the value at which we carry a joint venture investment has been impaired, the requirement to record a non-cash impairment charge, which charge could substantially affect our reported earnings in the period of such charge, would negatively impact our financial ratios and could limit our ability to obtain financing in the future,
- potential loss of key employees and customers of the acquired business,
- assumption of and exposure to unknown or contingent liabilities of acquired businesses,
- potential disputes with the sellers, and
- for our investments, potential lack of common business goals and strategies with, and cooperation of, our joint venture partners.

In addition, acquisitions outside the U.S. may present unique difficulties and increase our exposure to those risks associated with international operations.

We may experience financial or other set-backs if any of the businesses that we have acquired or may acquire in the future have problems of which we are not aware or liabilities that exceed expectations.

Our numerous equity investments in joint ventures, partnerships and other entities, both within and outside the U.S., are periodically involved in modifying and amending their credit facilities and loan agreements. The ability of these entities to refinance or amend their facilities on a successful and satisfactory basis, and to comply with the covenants in their financing facilities, affects our assessment of the carrying value of any individual investment. As of December 29, 2013, none of our equity investments represented more than 5% of our total consolidated assets. If we determine in the future that an investment is impaired, we would be required to record a non-cash impairment charge, which could substantially affect our reported earnings in the period of such charge. In addition, any such impairment charge would negatively impact our financial ratios and could limit our ability to obtain financing in the future. See "Item 8. Notes to Consolidated Financial Statements—Note 5: Investments" for a discussion of the accounting treatment of our equity investments.

We are subject to risks associated with our international sales and operations.
Sales to international customers accounted for approximately 21% of our net sales in the Transition Period. We conduct foreign operations in Poland, Romania and the United Kingdom and export our products to more than 40 countries. In addition, we are engaged in joint ventures in Mexico and have a significant investment in Western Europe. As of December 29, 2013, approximately 16% of our long-lived assets were associated with our foreign operations. Because of the growing market share of U.S. pork products in the international markets, U.S. exporters are increasingly being affected by measures taken by importing countries to protect local producers.
Our international sales, operations and investments are subject to various risks related to economic or political uncertainties including among others:

- general economic and political conditions,
- imposition of tariffs, quotas, trade barriers and other trade protection measures imposed by foreign countries,
- import or export licensing requirements imposed by various foreign countries,
- the closing of borders by foreign countries to the import of our products due to, among other things, animal disease or other perceived health or safety issues,
- difficulties and costs associated with complying with, and enforcing remedies under, a wide variety of complex domestic and international laws, treaties and regulations, including the Foreign Corrupt Practices Act,
- different regulatory structures and unexpected changes in regulatory environments,
- tax rates that may exceed those in the United States and earnings that may be subject to withholding requirements and incremental taxes upon repatriation,
- potentially negative consequences from changes in tax laws, and
- distribution costs, disruptions in shipping or reduced availability of freight transportation.

Furthermore, our foreign operations are subject to the risks described above as well as additional risks and uncertainties including among others:

- fluctuations in currency values, which have affected, among other things, the costs of our investments in foreign operations,
- translation of foreign currencies into U.S. dollars, and
- foreign currency exchange controls.

Negative consequences relating to these risks and uncertainties could jeopardize or limit our ability to transact business in one or more of those markets where we operate or in other developing markets and could adversely affect our business, financial condition, results of operations and prospects.
Our operations are subject to the general risks of litigation.
We are involved on an ongoing basis in litigation arising in the ordinary course of business or otherwise. Trends in litigation may include class actions involving consumers, shareholders, employees or injured persons, and claims related to commercial, labor, employment, antitrust, securities or environmental matters. Moreover, the process of litigating cases, even if we are successful, may be costly, and may approximate the cost of damages sought. These actions could also expose us to adverse publicity, which might adversely affect our brands, reputation and/or customer preference for our products and distract management from other tasks. Litigation trends and expenses and the outcome of litigation cannot be predicted with certainty and adverse litigation trends, expenses and outcomes could adversely affect our business, financial condition, results of operations and prospects.

We depend on availability of, and satisfactory relations with, our employees.
As of December 29, 2013, we had approximately 47,900 employees, 18,921 of whom are covered by collective bargaining agreements or are members of labor unions. Our operations depend on the availability, retention and relative costs of labor and maintaining satisfactory relations with employees and the labor unions. Further, employee shortages can and do occur, particularly in rural areas where some of our operations are located. Labor relations issues arise from time to time, including issues in connection with union efforts to represent employees at our plants and with the negotiation of new collective bargaining agreements. If we fail to maintain satisfactory relations with our employees or with the labor unions, we may experience labor strikes, work stoppages or other labor disputes. Negotiation of collective bargaining agreements also could result in higher ongoing labor costs. In addition, the discovery by us or governmental authorities of undocumented workers, as has occurred in the past, could result in our having to attempt to replace those workers, which could be disruptive to our operations or may be difficult to do. Immigration reform continues to attract significant attention in the public arena and the U.S. Congress. If new immigration legislation is enacted, such laws may contain provisions that could increase our costs in recruiting, training and retaining employees and increase our costs of complying with federal law in reviewing employees' immigration status. Furthermore, increased enforcement efforts with respect to existing immigration laws by governmental authorities may disrupt a portion of our workforce or our operations.
There can be no assurance that these activities or consequences will not adversely affect our business, financial condition, results of operations or prospects in the future.
The continued consolidation of customers could negatively impact our business.
Our ten largest customers represented approximately 27% of net sales for the Transition Period. We do not have long-term sales agreements (other than to certain third-party hog customers) or other contractual assurances as to future sales to these major customers. In addition, continued consolidation within the retail industry, including among supermarkets, warehouse clubs and food distributors, has resulted in an increasingly concentrated retail base and increased our credit exposure to certain customers. Our business could be materially adversely affected and suffer significant set-backs in sales and operating income from the loss of some of our larger customers or if our larger customers' plans, markets, and/or financial condition should change significantly.
An impairment in the carrying value of goodwill could negatively impact our consolidated results of operations and net worth.
Goodwill is recorded at fair value and is not amortized, but is reviewed for impairment at least annually or more frequently if impairment indicators arise. In evaluating the potential for impairment of goodwill, we make assumptions regarding future operating performance, business trends, and market and economic conditions. Such analyses further require us to make judgmental assumptions about sales, operating margins, growth rates, and discount rates. There are inherent uncertainties related to these factors and to management's judgment in applying these factors to the assessment of goodwill recoverability. Goodwill reviews are prepared using estimates of the fair value of reporting units based on market multiples of EBITDA (earnings before interest, taxes, depreciation and amortization) and/or on the estimated present value of future discounted cash flows. We could be required to evaluate the recoverability of goodwill prior to the annual assessment if we experience disruptions to the business, unexpected significant declines in operating results, divestiture of a significant component of our business or market capitalization declines. For example, at the end of the third quarter of fiscal 2009, we performed an interim test of the carrying amount of goodwill related to our U.S. hog production operations. We undertook this test due to the significant losses incurred in our hog production operations and decline in the market price of our common stock at that time. We determined that the fair value of our U.S. hog production reporting unit exceeded its carrying value by more than 20%. Therefore goodwill was not impaired. However, these types of events and the resulting analyses could result in non-cash goodwill impairment charges in the future.
Impairment charges could substantially affect our reported earnings in the periods of such charges. In addition, impairment charges would negatively impact our financial ratios and could limit our ability to obtain financing in the future. As of December 29, 2013, we had $1.6 billion of goodwill, which represented approximately 16% of total assets.

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Deterioration of economic conditions could negatively impact our business.

Our business may be adversely affected by changes in national or global economic conditions, including inflation, interest rates, availability of and access to capital markets, consumer spending rates, energy availability and costs (including fuel surcharges) and the effects of governmental initiatives to manage economic conditions. Any such changes could adversely affect the demand for our products or the cost and availability of our needed raw materials, cooking ingredients and packaging materials, thereby negatively affecting our financial results.

Disruptions and instability in credit and other financial markets and deterioration of national and global economic conditions, could, among other things:

- make it more difficult or costly for us to obtain financing for our operations or investments or to refinance our debt in the future;
- cause our lenders to depart from prior credit industry practice and make more difficult or expensive the granting of any technical or other waivers under our credit agreements to the extent we may seek them in the future;
- impair the financial condition of some of our customers, suppliers or counterparties to our derivative instruments, thereby increasing customer bad debts, non-performance by suppliers or counterparty failures negatively impacting our treasury operations;
- negatively impact global demand for our products, which could result in a reduction of sales, operating income and cash flows;
- decrease the value of our investments in equity and debt securities, including our company-owned life insurance and pension plan assets, which could result in higher pension cost and statutorily mandated funding requirements; and
- impair the financial viability of our insurers.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

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ITEM 2. PROPERTIES

The following table lists our material plants and other physical properties. Based on a five day week, our weekly domestic pork slaughter capacity was 565,000 head and our domestic packaged meats capacity was 62.4 million pounds, as of December 29, 2013. During the Transition Period, the average weekly capacity utilization for pork slaughter and packaged meats was 97% and 84%, respectively. We believe these properties are adequate and suitable for our needs.

Location	Segment	Operation
Smithfield Packing Plant Bladen County, North Carolina	Pork	Slaughtering and cutting hogs
Smithfield Packing Plant Smithfield, Virginia	Pork	Slaughtering and cutting hogs; fresh and packaged pork products
Smithfield Packing Plant Kinston, North Carolina	Pork	Production of boneless cooked hams, deli hams and sliced deli products
Smithfield Packing Plant Clinton, North Carolina	Pork	Slaughtering and cutting hogs; fresh and packaged pork products
Smithfield Packing Plant Wilson, North Carolina	Pork	Production of bacon
John Morrell Plant Sioux Falls, South Dakota	Pork	Slaughtering and cutting hogs; fresh and packaged pork products
John Morrell Plant Springdale, OH	Pork	Production of hot dogs and luncheon meats
Curly’s Foods, Inc. Plant (operated by John Morrell) Sioux City, Iowa	Pork	Production of raw and cooked ribs and other BBQ items
Armour-Eckrich Meats (operated by John Morrell) St. Charles, Illinois	Pork	Production of bulk and sliced dry sausages
Armour-Eckrich Meats (operated by John Morrell) Omaha, Nebraska	Pork	Production of bulk and sliced dry sausages
Armour-Eckrich Meats (operated by John Morrell) Peru, Indiana	Pork	Production of pre-cooked bacon
Armour-Eckrich Meats (operated by John Morrell) Junction City, Kansas	Pork	Production of smoked sausage

Armour-Eckrich Meats (operated by John Morrell) Mason City, Iowa	Pork	Production of boneless bulk and sliced ham products
Armour-Eckrich Meats (operated by John Morrell) St. James, Minnesota	Pork	Production of sliced luncheon meats

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Location	Segment	Operation
Farmland Plant Crete, Nebraska	Pork	Slaughtering and cutting hogs; fresh and packaged pork products
Farmland Plant Monmouth, Illinois	Pork	Slaughtering and cutting hogs; fresh and packaged pork products
Farmland Plant Denison, Iowa	Pork	Slaughtering and cutting hogs; fresh and packaged pork products
Farmland Plant Milan, Missouri	Pork	Slaughtering and cutting hogs; fresh pork
Farmland Plant Wichita, Kansas	Pork	Production of hot dogs and luncheon meats
Cook's Hams Plant (operated by Farmland Foods) Lincoln, Nebraska	Pork	Production of smoked hams and other smoked meats
Cook's Hams Plant (operated by Smithfield Packing) Grayson, Kentucky	Pork	Production of spiral hams and smoked ham products
Cook's Hams Plant (operated by Farmland Foods) Martin City, Missouri	Pork	Production of spiral hams
Patrick Cudahy Plant (operated by John Morrell) Cudahy, Wisconsin	Pork	Production of bacon, dry sausage and refinery products
Animex Plant Szczecin, Poland	International	Slaughtering and deboning hogs; production of packaged and other pork products
Animex Plant Starachowice, Poland	International	Slaughtering and deboning hogs; production of packaged and other pork products
Animex Plant Elk, Poland	International	Slaughtering and deboning hogs; production of packaged and other pork products
Animex Plant Morliny, Poland	International	Production of packaged and other pork and beef products
Animex Plant Ilawa, Poland	International	Slaughtering of turkey and geese; production of fresh and packaged poultry products
Animex Plant	International	

Suwalki, Poland		Slaughtering of chicken; production of fresh and packaged poultry products
Animex Plant Opole, Poland	International	Slaughtering of chicken; production of fresh and packaged poultry products

Location	Segment	Operation
Animex Plant Debica, Poland	International	Production of packaged poultry products
Smithfield Prod Plant Timisoara, Romania	International	Deboning, slaughtering and rendering hogs
Corporate Headquarters Smithfield, Virginia	Corporate	Management and administrative support services for other segments

The Hog Production segment owns and leases numerous hog production and grain storage facilities, as well as feedmills, mainly in North Carolina, Utah, Missouri, Iowa, Colorado and Virginia, with additional facilities in Oklahoma, Texas, Illinois, South Carolina and Pennsylvania. A substantial number of these owned facilities are pledged under our credit facilities.

Also, the International segment owns and leases numerous hog production and grain storage facilities, as well as feedmills, in Poland and Romania.

ITEM 3. LEGAL PROCEEDINGS

We and certain of our subsidiaries are parties to the environmental litigation matters discussed in "Item 1. Business—Regulation" above. Apart from those matters and the matters listed below, we and our affiliates are parties to various lawsuits arising in the ordinary course of business. In the opinion of management, any ultimate liability with respect to the ordinary course matters will not have a material adverse effect on our financial position or results of operations.

North Carolina Nuisance Litigation

In July, August and September 2013, 25 complaints were filed in the Superior Court of Wake County, North Carolina by 479 individual plaintiffs against Smithfield and our wholly owned subsidiary, Murphy-Brown. The complaints relate to operations on approximately 11 company-owned and 79 contract farms. All 25 complaints include causes of action for temporary nuisance, negligence, and negligent entrustment and seek recovery of an unspecified amount of compensatory and punitive damages, attorneys' fees, costs and pre- and post-judgment interest. Smithfield and Murphy-Brown have filed Motions for Change of Venue, to Dismiss Plaintiffs' Negligent Entrustment Claim and for a More Definite Statement in all 25 cases.

All 25 complaints stem from requests for pre-litigation mediation of farm nuisance disputes filed in early July 2013 in Wake County, North Carolina. Plaintiffs' counsel have filed pre-litigation mediation notices on behalf of approximately 334 additional claimants who have not filed complaints. Approximately 224 additional potential claimants have threatened to bring claims but not initiated any formal legal process. The Company believes that the claims are unfounded and intends to defend the suits vigorously.

Farmland (Denison)

In November 2012, the Iowa Department of Natural Resources (IDNR) initiated a civil enforcement action against Farmland Foods, Inc. (Farmland) for exceeding certain effluent limitations contained in its wastewater pretreatment agreement in connection with operations at Farmland's Denison facility. IDNR and Farmland initiated discussions as a first step towards resolving this matter by agreement, and Farmland has been working on capital improvements to its Denison wastewater facility. This matter has been resolved with INDR pursuant to an administrative consent order entered in December 2013 and a payment by Farmland of $10,000.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

EXECUTIVE OFFICERS OF THE REGISTRANT

The following table shows the name and age, position and business experience during the past five years of each of our executive officers. The board of directors elects executive officers to hold office until the next annual meeting of the board of directors, until their successors are elected or until their resignation or removal.

Name and Age	Position	Business Experience During Past Five Years
C. Larry Pope (59)	President and Chief Executive Officer	Mr. Pope was elected President and Chief Executive Officer in June 2006, effective September 1, 2006. Mr. Pope served as President and Chief Operating Officer from October 2001 to September 2006.
Robert W. Manly, IV (60)	Executive Vice President and Chief Synergy Officer and President of Murphy-Brown	Mr. Manly assumed the role of Chief Synergy Officer in October 2013 and assumed the role of President of Murphy-Brown in July 2012. Mr. Manly was elected Executive Vice President in August 2006 and served as Chief Financial Officer from July 2008 to October 2013. He also served as Interim Chief Financial Officer from January 2007 to June 2007.
Kenneth M. Sullivan (50)	Chief Financial Officer	Mr. Sullivan was promoted to Chief Financial Officer in 2013. He served as Senior Vice President of Finance and Chief Accounting Officer from 2012 to 2013, Vice President of Finance and Chief Accounting Officer from 2010 to 2012, Chief Accounting Officer from 2007 to 2010 and Vice President of Internal Audit from 2003 to 2007.
Dhamu Thamodaran (59)	Executive Vice President and Chief Commodity Hedging Officer	Mr. Thamodaran was elected Executive Vice President and Chief Commodity Hedging Officer in July 2011. He was named Senior Vice President and Chief Commodity Hedging Officer in June 2008. Prior to these appointments, Mr. Thamodaran served as Vice President, Price Risk Management.
Dennis H. Treacy (59)	Executive Vice President, Corporate Affairs, and Chief Sustainability Officer	Mr. Treacy was elected Executive Vice President, Corporate Affairs, and Chief Sustainability Officer in October 2011. He was named Senior Vice President of Corporate Affairs and Chief Sustainability Officer in February 2010. Prior to these appointments, Mr. Treacy served as Vice President, Environmental and Corporate Affairs.
George H. Richter (69)	President and Chief Operating Officer, Pork Group	Mr. Richter was elected President and Chief Operating Officer, Pork Group in April 2008. Mr. Richter served as President of Farmland Foods from October 2003 to April 2008.
Michael E. Brown (55)	President of Farmland Foods	Mr. Brown was elected President of Farmland Foods in October 2010. He served as President of Armour-Eckrich and Executive Vice President of

		John Morrell Food Group from 2006 to October 2010.
Timothy O. Schellpeper (49)	President of Smithfield Packing	Mr. Schellpeper was elected President of Smithfield Packing in April 2008. He was Senior Vice President of Operations at Farmland Foods from August 2005 to April 2008.
Joseph B. Sebring (66)	President of John Morrell	Mr. Sebring has served as President of John Morrell since May 1994.
Dariusz Nowakowski (60)	President of Smithfield Europe	Mr. Nowakowski was elected President of Smithfield Europe in August 2012 and is responsible for all of Smithfield's wholly owned subsidiaries in Europe. Mr. Nowakowski joined Smithfield in 2006 as President of Animex.

PART II

ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

MARKET INFORMATION

Prior to the Merger, our common stock was listed on the New York Stock Exchange under the symbol “SFD”. As a result of the Merger, our common stock ceased to be traded on the New York Stock Exchange after close of market on September 26, 2013. Smithfield Foods, Inc. is now wholly owned by a subsidiary of WH Group.

DIVIDENDS

We have never paid a cash dividend on our common stock and currently have no plans to pay a cash dividend in the foreseeable future. In addition, the terms of certain of our debt agreements limit the payment of cash dividends on our common stock. We would only pay cash dividends from assets legally available for that purpose.

ITEM 6. SELECTED FINANCIAL DATA

On September 26, 2013, we were acquired by an indirect subsidiary of WH Group in a merger transaction accounted for as a business combination. Unless the context otherwise requires, all references to “Successor” refer to Smithfield Foods, Inc. and all its subsidiaries for the period subsequent to the merger. All references to “Predecessor” refer to Smithfield Foods, Inc. and all its subsidiaries for all periods prior to the merger. In addition, the merger was accounted for under the acquisition method of accounting, which resulted in purchase price allocations that affect the comparability of results of operations for periods before and after the merger.
The following table shows selected consolidated financial data and other operational data for each of the periods indicated. The financial data as of December 29, 2013, for the period September 27 - December 29, 2013 (Successor Period), for the period April 29 - September 26, 2013 (Predecessor Period), for fiscal year ended April 28, 2013, for fiscal year ended April 29, 2012, for fiscal year ended May 1, 2011, for fiscal year ended May 2, 2010 and for fiscal year ended May 3, 2009 have been derived from our audited consolidated financial statements. The financial data for the period April 29 - December 29, 2013 (the Transition Period) have been derived from our audited consolidated financial statements, but have not been audited. You should read the information in conjunction with “Item 8. Financial Statements and Supplementary Data” and “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations."
As a result of the Merger, all outstanding common stock of the Company during the Predecessor Period was retired and all of the outstanding shares of Merger Sub were converted to 1,000 shares of common stock of the Company, no par value, and such shares are owned by a wholly owned subsidiary of WH Group. There are no other shares of stock outstanding in the Company; therefore we have not reported earnings per share.

	Successor	Predecessor					
			Fiscal Year Ended				
	September 27 - December 29, 2013 (in millions)	April 29 - September 26, 2013	April 28, 2013	April 29, 2012	May 1, 2011	May 2, 2010	May 3, 2009
Statement of Income Data:							
Sales	$3,894.2	$5,679.5	$13,221.1	$13,094.3	$12,202.7	$11,202.6	$12,487.7
Cost of sales	3,543.1	5,190.1	11,901.4	11,544.9	10,488.6	10,472.5	11,863.1
Gross profit	351.1	489.4	1,319.7	1,549.4	1,714.1	730.1	624.6
Selling, general and administrative expenses	213.4	341.7	815.4	816.9	789.8	705.9	798.4
Gain on fire insurance recovery	—	—	—	—	(120.6)	—	—
Merger related costs	23.9	18.0	—	—	—	—	—
Loss (income) from equity method investments	2.6	0.5	(15.0)	9.9	(50.1)	(38.6)	50.1
Operating profit (loss)	111.2	129.2	519.3	722.6	1,095.0	62.8	(223.9)
Interest expense	59.0	64.6	168.7	176.7	245.4	266.4	221.8
Other loss (income)	1.7	—	120.7	12.2	92.5	11.0	(63.5)
Income (loss) from continuing operations before income taxes	50.5	64.6	229.9	533.7	757.1	(214.6)	(382.2)
Income tax expense (benefit)	15.8	12.7	46.1	172.4	236.1	(113.2)	(131.3)
Income (loss) from continuing operations	34.7	51.9	183.8	361.3	521.0	(101.4)	(250.9)
Income from discontinued operations, net of tax	—	—	—	—	—	—	52.5

Net income (loss)	$34.7	$51.9	$183.8	$361.3	$521.0	$(101.4)	$(198.4)

	Successor	Predecessor				
		Fiscal Year Ended				
	December 29, 2013	April 28, 2013	April 29, 2012	May 1, 2011	May 2, 2010	May 3, 2009
	(in millions)					
Balance Sheet Data:						
Working capital	$2,208.5	$1,805.6	$2,162.7	$2,110.0	$2,128.4	$1,497.7
Total assets	9,954.8	7,716.4	7,422.2	7,611.8	7,708.9	7,200.2
Long-term debt and capital lease obligations	2,997.4	1,829.2	1,900.9	1,978.6	2,918.4	2,567.3
Shareholders' equity	4,231.1	3,097.0	3,387.3	3,545.5	2,755.6	2,612.4

		Fiscal Year Ended				
	The Transition Period	April 28, 2013	April 29, 2012	May 1, 2011	May 2, 2010	May 3, 2009
	(in millions)					
Other Consolidated Operational Data:						
Total hogs processed [1]	21.9	32.0	30.7	30.4	32.9	35.2
Packaged meats sales (pounds) [1]	2,225.1	3,260.2	3,119.4	3,159.7	3,238.0	3,450.6
Fresh pork sales (pounds) [1]	2,920.7	4,234.3	4,154.6	4,035.0	4,289.9	4,702.0
Total hogs sold [2]	12.6	18.4	18.1	18.6	19.3	20.4

(1) Comprised of Pork segment and International segment.

(2) Comprised of Hog Production segment and International segment and includes intercompany hog sales.

Notes to Selected Financial Data:

The Successor Period

- Includes $23.9 million of professional fees related to the Merger.
- Includes $17.3 million of debt issuance costs for a financing arrangement entered into by Merger Sub. We recognized these costs in interest expense upon termination of the financing arrangement following the Merger.

The Predecessor Period

- Includes $18.0 million of professional fees related to the Merger.

Fiscal 2013

- Includes losses of $120.7 million on debt extinguishment.

Fiscal 2012

Includes our share of charges related to the CFG Consolidation Plan, as defined in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Results of Operations—Significant Events Affecting Results of Operations," of $38.7 million.

Includes net charges of $22.2 million related to the litigation in Missouri that involved a number of claims alleging that hog farms owned by us or operated under hog raising contracts with third parties interfered with the plaintiffs' use and enjoyment of their properties (the Missouri Litigation).

Includes losses of $12.2 million on debt extinguishment.

Includes accelerated depreciation charges associated with the idling of certain Missouri hog farm assets of $8.2 million.

Includes accelerated depreciation and other charges associated with the planned closure of our Portsmouth facility of $4.7 million.
Includes $3.1 million of charges related to our plan to improve the cost structure and profitability of our domestic hog production operations (the Cost Savings Initiative).

Fiscal 2011
Includes an involuntary conversion gain on fire insurance recovery of $120.6 million.
Includes losses of $92.5 million on debt extinguishment.
Includes $28.0 million of charges related to the Cost Savings Initiative.
Includes a net benefit of $19.1 million related to the Missouri Litigation.
Includes net gains of $18.7 million on the sale of hog farms.
Fiscal 2010
Includes $34.1 million of impairment charges related to certain hog farms.
Includes restructuring and impairment charges totaling $17.3 million related to our plan to consolidate and streamline the corporate structure and manufacturing operations of our Pork segment (the Restructuring Plan).
Includes $13.1 million of impairment and severance costs primarily related to the Sioux City plant closure.
Includes $11.0 million of charges for the write-off of amendment fees and costs associated with the U.S. Credit Facility and the Euro Credit Facility.
Includes $9.1 million of charges related to the Cost Savings Initiative.
Fiscal 2009
Fiscal 2009 was a 53 week year.
Includes a pre-tax write-down of assets and other restructuring charges totaling $88.2 million related to the Restructuring Plan.
Includes a $56.0 million pre-tax gain on the sale of Groupe Smithfield.
Includes a $54.3 million gain on the sale of Smithfield Beef, Inc., net of tax of $45.4 million (discontinued operations).
Includes charges related to inventory write-downs totaling $25.8 million.

ITEM 7. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

You should read the following information in conjunction with the audited consolidated financial statements and the related notes in “Item 8. Financial Statements and Supplementary Data.”

EXECUTIVE OVERVIEW

We are the largest hog producer and pork processor in the world. In the United States, we are also the leader in numerous packaged meats categories with popular brands including Farmland®, Smithfield®, Eckrich®, Armour® and John Morrell®. We are committed to providing good food in a responsible way and maintaining robust animal care, community involvement, employee safety, environmental, and food safety and quality programs.

We produce and market a wide variety of fresh meat and packaged meats products both domestically and internationally. We operate in a cyclical industry and our results are significantly affected by fluctuations in commodity prices for livestock (primarily hogs) and grains. Some of the factors that we believe are critical to the success of our business are our ability to:

- maintain and expand market share, particularly in packaged meats,
- develop and maintain strong customer relationships,
- continually innovate and differentiate our products,
- manage risk in volatile commodities markets, and
- maintain our position as a low cost producer of live hogs, fresh pork and packaged meats.

We conduct our operations through four reportable segments: Pork, Hog Production, International and Corporate, each of which is comprised of a number of subsidiaries, joint ventures and other investments. A fifth reportable segment, the Other segment, contains the results of our former turkey production operations and our previous 49% interest in Butterball, LLC (Butterball), which were sold in December 2010. The Pork segment consists mainly of our three wholly-owned U.S. fresh pork and packaged meats subsidiaries: The Smithfield Packing Company, Inc. (Smithfield Packing), Farmland Foods, Inc. and John Morrell Food Group (John Morrell). The Hog Production segment consists of our hog production operations located in the U.S. The International segment is comprised mainly of our meat processing and distribution operations in Poland, Romania and the United Kingdom, our interests in meat processing operations, mainly in Western Europe and Mexico, our hog production operations located in Poland and Romania and our interests in hog production operations in Mexico. The Corporate segment provides management and administrative services to support our other segments.

WH Group Merger

On September 26, 2013 (the Merger Date), pursuant to the Agreement and Plan of Merger dated May 28, 2013 (the Merger Agreement) with WH Group Limited, formerly Shuanghui International Holdings Limited, a corporation formed under the laws of the Cayman Islands and hereinafter referred to as WH Group, the Company merged with Sun Merger Sub, Inc., a Virginia corporation and wholly owned subsidiary of WH Group (Merger Sub), in a transaction hereinafter referred to as the Merger. As a result of the Merger, the Company survived as a wholly owned subsidiary of WH Group.

Upon completion of the Merger, all outstanding shares of Smithfield were cancelled and the Company's shareholders received $34.00 in cash (the Merger Consideration) for each share of common stock held prior to the effective time of the Merger. Additionally, all outstanding stock-based compensation awards, both vested and unvested, were converted into the right to receive the Merger Consideration, less the exercise price of such awards, if any. The total consideration paid in connection with the Merger was approximately $4.9 billion.

WH Group is the majority shareholder of Henan Shuanghui Investment & Development Co., which is China's largest meat processing enterprise and China's largest publicly traded meat products company as measured by market capitalization. WH Group is a pioneer in the Chinese meat processing industry with over 30 years of history. WH Group's businesses include hog production, meat processing, fresh meat and packaged meats production and distribution. The merging of WH Group's distribution network with our strong management team, leading brands and vertically integrated model will allow us to provide high-quality, competitively-priced and safe U.S. meat products to consumers in markets around the world. As part of WH Group's international platform, we expect our best practices in large-scale farming, food safety standards, environmental stewardship and animal welfare to set the global industry standard.

This transaction enables Smithfield to continue to execute on its strategic priorities while maintaining brand excellence and commitment to environmental stewardship and animal welfare. We have established Smithfield as the world's leading vertically integrated pork processor and hog producer with best-in-class operations and outstanding food safety practices. Operationally, we have become part of an enterprise that shares our belief in global opportunities and our commitment to the highest standards of product safety and quality. With our shared expertise and leadership, we expect to accelerate a global expansion strategy as part of WH Group.

On January 16, 2014, in connection with the consummation of the Merger, the Company elected to change its fiscal year end from the 52 or 53 week period which ends on the Sunday nearest to April 30 to the 52 or 53 week period which ends on the Sunday nearest to December 31. Unless otherwise noted, all references to “fiscal” in this report refer to the twelve-month fiscal year, which as of and prior to April 29, 2013 ended on the Sunday nearest to April 30, and beginning after December 29, 2013 ends on the Sunday nearest December 31 of each year.

All references to the Transition Period in this section are to the eight months ended December 29, 2013, derived by adding the results of our period April 29 - September 26, 2013 (Predecessor Period) to the results from our period September 27 - December 29, 2013 (Successor Period). The combined financial data for the Transition Period are unaudited and are not intended to represent what our operating results would have been if the Merger had occurred on April 29, 2013, because the periods being combined are under two different bases of accounting as a result of the Merger.

The Transition Period Summary

Net income was $86.6 million in the Transition Period, compared to net income of $130.0 million in the eight months ended December 30, 2012. The following summarizes the operating results of each of our reportable segments and other significant items impacting pre-tax income for the Transition Period compared to the eight months ended December 30, 2012:

Pork segment operating profit decreased $177.5 million as a significant increase in domestic live hog prices was only partially offset by both higher packaged meat sales prices and higher fresh meat market prices. Also, the Transition Period included a $38.7 million increase in cost of sales as the result of the fair value step-up of inventory.

Hog Production segment operating profit increased $97.2 million as a result of increased domestic live hog prices.

International segment operating profit decreased $47.7 million due to higher raising costs and lower average selling prices.

Corporate segment results include professional fees of $41.9 million and additional interest expense of $17.3 million during the Transition Period. See "Significant Events Affecting Results of Operations" below for further discussion.

We incurred losses on debt extinguishment of $120.7 million in the prior year.

Debt Assumed

In connection with the Merger, Merger Sub issued $500.0 million aggregate principal amount of 5.25% senior notes due August 1, 2018 and $400.0 million aggregate principal amount of 5.875% senior notes due August 1, 2021 (together, the Merger Sub Notes). Merger Sub incurred $20.4 million in transaction fees in connection with issuance of the Merger Sub Notes, which are being amortized over the life of the Merger Sub Notes. As a result of the Merger and the transactions entered into in connection therewith, we have assumed the liabilities and obligations of Merger Sub, including Merger Sub's obligations under the Merger Sub Notes. Proceeds from the Merger Sub Notes were held in escrow prior to the Merger Date and used in funding the Merger. The proceeds were used to fund a portion of the total consideration paid, repay certain outstanding debt of the Company and pay certain transaction fees associated with the Merger.

Porcine Epidemic Diarrhea Virus (PEDv)

The USDA has identified PEDv in the United States for the first time in 2013. PEDv, a disease that only infects pigs, not humans or other livestock, is an industry-wide issue and has a significant presence in U.S. swine. Our herds in several regions in which we operate are affected as PEDv continues to spread throughout the U.S. We are subject to risks related to our ability to maintain animal health and control PEDv. We are unable to predict the extent the disease will impact our operations or market prices in the future.

Renewable Fuel Standard

The federal Renewable Fuel Standard (RFS) program requires that bio-fuels be blended into transportation fuels at ever-increasing volumes up to 36 billion gallons in 2030. In October 2010, the Environmental Protection Agency (EPA) granted a "partial waiver" to a statutory bar under the Clean Air Act prohibiting fuel manufacturers from introducing fuel additives that are not "substantially similar" to those already approved and in use for vehicles of model year (MY) 1975 or later. Prior to EPA's decision, the ethanol content of gasoline in the United States was limited to 10 percent (E10), which created a barrier, commonly referred to as the "blendwall," to the expansion of blended bio-fuels as prescribed by the RFS. The EPA's decision allows fuel manufacturers to increase the ethanol content of gasoline to 15 percent (E15) for use in MY 2007 and newer light-duty motor vehicles, including passenger cars, light-duty trucks and medium-duty passenger vehicles. In January 2011, the EPA granted another partial waiver authorizing E15 use in MY 2001-2006 light-duty motor vehicles. Judicial challenges to these rulemakings by a coalition of industry groups were dismissed.

On November 15, 2013, the EPA proposed volume requirements and associated percentage standards that would apply under the RFS program in calendar year 2014 for cellulosic bio-fuel, biomass-based diesel, advanced bio-fuel and total renewable fuel. EPA's proposal reduces the volume of renewable fuels mandated by statute and reflects EPA's current estimate of what will actually be produced in 2014. EPA's proposal reflects a concern that existing transportation infrastructure is unprepared for higher blends of bio-fuels in transportation fuels such as E15 and that the reduction in required volumes will maintain a blending percentage at E10 through 2014. EPA will consider public comments before setting the final standard. Although the long-term impact of the RFS is currently unknown, studies have shown that expanded corn-based ethanol production has driven up the price of livestock feed and led to commodity-price volatility. We cannot presently assess the full economic impact of the RFS program on the meat processing industry or on our operations.

Country of Origin Labeling

Following a World Trade Organization (WTO) panel ruling on a complaint by Canada and Mexico that existing U.S. country- of-origin labeling (COOL) requirements violated the United States' WTO obligations, USDA published a new rule effective May 23, 2013, Mandatory Country of Origin Labeling of Beef, Pork, Lamb, Chicken, Goat Meat, Wild and Farm-Raised Fish and Shellfish, Perishable Agricultural Commodities, Peanuts, Pecans, Ginseng, and Macadamia Nuts. 78 Fed. Reg. 31367 (May 24, 2013) (the 2013 Rule). The 2013 Rule requires, in part, that labels on covered meat products must list separately, in sequence, the specific country where the animal was "born," the country where it was "raised," and the country where it was "slaughtered." The rule also prohibits combining or commingling of meats with different "Born, Raised, and Slaughtered" combinations in the same package at retail. USDA also provided a six month educational period for retailers until November 23, 2013.

Judicial challenges to these rule-makings by a coalition of industry groups are pending. The Canadian and Mexican governments are also challenging the 2013 Rule before the Dispute Settlement Body of the WTO. If the Canadian and Mexican WTO challenge is successful, then USDA will be faced with the choice of re-formulating another country of origin regulation, seeking amendments to the underlying statute, or subjecting U.S. industries to substantial retaliatory tariffs. Although the long-term impact of COOL is currently unknown, industry groups have indicated that the rules impose additional costs on the industry including costs associated with segregation of livestock, record-keeping and new packaging and labeling along with potential retaliatory trade measures under WTO rules. We cannot presently assess the full economic impact of COOL on the meat processing industry or on our operations.

Outlook

The commodity markets affecting our business fluctuate on a daily basis. In this operating environment, it is difficult to forecast industry trends and conditions. The outlook statements that follow must be viewed in this context.

The outlook for calendar 2014 is much improved over 2013. Improving markets, synergistic effects from the strategic merger with WH Group, improving export opportunities, operational improvement plans in place at both the plant and farm levels and organic growth targets should provide tailwinds for improved operating performance over the next 12 months.

Early in calendar 2014, the threat of lower pork supplies, largely attributable to PEDv, has resulted in record or near record prices up and down the entire pork value chain in the United States. While PEDv will result in lower numbers of pigs produced in our Hog Production segment, we expect higher domestic live hog prices will more than offset any volume reductions and will result in strong segment profits. We expect a return to normalized operating margins within the Pork and International segments, notwithstanding significantly increased live hog prices and higher meat cost for our packaged meats businesses.

RESULTS OF OPERATIONS
Significant Events Affecting Results of Operations
WH Group Merger
In connection with the Merger, we incurred $23.9 million and $18.0 million of professional fees during the Successor and Predecessor periods, respectively. These fees are recognized in merger related costs on the consolidated statements of income. In addition, Merger Sub deferred $17.3 million of debt issuance costs for a financing arrangement. We recognized these deferred costs in interest expense during the Successor Period upon termination of the financing arrangement following the Merger. All of these charges are reflected in the results of our Corporate segment.
WH Group's cost of acquiring the Company has been pushed-down to establish a new accounting basis for the Company. The preliminary allocation of consideration to the net tangible and intangible assets acquired and liabilities assumed by WH Group in the Merger reflects preliminary fair value estimates based on management analysis, including preliminary work performed by third-party valuation specialists, which are subject to change within the measurement period as valuations are finalized. Our pre-tax earnings for the Successor Period were negatively impacted by $37.7 million as a result of the fair value adjustments to our assets and liabilities, including a $45.4 million increase in cost of sales as a result of the fair value step-up of our inventories.
Acquisition of Kansas City Sausage, LLC
In May 2013, we acquired a 50% interest in Kansas City Sausage Company, LLC (KCS), for $36.0 million in cash. Upon closing, in addition to the cash purchase price, we advanced $10.0 million to the seller in exchange for a promissory note, which is secured by the remaining membership interests in KCS held by the seller. Additionally, we entered into a revolving loan agreement with KCS, under which we agreed to make loans from time to time up to an aggregate principal amount of $20.0 million. The aggregate amount of any obligations incurred under the revolving loan agreement is secured by a first priority security interest in all of the assets of KCS.
KCS operates in Des Moines, Iowa and Kansas City, Missouri. In Des Moines, KCS produces premium raw materials for sausage, as well as value-added products, including boneless hams and hides. The Kansas City plant is a modern sausage processing facility and is designed for optimum efficiency to provide retail and foodservice customers with high quality products. With our strong ongoing focus on building our packaged meats business, and with 15% of the U.S. sow population, this joint venture is a logical fit for the Company. It is expected to provide a growth platform in two key packaged meats categories — breakfast sausage and dinner sausage — and to allow us to expand our product offerings to our customers. These categories represent over $4.0 billion in industry retail and foodservice sales annually.
KCS is managed by its Board of Directors, which makes decisions that most significantly impact the economic performance of KCS. We have the right to nominate and elect the majority of the members of the Board of Directors of KCS, and based on the associated voting rights, we have determined that we have a controlling financial interest in KCS. As a result, the acquisition of our interest in KCS was accounted for in the Pork segment using the acquisition method of accounting. Currently, KCS generates approximately $200 million in sales annually.
Missouri Litigation
During fiscal 2011, we reached a settlement with one of our insurance carriers regarding the reimbursement of certain past and future defense costs associated with the Missouri Litigation. Related to this matter, we recognized a net benefit of $19.1 million in selling, general and administrative expenses in the Hog Production segment in fiscal 2011. During fiscal 2012, we engaged in global settlement negotiations and recognized $22.2 million in net charges associated with the expected settlement. The charges were recognized in selling, general and administrative expenses in the Hog Production segment. During fiscal 2013, the parties to the litigation reached an agreement and consummated the global settlement.

CFG Consolidation Plan

In December 2011, the board of Campofrío Food Group (CFG) approved a multi-year plan to consolidate and streamline its manufacturing operations to improve operating efficiencies and increase utilization (the CFG Consolidation Plan). The CFG Consolidation Plan included the disposal of certain assets, employee redundancy costs and the contribution of CFG's French cooked ham business into a newly formed joint venture. As a result, we recorded our share of CFG's charges totaling $38.7 million in equity in loss (income) of affiliates within the International segment in the third quarter of fiscal 2012.

Fire Insurance Settlement

In July 2009, a fire occurred at the primary manufacturing facility of our subsidiary, Patrick Cudahy, Inc. (Patrick Cudahy), in Cudahy, Wisconsin. The fire damaged a portion of the facility's production space and required the temporary cessation of operations, but did not consume the entire facility. Shortly after the fire, we resumed production activities in undamaged portions of the plant, including the distribution center, and took steps to address the supply needs for Patrick Cudahy products by shifting production to other Company and third-party facilities.

We maintain comprehensive general liability and property insurance, including business interruption insurance. In December 2010, we reached an agreement with our insurance carriers to settle the claim for a total of $208.0 million, of which $70.0 million had been advanced to us in fiscal 2010. We allocated these proceeds to first recover the book value of the property lost, out-of-pocket expenses incurred and business interruption losses that resulted from the fire. The remaining proceeds were recognized as an involuntary conversion gain of $120.6 million in the Corporate segment in the third quarter of fiscal 2011. The involuntary conversion gain was classified in a separate line item on the consolidated statement of income. We also recognized $15.8 million of the insurance proceeds in fiscal 2011 in cost of sales in our Pork segment to offset business interruption losses incurred.

Hog Production Cost Savings Initiative

In fiscal 2010, we announced the Cost Savings Initiative. The plan included a number of undertakings designed to improve operating efficiencies and productivity. These consisted of farm reconfigurations and conversions, termination of certain high cost, third party hog grower contracts and breeding stock sourcing contracts, as well as a number of other cost reduction activities. The Cost Savings Initiative was completed in fiscal 2013. We incurred charges related to these activities totaling $3.1 million and $28.0 million in fiscal 2012 and fiscal 2011, respectively. No significant charges were incurred during fiscal 2013. All charges have been recorded in cost of sales in the Hog Production segment.

Impairment and Disposal of Long-lived Assets

Portsmouth, Virginia Plant

In November 2011, we announced that we would shift the production of hot dogs and lunchmeat from Smithfield Packing's Portsmouth, Virginia plant to our Kinston, North Carolina plant and permanently close the Portsmouth facility. The Kinston facility was expanded to handle the additional production and incorporates state of the art technology and equipment, which is expected to produce significant production efficiencies and cost reductions. The expansion of the Kinston facility and the closure of the Portsmouth facility were completed in the second half of calendar year 2013.

As a result of this decision, we performed an impairment analysis of the related assets at the Portsmouth facility in the second quarter of fiscal 2012 and determined that the net cash flows expected to be generated over the anticipated remaining useful life of the plant were sufficient to recover its book value. As such, no impairment existed. However, we revised depreciation estimates to reflect the use of the related assets at the Portsmouth facility over their shortened useful lives. As a result, we recognized accelerated depreciation charges of $4.4 million and $3.3 million in cost of sales during fiscal 2013 and fiscal 2012, respectively. Also, in connection with this decision, we wrote-down inventory by $0.8 million in cost of sales and accrued $0.6 million for employee severance in selling, general and administrative expenses in the second quarter of fiscal 2012. All of these charges are reflected in the Pork segment.

Hog Farms

Texas

In January 2011, we sold a portion of our Dalhart, Texas hog production assets to a crop farmer for net proceeds of $9.1 million and recognized a loss on the sale of $1.8 million in selling, general and administrative expenses in our Hog Production segment in the third quarter of fiscal 2011. In April 2011, we completed the sale of the remaining assets of our Dalhart, Texas operation and received net proceeds of $32.5 million. As a result of the sale, we recognized a gain of $13.6 million, after allocating $8.5 million in goodwill to the asset group, in selling, general and administrative expenses in our Hog Production segment in the fourth quarter of fiscal 2011.

Oklahoma and Iowa

In January 2011, we completed the sale of certain hog production assets located in Oklahoma and Iowa. As a result of these sales, we received total net proceeds of $70.4 million and recognized gains totaling $6.9 million, after allocating $17.0 million of goodwill to these asset groups. The gains were recorded in selling, general and administrative expenses in our Hog Production segment in the third quarter of fiscal 2011.

Missouri

In the first half of fiscal 2011, we began reducing the hog population on certain hog farms in Missouri in order to comply with an amended consent decree. The amended consent decree allows us to return the farms to full capacity upon the installation of an approved "next generation" technology that would reduce the level of odor produced by the farms. The reduced hog raising capacity at these farms was replaced with third party contract farmers in Iowa. In the first quarter of fiscal 2011, in connection with the anticipated reduction in finishing capacity, we performed an impairment analysis of these hog farms and determined that the book value of the assets was recoverable and thus, no impairment existed.

Based on the favorable hog raising performance experienced with these third party contract farmers and the amount of capital required to install "next generation" technology at our Missouri farms, we made the decision in the first quarter of fiscal 2012 to permanently idle certain of the assets on these farms. Depreciation estimates were revised to reflect the shortened useful lives of the assets. As a result, we recognized accelerated depreciation charges of $8.2 million in fiscal 2012. These charges are reflected in the Hog Production segment.

Butterball, LLC (Butterball)

In June 2010, we announced that we had made an offer to purchase our joint venture partner’s 51% ownership interest in Butterball and our partner’s related turkey production assets. In accordance with Butterball’s operating agreement, our partner had to either accept the offer to sell or be required to purchase our 49% interest and our related turkey production assets.

In September 2010, we were notified of our joint venture partner’s decision to purchase our 49% interest in Butterball and our related turkey production assets. In December 2010, we completed the sale of these assets for $167.0 million and recognized a gain of $0.2 million.

Consolidated Results of Operations

The tables presented below compare our results of operations for the Transition Period, fiscal year ended April 28, 2013, fiscal year ended April 29, 2012 and fiscal year ended May 1, 2011.

The Transition Period reflects the combined results of the current year Successor Period and Predecessor Period. This combined information does not purport to represent what our consolidated results of operations would have been if the Successor had actually been formed on April 29, 2013, nor have we made any attempt to either include or exclude expenses or income that would have resulted had the Merger actually occurred on April 29, 2013.

As used in the tables below, "NM" means "not meaningful."

Eight Months Ended December 29, 2013 and December 30, 2012

	Successor	Predecessor	The Transition Period	Predecessor	
			Eight Months Ended (unaudited)		
	September 27 - December 29, 2013	April 29 - September 26, 2013	December 29, 2013	December 30, 2012	% Change
	(in millions)				
Sales	$3,894.2	$5,679.5	$9,573.7	$8,898.7	8 %
Cost of sales	3,543.1	5,190.1	8,733.2	7,943.5	10
Gross profit	351.1	489.4	840.5	955.2	(12)
Selling, general and administrative expenses	213.4	341.7	555.1	540.5	3
Merger related costs	23.9	18.0	41.9	—	NM
Loss (income) from equity method investments	2.6	0.5	3.1	(6.5)	(148)
Operating profit	111.2	129.2	240.4	421.2	(43)
Interest expense	59.0	64.6	123.6	111.8	11
Loss on debt extinguishment	1.7	—	1.7	120.7	(99)
Income before income taxes	50.5	64.6	115.1	188.7	(39)
Income tax expense	15.8	12.7	28.5	58.7	(51)
Net income	$34.7	$51.9	$86.6	$130.0	(33)%

Sales and Gross Profit

- Sales increased primarily as the result of higher average selling prices in the Pork and Hog Production segments and an 18% increase in volume in the International segment.
- Gross profit decreased primarily as the result of an 8% increase in domestic live hog prices. As noted in "Significant Events Affecting Results of Operations," the current year also included an additional $45.4 million in cost of sales during the Successor period as a result of the fair value step-up of our inventory.

Selling, General and Administrative Expenses

- Advertising costs during the Transition Period were approximately $20.0 million higher than during the eight months ended December 30, 2012 as we continued our investment in marketing and advertising programs focused on building brand equity and growing sales.

Merger Related Costs

- As noted in "Significant Events Affecting Results of Operations," we incurred an aggregate of $41.9 million of professional fees during the Successor and Predecessor periods in the current year as a result of the Merger.

Loss (Income) from Equity Method Investments

- The decline in profitability in the Transition Period is primarily driven by lower selling prices in the meat processing operations of our Mexican joint ventures. Also, tax law changes in Mexico negatively impacted our joint ventures during the Transition Period.

Interest Expense and Loss on Debt Extinguishment

- As noted in "Significant Events Affecting Results of Operations," interest expense for the Successor Period includes $17.3 million of debt issuance costs originally deferred by Merger Sub.
- In the eight months ended December 30, 2012, we recognized losses of $120.7 million on the repurchase of $694.4 million of our outstanding senior notes due in May 2013 and July 2014.

Income Tax Expense

- Taxable income relative to permanent items and the mix of income between jurisdictions for the Successor period impacted the effective tax rate. The Predecessor periods are also impacted by income relative to permanent items for the period, the mix of income between jurisdictions and state income tax credits.

Fiscal Years Ended April 28, 2013, April 29, 2012 and May 1, 2011

	Predecessor Fiscal Year Ended			Predecessor Fiscal Year Ended		
	April 28, 2013	April 29, 2012	% Change	April 29, 2012	May 1, 2011	% Change
	(in millions)			(in millions)		
Sales	$13,221.1	$13,094.3	1 %	$13,094.3	$12,202.7	7 %
Cost of sales	11,901.4	11,544.9	3	11,544.9	10,488.6	10
Gross profit	1,319.7	1,549.4	(15)	1,549.4	1,714.1	(10)
Selling, general and administrative expenses	815.4	816.9	—	816.9	789.8	3
Gain on fire insurance recovery	—	—	NM	—	(120.6)	(100)
Loss (income) from equity method investments	(15.0)	9.9	252	9.9	(50.1)	(120)
Operating profit	519.3	722.6	(28)	722.6	1,095.0	(34)
Interest expense	168.7	176.7	(5)	176.7	245.4	(28)
Loss on debt extinguishment	120.7	12.2	889	12.2	92.5	(87)
Income before income taxes	229.9	533.7	(57)	533.7	757.1	(30)
Income tax expense	46.1	172.4	(73)	172.4	236.1	(27)
Net income	$183.8	$361.3	(49)%	$361.3	$521.0	(31)%

Sales and Gross Profit

Fiscal 2013 vs. Fiscal 2012

- Sales in fiscal 2013 were slightly higher than fiscal 2012 as higher volumes across all segments were largely offset by lower domestic fresh meat and hog market prices and the effects of foreign currency translation.
- The decline in gross profit margin was primarily caused by higher hog feed costs and lower pork prices in the U.S.

Fiscal 2012 vs. Fiscal 2011

- The increase in consolidated sales was primarily driven by higher sales prices and volumes in the Pork segment. These increases were attributable to higher market prices for fresh pork, supported by export demand, and an improved sales mix in packaged meats to higher margin core brands.
- Gross margin declined from fiscal 2011 levels as a result of significantly higher raw material costs in all segments. Domestic live hog market prices increased approximately 15% and domestic raising costs increased 18% as a result of higher feed prices.
- Cost of sales in fiscal 2011 included $28.0 million of charges associated with the Cost Savings Initiative compared to $3.1 million in fiscal 2012. Also, cost of sales in fiscal 2012 included $8.2 million and $4.7 million of accelerated depreciation and other charges related to the idling of certain of our Missouri hog farm assets and the planned closure of our Portsmouth, Virginia meat processing plant, respectively.

Selling, General and Administrative Expenses

Fiscal 2013 vs. Fiscal 2012

- Fiscal 2012 included $22.2 million in net charges associated with the Missouri litigation.
- Fiscal 2012 included $6.4 million in professional fees related to the potential acquisition of a controlling interest in CFG. In June 2011, we terminated negotiations to purchase the additional interest.
- Pension and other post-retirement benefit expenses increased $26.4 million.

Fiscal 2012 vs. Fiscal 2011

- Fiscal 2012 included $22.2 million in net charges associated with the Missouri litigation compared to a $19.1 million net benefit in fiscal 2011.
- Fiscal 2011 included a net gain of $18.7 million on the sale of hog farms in Texas, Oklahoma and Iowa.
- Losses on foreign currency denominated transactions increased $7.0 million.
- Fiscal 2012 included $6.4 million in professional fees related to the potential acquisition of a controlling interest in CFG. In June 2011, we terminated negotiations to purchase the additional interest.
- Variable compensation expense was $29.9 million lower due primarily to lower profitability levels in fiscal 2012.
- Expense for pension and other post-retirement benefits decreased $19.6 million.

Loss (Income) from Equity Method Investments

Fiscal 2013 vs. Fiscal 2012

- CFG's results for fiscal 2012 included $38.7 million of charges related to the CFG Consolidation Plan.
- Results from our Mexican joint ventures declined due to higher feed costs, lower hog prices and lower meat sales volumes.

Fiscal 2012 vs. Fiscal 2011

- CFG's results for fiscal 2012 included $38.7 million of charges related to the CFG Consolidation Plan.
- Results from our Mexican joint ventures were negatively impacted by higher feed costs and unfavorable changes in foreign exchange rates.

Interest Expense

Fiscal 2013 vs. Fiscal 2012

- Interest expense decreased due to lower average interest rates resulting from the refinancing of our 10% senior secured notes due July 2014 (2014 Notes) and our 7.75% senior unsecured notes due May 2013 (2013 Notes) as described under "Liquidity and Capital Resources" below.

Fiscal 2012 vs Fiscal 2011

- Interest expense decreased in fiscal 2012 as a result of our Project 100 initiative, under which we redeemed more than $1 billion of debt since the first quarter of fiscal 2011, including $600 million of our 7% senior unsecured notes due August 2011, $260.6 million of our 2014 Notes and $190 million of our 2013 Notes.

Loss on Debt Extinguishment

Fiscal 2013

- We recognized losses of $120.7 million on the repurchase of $694.4 million of our outstanding senior notes due in May 2013 and July 2014.

Fiscal 2012

- We recognized losses of $11.0 million during fiscal 2012 on the repurchase of $59.7 million of our 2014 Notes.
- We recognized a loss on debt extinguishment of $1.2 million in the first quarter of fiscal 2012 associated with the refinancing of our working capital facilities in June 2011.

Fiscal 2011

- We recognized losses of $92.5 million during fiscal 2011 on the repurchase of $522.2 million of our 7% senior unsecured notes due August 2011, $200.9 million of our 2014 Notes and $190.0 million of our 2013 Notes.

Income Tax Expense

The following items explain the significant changes in the effective tax rate from fiscal 2012 to fiscal 2013:

- Tax credits increased due in part to the passage of the American Taxpayer Relief Act of 2012 that retroactively reinstated the Research and Development, Work Opportunity and Welfare to Work tax credits.
- We released $11.1 million in deferred tax asset valuation allowances in fiscal 2013, primarily related to the utilization of tax losses in foreign jurisdictions.
- The mix of earnings from foreign operations, which are taxed at lower rates, was higher in fiscal 2013.

Segment Results

The following information reflects the results from each respective segment for the periods presented:

Eight Months Ended December 29, 2013 and December 30, 2012

	Successor	Predecessor	The Transition Period	Predecessor	
			Eight Months Ended (unaudited)		
	September 27 - December 29, 2013 (in millions)	April 29 - September 26, 2013	December 29, 2013	December 30, 2012	% Change
Sales:					
Fresh pork	$1,347.3	$2,240.3	$3,587.6	$3,356.1	7 %
Packaged meats	1,968.9	2,541.7	4,510.6	4,140.0	9
Total Pork	3,316.2	4,782.0	8,098.2	7,496.1	8
Hog Production	889.2	1,439.1	2,328.3	2,042.8	14
International	428.2	643.6	1,071.8	983.6	9
Total segment sales	4,633.6	6,864.7	11,498.3	10,522.5	9
Intersegment sales	(739.4)	(1,185.2)	(1,924.6)	(1,623.8)	(19)
Consolidated sales	$3,894.2	$5,679.5	$9,573.7	$8,898.7	8 %
Operating profit (loss): (1)					
Fresh pork	$96.0	$(50.7)	$45.3	$131.0	(65)%
Packaged meats	81.7	149.2	230.9	322.7	(28)
Total Pork	177.7	98.5	276.2	453.7	(39)
Hog Production	(40.6)	81.4	40.8	(56.4)	172
International	25.4	15.9	41.3	89.0	(54)
Corporate	(51.3)	(66.6)	(117.9)	(65.1)	(81)
Consolidated operating profit	$111.2	$129.2	$240.4	$421.2	(43)%

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(1) Fresh pork and packaged meats operating profits represent management's estimated allocation of total Pork segment operating profit.

Pork Segment

- Pork segment sales increased during the Transition Period as a result of a 7% increase in average selling prices and a 1% increase in volume.
- Fresh pork operating profit decreased despite a 6% increase in average selling prices primarily as a result of an 8% increase in domestic live hog prices.
- Packaged meats operating profit in the current year decreased as a 9% increase in selling prices was more than offset by higher raw material costs.
- Operating profit in the Transition Period included $38.7 million of additional non-cash costs related to the fair value step-up of our inventories. See "Significant Events Affecting Results of Operations" for further discussion.

Hog Production Segment

- Transition Period sales benefited from an 8% increase in domestic live hog prices and a 3% increase in head sold.
- Hog Production operating profit improved by $97.2 million mainly due to higher live hog market prices.

International Segment

- As a result of fluctuations in foreign exchange rates, International segment sales and operating profit in the Transition Period were both positively impacted by approximately 3%.
- Sales and operating profit in the transition period were positively impacted by an 18% increase in volume which was partially offset by a 10% decrease in average selling prices.
- Transition Period operating profit was also negatively impacted by 8% and 6% increases in raising costs in both Poland and Romania, respectively, along with significantly lower equity income from our Mexican joint ventures.

Corporate Segment

- The Transition Period includes fees related to the Merger. See "Significant Events Affecting Results of Operations" for further discussion.

Fiscal Years Ended April 28, 2013, April 29, 2012 and May 1, 2011

	Predecessor Fiscal Year Ended			Predecessor Fiscal Year Ended		
	April 28, 2013	April 29, 2012	% Change	April 29, 2012	May 1, 2011	% Change
	(in millions)			(in millions)		
Sales:						
Fresh pork	$4,924.1	$5,089.4	(3)%	$5,089.4	$4,542.7	12 %
Packaged meats	6,152.0	6,003.6	2	6,003.6	5,721.2	5
Total Pork	11,076.1	11,093.0	—	11,093.0	10,263.9	8
Hog Production	3,135.1	3,052.6	3	3,052.6	2,705.1	13
International	1,468.5	1,466.7	—	1,466.7	1,340.7	9
Other	—	—	NM	—	74.7	NM
Total segment sales	15,679.7	15,612.3	—	15,612.3	14,384.4	9
Intersegment sales	(2,458.6)	(2,518.0)	2	(2,518.0)	(2,181.7)	(15)
Consolidated sales	$13,221.1	$13,094.3	1	$13,094.3	$12,202.7	7
Operating profit (loss): (1)						
Fresh pork	$161.6	$222.0	(27)%	$222.0	$406.5	(45)%
Packaged meats	470.0	401.7	17	401.7	346.9	16
Total Pork	631.6	623.7	1	623.7	753.4	(17)
Hog Production	(119.1)	166.1	(172)	166.1	224.4	(26)
International	108.2	42.8	153	42.8	115.9	(63)
Other	—	—	NM	—	(2.4)	NM
Corporate	(101.4)	(110.0)	8	(110.0)	3.7	NM
Consolidated operating profit	$519.3	$722.6	(28)%	$722.6	$1,095.0	(34)%

(1) Fresh pork and packaged meats operating profits represent management's estimated allocation of total Pork segment operating profit.

Pork Segment

Fiscal 2013 vs. Fiscal 2012

- Pork segment sales declined slightly as high pork supplies contributed to lower average fresh pork sales prices.
- Fresh pork and packaged meats sales volumes increased 3% and 4%, respectively, as a result of higher slaughter levels and hog weights.
- Packaged meats average sales prices declined 1% as a decline in the prices of private label products was largely offset by higher sales prices in our core brands.
- Fresh pork operating profit decreased to $6 per head from $8 per head due primarily to lower sales prices.
- Packaged meats operating profit increased to $.17 per pound from $.15 per pound, benefiting from lower raw material costs.

Fiscal 2012 vs. Fiscal 2011

- Sales and operating profit were positively impacted by higher average unit selling prices for both fresh pork and packaged meats driven by strong export demand, an improved mix in packaged meats to more core brand product sales and strong pricing discipline.
- Fresh pork operating profit decreased to $8 per head from a record $15 per head as live hog prices increased significantly more than fresh meat prices.

- Packaged meats operating profit increased to $.15 per pound from $.13 per pound as a result of strong pricing discipline, an improved product mix to more high margin core brands and lower variable compensation and pension related expenses, which more than offset the impact of higher raw material costs.
- Operating profit for packaged meats in fiscal 2012 included $4.7 million in charges associated with the anticipated closure of our Portsmouth plant.

Hog Production Segment

Fiscal 2013 vs. Fiscal 2012

- Sales increased due to higher volumes, which more than offset the impact of lower market hog prices.
- Fiscal 2013 operating profit was negatively impacted by higher hog supplies, resulting in a 6% decrease in live hog prices, and increased domestic raising costs, including the effects of grain derivative contracts designated in hedging relationships for accounting purposes, primarily as a result of higher priced feed.
- Fiscal 2013 operating profit included gains of $91.2 million compared to $58.6 million in fiscal 2012 on lean hog derivative contracts and grain derivative contracts that are not designated in hedging relationships for accounting purposes.
- Fiscal 2012 operating profit included $22.2 million in net charges associated with the Missouri litigation.
- Fiscal 2012 operating profit included accelerated depreciation charges of $8.2 million as a result of our decision to permanently idle certain farm assets in Missouri.

Fiscal 2012 vs. Fiscal 2011

- Sales and operating profit were positively impacted by significantly higher live hog market prices.
- Volume declined due to temporary disruptions from the Cost Savings Initiative and the sale of our Oklahoma hog farms at the end of the third quarter of fiscal 2011.
- Domestic raising costs, including the effects of grain derivative contracts designated in hedging relationships for accounting purposes, increased primarily as a result of higher feed costs.
- Fiscal 2012 operating profit included $22.2 million in net charges associated with the Missouri litigation compared to a $19.1 million net benefit in fiscal 2011.
- Operating profit in fiscal 2011 included a net gain of $18.7 million on the sale of hog farms in Oklahoma, Iowa and Texas.
- Fiscal 2012 operating profit included accelerated depreciation charges of $8.2 million as a result of our decision to permanently idle certain farm assets in Missouri.
- Fiscal 2012 operating profit included $3.1 million in charges associated with the Cost Savings Initiative compared to $28.0 million in fiscal 2011.
- Fiscal 2012 operating profit included gains of $58.6 million compared to $22.2 million in fiscal 2011 on lean hog derivative contracts and grain derivative contracts that are not designated in hedging relationships for accounting purposes.

International Segment

Fiscal 2013 vs. Fiscal 2012

- Fluctuation in foreign exchange rates and their effect on foreign currency translation decreased sales by 8%.
- Fluctuation in foreign exchange rates and their effect on foreign currency translation decreased operating profit by $11.5 million.
- Sales and operating profit in fiscal 2013 benefited from significantly higher volumes in our Polish operations due to a 19% increase in the number of hogs processed. Unit sales prices in our Polish operations increased in several key product categories; however, higher volumes of lower value by-products that resulted from more processed hogs effectively diminished the overall average unit selling price compared to fiscal 2012.

- Sales and operating profit in our Romanian operations improved on significantly higher average unit selling prices and sales volumes, which benefitted from the approval to export pork products to European Union member countries beginning in the fourth quarter of fiscal 2012. Sales and hog slaughter volumes benefited from an expansion in our hog production operations in the second quarter of fiscal 2012.
- Fiscal 2012 operating profit included $38.7 million of charges related to the CFG Consolidation Plan.
- Equity income from our Mexican joint ventures decreased by $4.1 million due to higher feed costs and unfavorable changes in foreign exchange rates.

Fiscal 2012 vs. Fiscal 2011

- Sales and operating profit in Poland were positively impacted by higher average unit selling prices primarily due to a shift in product mix to more packaged meats and our ability to pass along higher raw material costs, particularly in the second half of fiscal 2012.
- Operating profit in Poland declined primarily as a result of higher raw material costs in our meat processing operations. Improvements in Polish hog production fundamentals partially offset the decline in profit.
- Sales and operating profit in our Romania fresh pork operation were positively impacted by our approval to export pork products out of Romania to European Union member countries beginning in the fourth quarter of fiscal 2012. As a result, average unit selling prices increased 7%.
- Our Romanian fresh pork and hog production operations both saw improvements in operating results. However, these improvements were more than offset by increased losses in our distribution operations and an unfavorable $8.4 million impact from foreign currency exposure.
- Fiscal 2012 operating profit included $38.7 million of charges related to the CFG Consolidation Plan.
- Equity income from our Mexican joint ventures decreased $16.2 million, primarily due to higher feed costs and unfavorable changes in foreign exchange rates.

Other Segment

Fiscal 2012 vs. Fiscal 2011

The change in sales and operating loss reflects the sale of our turkey operations, including our investment in Butterball, in December 2010.

Corporate Segment

Fiscal 2013 vs. Fiscal 2012

- Fiscal 2012 included $6.4 million of professional fees related to the potential acquisition of a controlling interest in CFG. In June 2011, we terminated negotiations to purchase the additional interest.

Fiscal 2012 vs. Fiscal 2011

- Fiscal 2011 included a gain of $120.6 million on the final settlement with our insurance carriers of our claim related to the fire that occurred at our Cudahy, Wisconsin facility in fiscal 2010.
- Fiscal 2012 included $6.4 million of professional fees related to the potential acquisition of a controlling interest in CFG. In June 2011, we terminated negotiations to purchase the additional interest.
- Variable compensation cost declined $9.0 million due to lower consolidated profit levels in fiscal 2012.
- Expense for pension and other post-retirement benefits decreased $4.1 million.

LIQUIDITY AND CAPITAL RESOURCES

Summary

Our cash requirements consist primarily of the purchase of raw materials used in our hog production and pork processing operations, long-term debt obligations and related interest, lease payments for real estate, machinery, vehicles and other equipment, and expenditures for capital assets, other investments and other general business purposes. Our primary sources of liquidity are cash we receive as payment for the products we produce and sell, as well as our credit facilities.

We believe that our current liquidity position is strong and that our cash flows from operations and availability under our credit facilities will be sufficient to meet our working capital needs and financial obligations for at least the next twelve months. As of December 29, 2013, our liquidity position was $1.2 billion, comprised of $1.0 billion in availability under our credit facilities and $193.4 million in cash and cash equivalents.

On July 31, 2013, Merger Sub issued $500.0 million aggregate principal amount of 5.25% senior notes due August 1, 2018 and $400.0 million aggregate principal amount of 5.875% senior notes due August 1, 2021 (together, the Merger Sub Notes). Merger Sub incurred $20.4 million in transaction fees in connection with issuance of the Merger Sub Notes, which are being amortized over the life of the Merger Sub Notes. As a result of the Merger and the transactions entered into in connection therewith, we have assumed the liabilities and obligations of Merger Sub, including Merger Sub's obligations under the Merger Sub Notes. Proceeds from the Merger Sub Notes were held in escrow prior to the Merger Date and used in funding the Merger. The proceeds were used to fund a portion of the total consideration paid, repay certain outstanding debt of the Company and pay certain transaction fees associated with the Merger.

Sources of Liquidity

We have available a variety of sources of liquidity and capital resources, both internal and external. These sources provide funds required for current operations, acquisitions, integration costs, debt retirement and other capital requirements.

Accounts Receivable and Inventories

The meat processing industry is characterized by high sales volume and rapid turnover of inventories and accounts receivable. Because of the rapid turnover rate, we consider our meat inventories and accounts receivable highly liquid and readily convertible into cash. The Hog Production segment also has rapid turnover of accounts receivable. Although inventory turnover in the Hog Production segment is slower, mature hogs are readily convertible into cash. Borrowings under our credit facilities are used, in part, to finance increases in the levels of inventories and accounts receivable resulting from seasonal and other market-related fluctuations in raw material costs.

Credit Facilities

	December 29, 2013				
Facility	Capacity	Borrowing Base Adjustment	Outstanding Letters of Credit	Outstanding Borrowings	Amount Available
	(in millions)				
Inventory Revolver	$1,025.0	$—	$—	$(145.0)	$880.0
Securitization Facility	275.0	—	(91.4)	(105.0)	78.6
International facilities	142.0	—	—	(64.1)	77.9
Total credit facilities	$1,442.0	$—	$(91.4)	$(314.1)	$1,036.5

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Cash Flows

Operating Activities

	Successor	Predecessor	The Transition Period	Predecessor
			Eight Months Ended (unaudited)	
	September 27 - December 29, 2013	April 29 - September 26, 2013	December 29, 2013	December 30, 2012
	(in millions)			
Net cash flows from operating activities	$459.3	$(25.8)	$433.5	$248.0

The following items explain the significant changes in cash flows from operating activities for the periods presented:

The Transition Period vs. Eight Months Ended December 30, 2012

Cash received from customers increased due to a 7% increase in average selling prices in the Pork segment and an 18% increase in sales volume in the International segment.

Cash paid for grain and other feed ingredients purchased by the Hog Production segment decreased approximately $65.4 million despite a significant increase in total pounds purchased.

In the prior year eight month period, we paid cash to settle the Missouri litigation.

In the Transition Period, we paid $53.8 million for the settlement of derivative contracts and for margin requirements compared to $91.0 million received in prior year.

Cash paid to outside hog suppliers increased due to an 8% increase in domestic live hog market prices.

	Predecessor		
	Fiscal Year Ended		
	April 28, 2013	April 29, 2012	May 1, 2011
	(in millions)		
Net cash flows from operating activities	$172.7	$570.1	$616.4

The following items explain the significant changes in cash flows from operating activities over the past three fiscal years:

Fiscal 2013 vs. Fiscal 2012

- Cash paid for grain and other feed ingredients purchased by the Hog Production segment increased approximately $372 million.
- Cash received for the settlement of commodity derivative contracts and for margin requirements decreased $103.4 million in fiscal 2013.
- Cash received from customers decreased primarily as a result of lower domestic selling prices.
- We paid cash to settle the Missouri litigation in fiscal 2013.
- Expenditures for advertising increased as part of our strategy to build brand equity and grow sales.
- Cash paid to outside hog suppliers was lower due to a 6% decrease in average domestic live hog market prices.
- Income tax payments decreased $222.0 million as a result of significant tax refunds during the first quarter of fiscal 2013 and lower domestic taxable income.
- We contributed $17.7 million to our qualified and non-qualified pension plans in fiscal 2013 compared to $142.8 million in fiscal 2012.

Fiscal 2012 vs Fiscal 2011

- Cash paid to outside hog suppliers was higher due to a 15% increase in average live hog market prices.
- Fiscal 2012 included net tax payments of $225.7 million compared to net refunds of $34.8 million in fiscal 2011.
- Cash paid for grain and other feed ingredients purchased by the Hog Production segment increased approximately $262 million.
- Variable compensation paid in fiscal 2012 related to the prior year's performance was higher than the corresponding amount paid in fiscal 2011.
- We contributed $142.8 million to our qualified and non-qualified pension plans in fiscal 2012 compared to $128.5 million in fiscal 2011.
- Cash received from customers increased primarily as a result of higher selling prices.
- Cash received for the settlement of commodity derivative contracts and for margin requirements increased $82.0 million.

Investing Activities

	Successor	Predecessor	The Transition Period	Predecessor
			Eight Months Ended (unaudited)	
	September 27 - December 29, 2013	April 29 - September 26, 2013	December 29, 2013	December 30, 2012
	(in millions)			
Acquisition of Smithfield Foods, Inc.	$(4,896.6)	$—	$(4,896.6)	$—
Capital expenditures	(69.9)	(139.8)	(209.7)	(176.7)
Business acquisition, net of cash acquired	—	(32.8)	(32.8)	(23.1)
Net (expenditures) proceeds from breeding stock transactions	5.1	(5.3)	(0.2)	(12.4)
Proceeds from sale of property, plant and equipment	2.3	1.7	4.0	14.8
Advance note and other	—	(10.0)	(10.0)	0.1
Net cash flows from investing activities	$(4,959.1)	$(186.2)	$(5,145.3)	$(197.3)

The following items explain the significant investing activities for the periods presented:

The Transition Period

- WH Group paid $4.9 billion in connection with the Merger to acquire all of our common stock and settle all vested and unvested stock-based compensation awards.
- In May 2013, we paid $32.8 million, net of cash acquired, for a 50% interest in KCS. Also, we advanced $10.0 million to the seller of KCS in exchange for a promissory note, which is secured by the remaining membership interest in KCS held by the seller.
- Capital expenditures primarily related to plant and hog farm improvement projects, including the replacement of gestation stalls with group pens, which is more fully explained under "Additional Matters Affecting Liquidity" below.

Eight Months Ended December 30, 2012

- Capital expenditures during the prior year primarily related to plant and hog farm improvement projects, including the replacement of gestation stalls with group pens, which is more fully explained under "Additional Matters Affecting Liquidity" below.
- In October 2012, we paid $23.1 million, net of cash acquired, for a 70% interest in American Skin Food Group, LLC.

	Predecessor		
	Fiscal Year Ended		
	April 28, 2013	April 29, 2012	May 1, 2011
	(in millions)		
Capital expenditures	$(278.0)	$(290.7)	$(176.8)
Business acquisition, net of cash acquired	(24.0)	—	—
Dispositions	—	—	261.5
Insurance proceeds	—	—	120.6
Net (expenditures) proceeds from breeding stock transactions	(18.4)	(2.3)	26.2
Proceeds from sale of property, plant and equipment	16.9	6.4	22.8
Other	(0.2)	—	—
Net cash flows from investing activities	$(303.7)	$(286.6)	$254.3

The following items explain the significant investing activities for each of the past three fiscal years:

Fiscal 2013

- Capital expenditures included $45.9 million related to our Kinston, North Carolina plant expansion project. The remaining capital expenditures primarily related to plant and hog farm improvement projects, including the replacement of gestation stalls with group pens, which is more fully explained under "Additional Matters Affecting Liquidity" below.
- We paid $24.0 million, net of cash acquired, for a 70% interest in American Skin Food Group, LLC.

Fiscal 2012

- Capital expenditures included $32.8 million related to our Kinston, North Carolina plant expansion project and $30.9 million related to the Cost Savings Initiative. The remaining capital expenditures primarily related to plant and hog farm improvement projects.

Fiscal 2011

- Capital expenditures primarily related to plant and hog farm improvement projects, including approximately $44.0 million related to the Cost Savings Initiative.
- Dispositions included proceeds from the sale of our investment in Butterball, LLC and our related turkey production assets and proceeds from the sale of hog operations in Texas, Oklahoma and Iowa.
- The insurance proceeds represent the gain on involuntary conversion of property, plant and equipment due to the Patrick Cudahy fire upon the final settlement of claims with our insurance carriers in the third quarter of fiscal 2011.
- Proceeds from the sale of property, plant and equipment includes $9.1 million from the sale of farm land in Texas.

Financing Activities

	Successor	Predecessor	The Transition Period	Predecessor
			Eight Months Ended (unaudited)	
	September 27 - December 29, 2013	April 29 - September 26, 2013	December 29, 2013	December 30, 2012
	(in millions)			
Net proceeds from equity contributions	$4,162.1	$—	$4,162.1	$—
Proceeds from the issuance of long-term debt and capital leases	900.3	—	900.3	1,019.2
Principal payments on long-term debt and capital lease obligations	(218.7)	(458.7)	(677.4)	(713.4)
Proceeds from Securitization Facility	240.0	170.0	410.0	—
Payments on Securitization Facility	(255.0)	(50.0)	(305.0)	—
Net borrowings (repayments) on revolving credit facilities and notes payables	(367.9)	490.3	122.4	42.8
Repurchase of common stock	—	—	—	(386.4)
Debt issuance costs and other	(20.4)	0.1	(20.3)	(16.5)
Net cash flows from financing activities	$4,440.4	$151.7	$4,592.1	$(54.3)

The following items explain the significant investing activities for the periods presented:

The Transition Period

- As part of the Merger, WH Group purchased all of our common stock as of the Merger Date. The amount paid by WH Group, net of certain transaction costs is deemed to be an equity contribution by WH Group to the Company.
- Merger Sub issued the Merger Sub Notes as part of the financing for the Merger. Also, Merger Sub incurred $20.4 million in transaction fees in connection with the issuance of the Merger Sub Notes, which are being amortized over the life of the Merger Sub Notes. As a result of the Merger and the transactions entered into in connection therewith, we have assumed the liabilities and obligations of Merger Sub, including Merger Sub's obligations under the Merger Sub Notes.
- In the Successor Period, we made an early repayment of our $200.0 million floating rate unsecured term loan due in February 2014.
- In the Predecessor Period, we repaid the outstanding principal balance on our 4% senior unsecured convertible notes totaling $400.0 million.
- In the Predecessor Period, we repaid the outstanding principal amount on our 7.75% senior unsecured notes totaling $55.0 million.
- In the Transition Period, we drew $145.0 million on our Inventory Revolver and $105.0 million on our Securitization Facility, net of repayments, to repay other long-term debt, as noted above.

Eight Months Ended December 30, 2012

- In August 2012, we issued $1.0 billion of our 2022 Notes at a price equal to 99.5% of their face value. We used $804.9 million of the $981.2 million in net proceeds from the debt offering to repurchase the remaining $694.4 million of our outstanding senior notes due in May 2013 and July 2014.
- We repurchased 19,068,079 shares of our common stock for $386.4 million as part of a previously approved share repurchase program.
- We incurred $18.0 million in transaction fees in connection with the issuance of the 2022 Notes, which are being amortized over their ten-year life.

	Predecessor Fiscal Year Ended April 28, 2013 (in millions)	April 29, 2012	May 1, 2011
Proceeds from the issuance of long-term debt	$1,219.2	$—	$—
Principal payments on long-term debt and capital lease obligations	(716.5)	(152.7)	(944.5)
Net borrowings (repayments) on revolving credit facilities and notes payables	13.9	(0.3)	21.6
Repurchase of common stock	(386.4)	(189.5)	—
Change in cash collateral	—	23.9	(23.9)
Debt issuance costs and other	(14.5)	(9.8)	1.2
Net cash flows from financing activities	$115.7	$(328.4)	$(945.6)

The following items explain the significant financing activities for each of the past three fiscal years:

Fiscal 2013

- In August 2012, we issued $1.0 billion of our 2022 Notes at a price equal to 99.5% of their face value. We used $804.9 million of the $981.2 million in net proceeds from the debt offering to repurchase the remaining $589.4 million of our 2014 Notes and $105.0 million of our 2013 Notes.
- We repurchased 19,068,079 shares of our common stock for $386.4 million as part of the Share Repurchase Program.
- We incurred $18.0 million in transaction fees in connection with the issuance of the 2022 Notes, which are being amortized over their ten-year life.

Fiscal 2012

- We redeemed the remaining $77.8 million of our 7% senior unsecured notes due August 2011 and repurchased $59.7 million of our 2014 Notes.
- We repurchased 9,176,704 shares of our common stock for $189.5 million as part of the Share Repurchase Program.
- We received $20.0 million of cash previously held in a deposit account to serve as collateral for overdrafts on certain of our bank accounts and $3.9 million of cash from the counterparty of our interest rate swap contract which expired in August 2011.
- We paid $11.0 million of debt issuance costs in connection with the refinancing of the ABL Credit Facility.

Fiscal 2011

- We repurchased $522.2 million of our 7% senior unsecured notes due August 2011 through open market purchases as well as a tender offer. Also, we repurchased $190.0 million and $200.9 million of our 2013 Notes and our 2014 Notes, respectively, as a result of a tender offer that expired on February 9, 2011.
- We repaid $16.2 million in outstanding notes payable and received $40.4 million from draws on credit facilities in the International segment.
- We repaid $30.1 million on outstanding loans in the International segment.
- We transferred $20.0 million of cash into a deposit account to serve as collateral for overdrafts on certain of our bank accounts in place of letters of credit previously used under our banking agreement and $3.9 million of cash to the counterparty of our interest rate swap contract to serve as collateral and replace letters of credit previously provided under the contract.

Capitalization

	Successor December 29, 2013	Predecessor April 28, 2013	April 29, 2012
	(in millions)		
6.625% senior unsecured notes, due August 2022, including unamortized premiums of $21.7 million (Successor) and unamortized discounts of $4.7 million (Predecessor)	$1,021.3	$995.3	$—
7.75% senior unsecured notes, due July 2017, including unamortized premiums of $54.0 million (Successor)	538.4	500.0	500.0
5.25% senior unsecured notes, due August 2018	500.0	—	—
5.875% senior unsecured notes, due August 2021	400.0	—	—
7.75% senior unsecured notes, due May 2013	—	55.0	160.0
4% senior unsecured Convertible Notes, due June 2013, including unamortized discounts of $4.1 million (Predecessor) and $26.8 million (Predecessor)	—	395.9	373.2
10% senior secured notes, due July 2014, including unamortized discounts of $7.0 million (Predecessor)	—	—	357.4
10% senior secured notes, due July 2014, including unamortized premiums of $4.4 million (Predecessor)	—	—	229.4
Floating rate senior unsecured term loan, due May 2018	200.0	200.0	200.0
Floating rate senior unsecured term loan, due February 2014	—	200.0	—
Inventory Revolver, LIBOR plus 3.25%	145.0	—	—
Securitization Facility, the lender's cost of funds of 0.21% plus 1.15%	105.0	—	—
Various, interest rates from 0.0% to 5.20%, due February 2014 through June 2017	110.4	132.9	117.3
Total debt	3,020.1	2,479.1	1,937.3
Current portion	(47.3)	(675.1)	(62.5)
Total long-term debt	$2,972.8	$1,804.0	$1,874.8
Total shareholders’ equity	$4,231.1	$3,097.0	$3,387.3

Interest Rate Spread

As of December 29, 2013, the interest rates on borrowings under the Inventory Revolver and the Securitization Facility were LIBOR plus 3.25% and 0.21% plus 1.15%, respectively. The interest rate spread for the Inventory Revolver is based on a pricing-level grid in the agreement and is determined by our Funded Debt to EBITDA ratio (as defined in the Second Amended and Restated Credit Agreement).

Guarantees

As part of our business, we are party to various financial guarantees and other commitments as described below. These arrangements involve elements of performance and credit risk that are not included in the consolidated balance sheet. We could become liable in connection with these obligations depending on the performance of the guaranteed party or the occurrence of future events that we are unable to predict. If we consider it probable that we will become responsible for an obligation, we will record the liability in our consolidated balance sheet.

As of December 29, 2013, we continue to guarantee $9.5 million of leases that were transferred to JBS S.A. in connection with the sale of Smithfield Beef, Inc. Some of these lease guarantees may be released in the near future and others may remain in place until the leases expire through February 2022.

Additional Matters Affecting Liquidity

Capital Projects

We anticipate annual capital expenditures in the range of $300 million to $350 million over the next several years to upgrade facilities with new machinery and equipment in order to improve our competitive cost structure and achieve least cost/best in class operations. These expenditures are expected to be funded with cash flows from operations and/or borrowings under credit facilities.

Group Pens

In January 2007, we announced a voluntary, ten-year program to phase out individual gestation stalls at our company-owned sow farms and replace the gestation stalls with group pens. We currently estimate the total cost of our transition to group pens to be approximately $360.0 million, including associated maintenance and repairs. This program represents a significant financial commitment and reflects our desire to be more animal friendly, as well as to address the concerns and needs of our customers. As of the end of calendar year 2013, we had completed conversions to group housing for over 54% of our sows on company-owned farms. We remain on track to finish conversion to group housing for all sows on company-owned farms by the end of 2017. Our hog production operations in Poland and Romania completed their conversions to group housing facilities a number of years ago.

In January 2014, we announced the recommendation that all of our contract sow growers join with us in converting their facilities to group housing systems for pregnant sows. We asked contract sow growers to convert by 2022 and offered a sliding scale of incentives to accelerate that timetable. Growers who commit to convert to group housing will receive contract extensions upon completion of the conversion.

Risk Management Activities

We are exposed to market risks primarily from changes in commodity prices, and to a lesser degree, interest rates and foreign exchange rates. To mitigate these risks, we utilize derivative instruments to hedge our exposure to changing prices and rates, as more fully described under “Derivative Financial Instruments” below. Our liquidity position may be positively or negatively affected by changes in the underlying value of our derivative portfolio. When the value of our open derivative contracts decrease, we may be required to post margin deposits with our brokers to cover a portion of the decrease. Conversely, when the value of our open derivative contracts increase, our brokers may be required to deliver margin deposits to us for a portion of the increase. During the Transition Period, margin deposits posted by us ranged from $21.7 million to $106.4 million. The average daily amount we held on deposit from our brokers during the Transition Period was $54.3 million. As of December 29, 2013, the net amount on deposit with our brokers was $47.6 million.

The effects, positive or negative, on liquidity resulting from our risk management activities tend to be mitigated by offsetting changes in cash prices in our core business. For example, in a period of rising grain prices, gains resulting from long grain derivative positions would generally be offset by higher cash prices paid to farmers and other suppliers in spot markets. These offsetting changes do not always occur, however, in the same amounts or in the same period, with lag times of as much as twelve months.

Pension Plan Funding

Funding requirements for our pension plans are determined based on the funded status measured at the end of each year. The values of our pension obligation and related assets may fluctuate significantly, which may in turn lead to a larger underfunded status in our pension plans and a higher funding requirement. We contributed $18.8 million to our qualified pension plans in the Transition Period. Our expected funding requirement in fiscal 2014 is approximately $115.1 million.

Contractual Obligations and Commercial Commitments

The following table provides information about our contractual obligations and commercial commitments as of December 29, 2013.

	Payments Due By Period				
	Total	< 1 Year	1-3 Years	3-5 Years	> 5 Years
	(in millions)				
Long-term debt, excluding premiums	$2,944.4	$47.3	$318.9	$1,178.6	$1,399.6
Interest	1,127.9	172.4	337.2	282.8	335.5
Capital lease obligations, including interest	26.2	1.3	2.3	1.4	21.2
Operating leases	159.4	41.6	53.5	33.4	30.9
Capital expenditure commitments	20.6	20.6	—	—	—
Purchase obligations:					
Hog procurement (1)	6,468.0	1,617.3	2,200.8	1,688.2	961.7
Contract hog growers (2)	1,300.5	370.4	364.1	266.0	300.0
Grain procurement (3)	309.5	309.5	—	—	—
Other (4)	292.3	19.2	34.5	27.8	210.8
Total	$12,648.8	$2,599.6	$3,311.3	$3,478.2	$3,259.7

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(1) Through the Pork and International segments, we have purchase agreements with certain hog producers. Some of these arrangements obligate us to purchase all of the hogs produced by these producers. Other arrangements obligate us to purchase a fixed amount of hogs. Due to the uncertainty of the number of hogs that we are obligated to purchase and the uncertainty of market prices at the time of hog purchases, we have estimated our obligations under these arrangements. Future payments were estimated using current live hog market prices, available futures contract prices and internal projections adjusted for historical quality premiums.

(2) Through the Hog Production segment, we use independent farmers and their facilities to raise hogs produced from our breeding stock. Under multi-year contracts, the farmers provide the initial facility investment, labor and front line management in exchange for a performance-based service fee payable upon delivery. We are obligated to pay this service fee for all hogs delivered. We have estimated our obligation based on expected hogs delivered from these farmers.

(3) Includes fixed price forward grain purchase contracts totaling $101.7 million. Also includes unpriced forward grain purchase contracts which, if valued as of December 29, 2013 market prices, would be $207.8 million. These forward grain contracts are accounted for as normal purchases. As a result, they are not recorded in the balance sheet.

(4) Includes guaranteed royalty payments totaling $250.0 million to Nathan's Famous Inc. (Nathan's) over an 18 year contractual term commencing in March 2014. In December 2012, John Morrell signed an agreement with Nathan's to become Nathan's exclusive licensee to manufacture and sell branded hot dog, sausage and corn beef products in the retail market. Under the terms of the agreement, guaranteed minimum royalty payments are $10.0 million for the first year and increase at a compounded average annual rate of 3.2% over the contract term.

OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements that have a material current effect, or that are reasonably likely to have a material future effect, on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources.

DERIVATIVE FINANCIAL INSTRUMENTS

We are exposed to market risks primarily from changes in commodity prices, as well as interest rates and foreign exchange rates. To mitigate these risks, we utilize derivative instruments to hedge our exposure to changing prices and rates.

Derivative instruments are recorded in the balance sheet as either assets or liabilities at fair value. For derivatives that qualify and have been designated as cash flow or fair value hedges for accounting purposes, changes in fair value have no net impact on earnings, to the extent the derivative is considered perfectly effective in achieving offsetting changes in fair value or cash flows attributable to the risk being hedged, until the hedged item is recognized in earnings (commonly referred to as the "hedge accounting" method). For derivatives that do not qualify or are not designated as hedging instruments for accounting purposes, changes in fair value are recorded in current period earnings (commonly referred to as the "mark-to-market" method). Under this guidance, we may elect either method of accounting for our derivative portfolio, assuming all the necessary requirements are met. We have in the past availed ourselves of either acceptable method and expect to do so in the future. We believe all of our derivative instruments represent economic hedges against changes in prices and rates, regardless of their designation for accounting purposes.

When available, we use quoted market prices to determine the fair value of our derivative instruments. This may include exchange prices, quotes obtained from brokers, or independent valuations from external sources, such as banks. In some cases where market prices are not available, we make use of observable market based inputs to calculate fair value.

The size and mix of our derivative portfolio varies from time to time based upon our analysis of current and future market conditions. The following table presents the fair values of our open derivative financial instruments in the consolidated balance sheets [1].

	Successor	Predecessor	
	December 29, 2013	April 28, 2013	April 29, 2012
	(in millions)		
Grains	$(11.2)	$(78.0)	$33.8
Livestock	(7.1)	14.7	23.1
Energy	2.9	2.5	(12.2)
Foreign currency	1.0	0.4	3.6

[1] Negative amounts represent net liabilities

Sensitivity Analysis

The following table presents the sensitivity of the fair value of our open derivative contracts to a hypothetical 10% change in market prices or foreign exchange rates, as of December 29, 2013, April 28, 2013 and April 29, 2012.

	Successor	Predecessor	
	December 29, 2013	April 28, 2013	April 29, 2012
	(in millions)		
Grains	$29.9	$38.1	$49.4
Livestock	48.0	12.7	18.0
Energy	5.2	5.4	3.3
Foreign currency	5.8	5.0	11.9

Commodities Risk

Our meat processing and hog production operations use various raw materials, primarily live hogs, corn, soybean meal and wheat, which are actively traded on commodity exchanges. We hedge these commodities when we determine conditions are appropriate to mitigate the inherent price risks. While this hedging may limit our ability to participate in gains from favorable commodity fluctuations, it also tends to reduce the risk of loss from adverse changes in raw material prices. Commodities underlying our derivative instruments are subject to significant price fluctuations. Any requirement to mark-to-market the positions that have not been designated or do not qualify for hedge accounting could result in volatility in our results of operations. We attempt to closely match the hedging instrument terms with the hedged item's terms. Gains and losses resulting from our commodity derivative contracts are recorded in cost of sales except for lean hog contracts that are designated in cash flow hedging relationships, which are recorded in sales, and are offset by increases and decreases in cash prices in our core business (with such increases and decreases reflected in the same income statement line items). For example, in a period of rising grain prices, gains resulting from long grain derivative positions would generally be offset by higher cash prices paid to farmers and other suppliers in spot markets. However, under the "mark-to-market" method described above, these offsetting changes do not always occur in the same period, with lag times of as much as twelve months.

Interest Rate and Foreign Currency Exchange Risk

We periodically enter into interest rate swaps to hedge our exposure to changes in interest rates on certain financial instruments and to manage the overall mix of fixed rate and floating rate debt instruments. We also periodically enter into foreign exchange forward contracts to hedge exposure to changes in foreign currency rates on foreign denominated assets and liabilities as well as forecasted transactions denominated in foreign currencies.

The following tables present the effects on our consolidated financial statements of pre-tax gains and losses on derivative instruments designated in cash flow hedging relationships:

Cash Flow Hedges

	Gain (Loss) Recognized in Other Comprehensive Income (Loss) on Derivative (Effective Portion)		Gain (Loss) Reclassified from Accumulated Other Comprehensive Income (Loss) into Earnings (Effective Portion)		Gain (Loss) Recognized in Earnings on Derivative (Ineffective Portion)	
	Successor	Predecessor	Successor	Predecessor	Successor	Predecessor
	September 27 - December 29, 2013	April 29 - September 26, 2013	September 27 - December 29, 2013	April 29 - September 26, 2013	September 27 - December 29, 2013	April 29 - September 26, 2013
	(in millions)		(in millions)		(in millions)	
Commodity contracts:						
Grain contracts	$(8.9)	$3.1	$(0.9)	$23.6	$(3.7)	$1.3
Lean hog contracts	3.1	(29.3)	3.0	5.9	—	(0.8)
Foreign exchange contracts	3.5	(0.4)	0.3	(0.3)	—	—
Total	$(2.3)	$(26.6)	$2.4	$29.2	$(3.7)	$0.5

	Gain (Loss) Recognized in Other Comprehensive Income (Loss) on Derivative (Effective Portion)			Gain (Loss) Reclassified from Accumulated Other Comprehensive (Income) Loss into Earnings (Effective Portion)			Gain (Loss) Recognized in Earnings on Derivative (Ineffective Portion)		
	Predecessor			Predecessor			Predecessor		
	Fiscal Year Ended			Fiscal Year Ended			Fiscal Year Ended		
	April 28, 2013	April 29, 2012	May 1, 2011	April 28, 2013	April 29, 2012	May 1, 2011	April 28, 2013	April 29, 2012	May 1, 2011
	(in millions)			(in millions)			(in millions)		
Commodity contracts:									
Grain contracts	$39.1	$5.5	$232.9	$108.4	$75.1	$80.7	$—	$(0.2)	$1.9
Lean hog contracts	13.6	102.8	(82.8)	54.9	32.3	(44.5)	0.4	(0.5)	(1.0)
Interest rate contracts	—	—	(1.2)	—	(2.4)	(7.0)	—	—	—
Foreign exchange contracts	0.4	(2.5)	(4.1)	2.1	(4.1)	(2.6)	—	—	—
Total	$53.1	$105.8	$144.8	$165.4	$100.9	$26.6	$0.4	$(0.7)	$0.9

Fair Value Hedges

	Gain (Loss) Recognized in Earnings on Derivative				
	Successor	Predecessor			
			Fiscal Year Ended		
	September 27 - December 29, 2013	April 29 - September 26, 2013	April 28, 2013	April 29, 2012	May 1, 2011
	(in millions)				
Commodity contracts	$—	$0.5	$(12.8)	$21.9	$(4.2)

	Gain (Loss) Recognized in Earnings on Related Hedged Item				
	Successor	Predecessor			
			Fiscal Year Ended		
	September 27 - December 29, 2013	April 29 - September 26, 2013	April 28, 2013	April 29, 2012	May 1, 2011
	(in millions)				
Commodity contracts	$0.1	$(0.5)	$5.0	$(16.7)	$5.4

Mark-to-Market Method

	Gain (Loss) Recognized in Earnings on Related Hedged Item				
	Successor	Predecessor			
			Fiscal Year Ended		
	September 27 - December 29, 2013	April 29 - September 26, 2013	April 28, 2013	April 29, 2012	May 1, 2011
	(in millions)				
Commodity contracts	$(5.9)	$8.5	$42.6	$6.4	$63.4
Foreign exchange contracts	1.2	(0.2)	3.7	7.7	(9.0)
Total	$(4.7)	$8.3	$46.3	$14.1	$54.4

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of consolidated financial statements requires us to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates and assumptions are based on our experience and our understanding of the current facts and circumstances. Actual results could differ from those estimates. The following is a summary of certain accounting policies and estimates we consider critical. Our accounting policies are more fully discussed in Note 1 in “Item 8. Financial Statements and Supplementary Data.”

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
Business Combinations		
We have been a part of multiple business combinations during the Transition Period and the past three fiscal years, including the Merger.	In accounting for the Merger, WH Group's cost of acquiring the Company has been pushed-down to establish a new accounting basis for the Company.	We have not made any material changes in the accounting methodology used in purchase price allocation during the Transition Period nor during the past three fiscal years.
Each of these business combinations was accounted for using the acquisition method of accounting. The acquisition method of accounting involves the allocation of the purchase price to the estimated fair values of the assets acquired and liabilities assumed.	The preliminary allocation of consideration to the assets acquired and liabilities assumed by WH Group in the Merger reflects preliminary fair value estimates based on management's analysis, including preliminary work performed by third-party valuation specialists, which are subject to change within the measurement period as valuations are finalized.	We do not believe there is a reasonable likelihood there will be a material change in the preliminary fair value estimates made as part of the Merger. However, as previously noted, these estimates are preliminary and subject to change within the measurement period as valuations are finalized. Any material measurement period adjustments will be applied retrospectively to the Merger Date.
Contingent liabilities		
We are subject to lawsuits, investigations and other claims related to the operation of our farms, labor, livestock procurement, securities, environmental, product, taxing authorities and other matters, and are required to assess the likelihood of any adverse judgments or outcomes to these matters, as well as potential ranges of probable losses and fees. A determination of the amount of reserves and disclosures required, if any, for these contingencies are made after considerable analysis of each	Our contingent liabilities contain uncertainties because the eventual outcome will result from future events, and determination of current reserves requires estimates and judgments related to future changes in facts and circumstances, differing interpretations of the law and assessments of the amount of damages or fees, and the effectiveness of strategies or other factors beyond our control.	We have not made any material changes in the accounting methodology used to establish our contingent liabilities during the Transition Period nor during the past three fiscal years. We do not believe there is a reasonable likelihood there will be a material change in the estimates or assumptions used to calculate our contingent liabilities.

individual issue. We accrue for contingent liabilities when an assessment of the risk of loss is probable and can be reasonably estimated. We disclose contingent liabilities when the risk of loss is reasonably possible or probable.

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
Marketing and advertising costs We incur advertising, customer incentive and consumer incentive costs to promote products through marketing programs. These programs include cooperative advertising, volume discounts, in-store display incentives, coupons and other programs. Advertising costs are charged in the period incurred except for certain production costs, which are expensed upon the first airing of the advertisement. We accrue customer and consumer incentive costs based on the estimated performance, historical utilization and redemption of each program. Except for certain amounts related to cooperative advertising arrangements, cash consideration given to customers is considered a reduction in the price of our products, thus recorded as a reduction to sales. The remainder of marketing and advertising costs is recorded as a selling, general and administrative expense.	Recognition of the costs related to these programs contains uncertainties due to judgment required in estimating the potential performance and redemption of each program.These estimates are based on many factors, including experience of similar promotional programs.	We have not made any material changes in the accounting methodology used to establish our marketing accruals during the Transition Period nor during the past three fiscal years. We do not believe there is a reasonable likelihood there will be a material change in the estimates or assumptions used to calculate our marketing accruals. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to gains or losses that could be material.

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
Impairment Considerations of Equity Method Investments		
Each quarter, we review the carrying value of our investments and consider whether indicators of impairment exist. Examples of impairment indicators include a history or expectation of future operating losses and declines in a quoted share price, among other factors. If an impairment indicator exists, we must evaluate the fair value of our investment to determine if a loss in value, which is other than temporary, has occurred. If we consider any such decline to be other than temporary (based on various factors, including historical financial results, product development activities and the overall health of the affiliate's industry), then a write-down of the investment to its estimated fair value would be recorded.	In assessing the fair value of an investment, we consider a variety of information, including, when available, independent third party valuation reports, which incorporate generally accepted valuation techniques, and quoted market prices for our investment adjusted for any influence premium that should be applied to the market price based on our ability to exert significant influence over the operational and strategic decisions of the company. We also consider the history of our investment's cash flows, expectations about future cash flows and market multiples for comparable businesses.	We have not made any material changes in the accounting methodology used to evaluate impairment of equity method investments during the Transition Period nor during the last three fiscal years.
Accrued self insurance		
We are self insured for certain losses related to health and welfare, workers' compensation, auto liability and general liability claims. We use an independent third-party actuary to assist in the determination of certain of our self-insurance liabilities. We and the actuary consider a number of factors when estimating our self-insurance liability, including claims experience, demographic factors, severity factors and other actuarial assumptions. We periodically review our estimates and assumptions with our third-party actuary to assist us in	Our self-insurance liabilities contain uncertainties due to assumptions required and judgment used. Costs to settle our obligations, including legal and healthcare costs, could increase or decrease causing estimates of our self-insurance liabilities to change. Incident rates, including frequency and severity, could increase or decrease causing estimates in our self-insurance liabilities to change.	We have not made any material changes in the accounting methodology used to establish our self-insurance liabilities during the Transition Period nor during the past three fiscal years. We do not believe there is a reasonable likelihood there will be a material change in the estimates or assumptions used to calculate our self-insurance liabilities. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to gains or losses that could be material. A 10% increase in the estimates as of December 29, 2013, would result in an increase in the amount we recorded for our insurance liabilities of approximately $10.2 million.

determining the adequacy of our
self-insurance liability.

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
Impairment of long-lived assets Long-lived assets are evaluated for impairment whenever events or changes in circumstances indicate the carrying value may not be recoverable. Examples include a current expectation that a long-lived asset will be disposed of significantly before the end of its previously estimated useful life, a significant adverse change in the extent or manner in which we use a long-lived asset or a change in its physical condition. When evaluating long-lived assets for impairment, we compare the carrying value of the asset to the asset's estimated undiscounted future cash flows. Impairment is recorded if the estimated future cash flows are less than the carrying value of the asset. The impairment is the excess of the carrying value over the fair value of the long-lived asset. During the Transition Period, fiscal 2013, fiscal 2012 and fiscal 2011, we had no significant impairments of long-lived assets.	Our impairment analysis contains uncertainties due to judgment in assumptions and estimates surrounding undiscounted future cash flows of the long-lived asset, including forecasting useful lives of assets and selecting the discount rate that reflects the risk inherent in future cash flows.	We have not made any material changes in the accounting methodology used to evaluate the impairment of long-lived assets during the Transition Period nor during the last three fiscal years. We do not believe there is a reasonable likelihood there will be a material change in the estimates or assumptions used to calculate impairments of long-lived assets. However, if actual results are not consistent with our estimates and assumptions used to calculate estimated future cash flows, we may be exposed to future impairment losses that could be material.

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
Impairment of goodwill and other non-amortized intangible assets		
Goodwill and indefinite-lived intangible assets are tested for impairment annually in the fourth quarter, or sooner if impairment indicators arise. In the evaluation of goodwill for impairment, we may perform a qualitative assessment to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If it is not, no further analysis is required. If it is, a prescribed two-step goodwill impairment test is performed to identify potential goodwill impairment and measure the amount of goodwill impairment loss to be recognized for that reporting unit, if any. The first step in the two-step impairment test is to identify if a potential impairment exists by comparing the fair value of a reporting unit with its carrying amount, including goodwill. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is not considered to have a potential impairment and the second step of the impairment test is not necessary. However, if the carrying amount of a reporting unit exceeds its fair value, the second step is performed to determine if goodwill is impaired and to measure the amount of impairment loss to recognize, if any. The second step compares the implied fair value of goodwill with the carrying amount of goodwill. If the implied fair value of goodwill exceeds the carrying amount, goodwill is not considered impaired.	We estimate the fair value of our reporting units by applying valuation multiples and/or estimating future discounted cash flows. The selection of multiples and cash flows is dependent upon assumptions regarding future levels of operating performance as well as business trends and prospects, and industry, market and economic conditions. A discounted cash flow analysis requires us to make various judgmental assumptions about sales, operating margins, growth rates and discount rates. When estimating future discounted cash flows, we consider the assumptions that hypothetical marketplace participants would use in estimating future cash flows. In addition, where applicable, an appropriate discount rate is used, based on our cost of capital or location-specific economic factors. The fair values of trademarks have been calculated using a royalty rate method. Assumptions about royalty rates are based on the rates at which similar brands and trademarks are licensed in the marketplace. Our impairment analysis contains uncertainties due to uncontrollable events that could positively or negatively impact the anticipated future economic and operating conditions.	We have not made any material changes in the accounting methodology used to evaluate impairment of goodwill and other intangible assets during the Transition Period nor during the last three fiscal years. As of December 29, 2013, we had $1.6 billion of goodwill and $1.3 billion of other non-amortized intangible assets. Goodwill and other intangible assets were recorded at fair value as of the Merger Date.

However, if the carrying amount of goodwill exceeds the implied fair value, an impairment loss is recognized in an amount equal to that excess.

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
The implied fair value of goodwill is determined in the same manner as the amount of goodwill recognized in a business combination (i.e., the fair value of the reporting unit is allocated to all the assets and liabilities, including any unrecognized intangible assets, as if the reporting unit had been acquired in a business combination and the fair value of the reporting unit was the purchase price paid to acquire the reporting unit). For our other non-amortized intangible assets, if the carrying value of the intangible asset exceeds its fair value, an impairment loss is recognized in an amount equal to that excess. We have elected to make the first day of the fourth quarter the annual impairment assessment date for goodwill and other intangible assets. However, we could be required to evaluate the recoverability of goodwill and other intangible assets prior to the required annual assessment if we experience disruptions to the business, unexpected significant declines in operating results, divestiture of a significant component of the business or a decline in market capitalization.		

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
Income taxes We estimate total income tax expense based on statutory tax rates and tax planning opportunities available to us in various jurisdictions in which we earn income. Federal income taxes include an estimate for taxes on earnings of foreign subsidiaries expected to be remitted to the United States and be taxable, but not for earnings considered indefinitely invested in the foreign subsidiary. Deferred income taxes are recognized for the future tax effects of temporary differences between financial and income tax reporting using tax rates in effect for the years in which the differences are expected to reverse. Valuation allowances are recorded when it is likely a tax benefit will not be realized for a deferred tax asset. We record unrecognized tax benefit liabilities for known or anticipated tax issues based on our analysis of whether, and the extent to which, additional taxes will be due. This analysis is performed in accordance with the applicable accounting guidance.	Changes in tax laws and rates could affect recorded deferred tax assets and liabilities in the future. Changes in projected future earnings could affect the recorded valuation allowances in the future. Our calculations related to income taxes contain uncertainties due to judgment used to calculate tax liabilities in the application of complex tax regulations across the tax jurisdictions where we operate. Our analysis of unrecognized tax benefits contain uncertainties based on judgment used to apply the more likely than not recognition and measurement thresholds.	We do not believe there is a reasonable likelihood there will be a material change in the tax related balances or valuation allowances. However, due to the complexity of some of these uncertainties, the ultimate resolution may result in a payment that is materially different from the current estimate of the tax liabilities. To the extent we prevail in matters for which liabilities have been established, or are required to pay amounts in excess of our recorded liabilities, our effective tax rate in a given financial statement period could be materially affected. An unfavorable tax settlement may require use of our cash and result in an increase in our effective tax rate in the period of resolution. A favorable tax settlement could be recognized as a reduction in our effective tax rate in the period of resolution.

Description	Judgments and Uncertainties	Effect if Actual Results Differ From Assumptions
Pension Accounting		
We provide the majority of our U.S. employees with pension benefits. We account for our pension plans in accordance with the applicable accounting guidance, which requires us to recognize the funded status of our pension plans in our consolidated balance sheets and to recognize, as a component of other comprehensive income (loss), the gains or losses and prior service costs or credits that arise during the period, but are not recognized in net periodic benefit cost. We use an independent third-party actuary to assist in the determination of our pension obligation and related costs. We generally contribute the minimum amount required under government regulations to our qualified pension plans. We funded \$18.8 million, \$17.7 million, \$142.8 million and \$128.5 million to our qualified pension plans during the Transition Period, fiscal 2013, 2012 and 2011, respectively. We expect to fund approximately \$141 million in fiscal 2014.	The measurement of our pension obligation and costs is dependent on a variety of assumptions regarding future events. The key assumptions we use include discount rates, salary growth, retirement ages/mortality rates and the expected return on plan assets. These assumptions may have an effect on the amount and timing of future contributions. The discount rate assumption is based on investment yields available at year-end on corporate bonds rated AA and above with a maturity to match our expected benefit payment stream. The salary growth assumption reflects our long-term actual experience, the near-term outlook and assumed inflation. Retirement rates are based primarily on actual plan experience. Mortality rates are based on mandated mortality tables, which have flexibility to consider industry specific groups, such as blue collar or white collar. The expected return on plan assets reflects asset allocations, investment strategy and historical returns of the asset categories. The effects of actual results differing from these assumptions are accumulated and amortized over future periods and, therefore, generally affect our recognized expense in such future periods. The following weighted average assumptions were used to determine our benefit obligation and net benefit cost for the Successor Period: • 5.30% – Discount rate to determine net benefit cost • 5.25% – Discount rate to determine pension benefit obligation • 7.25% – Expected return on plan assets	If actual results are not consistent with our estimates or assumptions, we may be exposed to gains or losses that could be material. For example, the discount rate used to measure our projected benefit obligation increased from 4.45% as of April 28, 2013 to 5.25% as of December 29, 2013, which is the primary cause for a \$172.4 million increase in funded status. An additional 0.50% decrease in the discount rate used to measure our projected benefit obligation would have further reduced the funded status by \$110.6 million as of December 29, 2013, and would have resulted in an additional \$7.4 million in net pension cost for the Transition Period. A 0.50% decrease in expected return on plan assets would have resulted in an additional \$3.6 million in net pension cost for the Transition Period. In addition to higher net pension cost, a significant decrease in the funded status of our pension plans caused by either a devaluation of plan assets or a decline in the discount rate would result in higher pension funding requirements.

• 4.00% – Salary growth

Derivatives Accounting

See "Derivative Financial Instruments" above for a discussion of our derivative accounting policy.

Recent Accounting Pronouncements

See Note 1 in "Item 8. Financial Statements and Supplementary Data" for information about recently issued accounting standards not yet adopted by us, including their potential effects on our financial statements.

FORWARD-LOOKING INFORMATION

This report contains "forward-looking" statements within the meaning of the federal securities laws. The forward-looking statements include statements concerning our outlook for the future, as well as other statements of beliefs, future plans and strategies or anticipated events, and similar expressions concerning matters that are not historical facts. Our forward-looking information and statements are subject to risks and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, the forward-looking statements. These risks and uncertainties include, but are not limited to, the availability and prices of live hogs, feed ingredients (including corn), raw materials, fuel and supplies, food safety, livestock disease, live hog production costs, product pricing, the competitive environment and related market conditions, risks associated with our indebtedness, including cost increases due to rising interest rates or changes in debt ratings or outlook, hedging risk, adverse weather conditions, operating efficiencies, changes in foreign currency exchange rates, access to capital, the cost of compliance with and changes to regulations and laws, including changes in accounting standards, tax laws, environmental laws, agricultural laws and occupational, health and safety laws, adverse results from litigation, actions of domestic and foreign governments, labor relations issues, credit exposure to large customers, the ability to realize the anticipated strategic benefits of the acquisition of Smithfield Foods, Inc. by WH Group, the ability to make effective acquisitions and successfully integrate newly acquired businesses into existing operations and other risks and uncertainties described under "Item 1A. Risk Factors." Readers are cautioned not to place undue reliance on forward-looking statements because actual results may differ materially from those expressed in, or implied by, the statements. Any forward-looking statement that we make speaks only as of the date of such statement, and we undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless expressed as such, and should only be viewed as historical data.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Information about our exposure to market risk is included in "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations—Derivative Financial Instruments" of this Transition Report on Form 10-K.

All statements other than historical information required by this item are forward-looking statements. The actual impact of future market changes could differ materially because of, among others, the factors discussed in this Transition Report on Form 10-K.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

INDEX TO FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

REPORT OF DELOITTE & TOUCHE LLP, INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To The Board of Directors and Shareholder of Smithfield Foods, Inc.
Smithfield, Virginia

We have audited the accompanying consolidated balance sheet of Smithfield Foods Inc. and subsidiaries (the "Company") as of December 29, 2013 and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for the periods from September 27, 2013 to December 29, 2013 (Successor) and from April 29, 2013 to September 26, 2013 (Predecessor). Our audit also included the financial statement schedules listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Smithfield Foods Inc. and subsidiaries as of December 29, 2013, and the results of their operations and their cash flows for the periods from September 27, 2013 to December 29, 2013 (Successor) and from April 29, 2013 to September 26, 2013 (Predecessor), in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 2 to the financial statements, on September 26, 2013, WH Group Limited (WH Group), formerly Shuanghui International Holdings Limited, acquired all of the outstanding shares of the Company and WH Group’s cost of acquiring the Company has been pushed-down to establish a new accounting basis for the Company. Additionally, as discussed in Note 1 to the financial statements, on January 16, 2014, the Company changed its fiscal year end from the 52 or 53 week period which ends on the Sunday nearest to April 30 to the 52 or 53 week period which ends on the Sunday nearest to December 31. The change became effective at the end of the period ended December 29, 2013.

/s/ DELOITTE & TOUCHE LLP
Richmond, VA
March 20, 2014

REPORT OF ERNST & YOUNG LLP, INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To The Board of Directors and Shareholder of Smithfield Foods, Inc.
Smithfield, Virginia

We have audited the accompanying consolidated balance sheets of Smithfield Foods, Inc. and subsidiaries as of April 28, 2013 and April 29, 2012, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended April 28, 2013. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Smithfield Foods, Inc. and subsidiaries at April 28, 2013 and April 29, 2012, and the consolidated results of their operations and their cash flows for each of the three years in the period ended April 28, 2013, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ ERNST & YOUNG LLP
Richmond, Virginia
June 18, 2013, except for Note 4, as to which the date is March 20, 2014

SMITHFIELD FOODS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(in millions)

	Successor	Predecessor	Fiscal Year Ended		
	September 27 - December 29, 2013	April 29 - September 26, 2013	April 28, 2013	April 29, 2012	May 1, 2011
Sales	$3,894.2	$5,679.5	$13,221.1	$13,094.3	$12,202.7
Cost of sales	3,543.1	5,190.1	11,901.4	11,544.9	10,488.6
Gross profit	351.1	489.4	1,319.7	1,549.4	1,714.1
Selling, general and administrative expenses	213.4	341.7	815.4	816.9	789.8
Gain on fire insurance recovery	—	—	—	—	(120.6)
Merger related costs	23.9	18.0	—	—	—
Loss (income) from equity method investments	2.6	0.5	(15.0)	9.9	(50.1)
Operating profit	111.2	129.2	519.3	722.6	1,095.0
Interest expense	59.0	64.6	168.7	176.7	245.4
Loss on debt extinguishment	1.7	—	120.7	12.2	92.5
Income before income taxes	50.5	64.6	229.9	533.7	757.1
Income tax expense	15.8	12.7	46.1	172.4	236.1
Net income	$34.7	$51.9	$183.8	$361.3	$521.0

See Notes to Consolidated Financial Statements

SMITHFIELD FOODS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(in millions)

	Successor	Predecessor	Fiscal Year Ended		
	September 27 - December 29, 2013	April 29 - September 26, 2013	April 28, 2013	April 29, 2012	May 1, 2011
Net income	$34.7	$51.9	$183.8	$361.3	$521.0
Other comprehensive income (loss):					
Foreign currency translation:					
Translation adjustment	29.6	23.3	(12.5)	(185.7)	120.2
Tax (expense) benefit	(2.3)	(6.4)	1.4	25.9	2.9
Pension accounting:					
Net actuarial gains (losses)	23.7	—	(93.9)	(326.1)	60.8
Reclassification of losses into net income	—	24.8	52.8	23.5	38.9
Tax benefit (expense)	(9.1)	(9.7)	15.9	117.6	(37.1)
Hedge accounting:					
Net derivative (losses) gains	(2.3)	(26.6)	53.3	105.6	144.9
Reclassification of net gains into net income	(2.4)	(29.2)	(165.4)	(100.9)	(26.6)
Tax benefit (expense)	1.8	21.8	43.1	(1.6)	(45.7)
Total other comprehensive income (loss)	39.0	(2.0)	(105.3)	(341.7)	258.3
Total comprehensive income	$73.7	$49.9	$78.5	$19.6	$779.3

See Notes to Consolidated Financial Statements

SMITHFIELD FOODS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in millions, except share data)

	Successor	Predecessor	
	December 29, 2013	April 28, 2013	April 29, 2012
ASSETS			
Current assets:			
Cash and cash equivalents	$ 193.4	$ 310.6	$ 324.3
Accounts receivable, net	810.9	663.2	624.7
Inventories	2,274.7	2,348.3	2,072.4
Prepaid expenses and other current assets	225.1	229.7	277.6
Total current assets	3,504.1	3,551.8	3,299.0
Property, plant and equipment, net	2,745.9	2,298.4	2,277.2
Goodwill	1,622.5	782.4	768.2
Investments	496.5	532.4	522.6
Intangible assets, net	1,405.8	390.4	381.8
Other assets	180.0	161.0	173.4
Total assets	$ 9,954.8	$ 7,716.4	$ 7,422.2
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Current portion of long-term debt and capital lease obligations	48.5	676.1	63.5
Accounts payable	614.4	429.1	415.8
Accrued expenses and other current liabilities	632.7	641.0	657.0
Total current liabilities	1,295.6	1,746.2	1,136.3
Long-term debt and capital lease obligations	2,997.4	1,829.2	1,900.9
Net long-term pension liability	504.4	697.0	581.9
Deferred income taxes, net	745.9	205.8	290.8
Other liabilities	131.1	127.8	122.3
Redeemable noncontrolling interests	48.6	12.7	2.0
Commitments and contingencies			
Equity:			
Shareholders' equity:			
Preferred stock, $1.00 par value, 1,000,000 authorized shares (Predecessor)	—	—	—
Common stock, no par value, 1,000 authorized shares; 1,000 issued and outstanding (Successor)	—	—	—
Common stock, $.50 par value, 500,000,000 authorized shares; 138,919,056 and 157,408,077 issued and outstanding (Predecessor)	—	69.5	78.7
Additional paid-in capital	4,157.4	1,389.9	1,561.0
Stock held in trust	—	(68.8)	(67.9)
Retained earnings	34.7	2,322.6	2,326.4

Accumulated other comprehensive income (loss)	39.0	(616.2)	(510.9)
Total shareholders’ equity	4,231.1	3,097.0	3,387.3
Noncontrolling interests	0.7	0.7	0.7
Total equity	4,231.8	3,097.7	3,388.0
Total liabilities and shareholders' equity	$ 9,954.8	$ 7,716.4	$ 7,422.2

See Notes to Consolidated Financial Statements

SMITHFIELD FOODS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions)

	Successor	Predecessor			
			Fiscal Year Ended		
	September 27 - December 29, 2013	April 29 - September 26, 2013	April 28, 2013	April 29, 2012	May 1, 2011
Cash flows from operating activities:	&				