

FLOWERS FOODS INC
Form 10-K
February 25, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended January 3, 2015

OR

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

For the transition period from _____ to _____

Commission file number 1-16247

FLOWERS FOODS, INC.

(Exact name of registrant as specified in its charter)

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Georgia
(State or other jurisdiction of

58-2582379
(IRS Employer

incorporation or organization)

Identification No.)

1919 Flowers Circle

Thomasville, Georgia
(Address of principal executive offices)

31757
(Zip Code)

Registrant's telephone number, including area code:

(229) 226-9110

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

Title of Each Class	Name of Each Exchange
on Which Registered	
Common Stock, \$0.01 par value	New York Stock Exchange

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 No

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 No

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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.

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. (Check one):

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

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

Based on the closing sales price on the New York Stock Exchange on July 12, 2014 the aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant was \$4,141,558,899.

On February 19, 2015, the number of shares outstanding of the registrant's Common Stock, \$0.01 par value, was 209,404,412.

DOCUMENTS INCORPORATED BY REFERENCE

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Portions of the registrant's Proxy Statement for the 2015 Annual Meeting of Shareholders to be held June 5, 2015, which will be filed with the Securities and Exchange Commission on or about April 23, 2015, have been incorporated by reference into Part III, Items 10, 11, 12, 13 and 14 of this Annual Report on Form 10-K.

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Forward-Looking Statements

Statements contained in this filing and certain other written or oral statements made from time to time by the company and its representatives that are not historical facts are forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. Forward-looking statements relate to current expectations regarding our future financial condition and results of operations and are often identified by the use of words and phrases such as anticipate, believe, continue, could, estimate, expect, intend, may, plan, predict, project, should, to, is expected to or will continue, or the negative of these terms or other comparable terminology. These forward-looking statements are based upon assumptions we believe are reasonable.

Forward-looking statements are based on current information and are subject to risks and uncertainties that could cause our actual results to differ materially from those projected. Certain factors that may cause actual results, performance, liquidity, and achievements to differ materially from those projected are discussed in this report and may include, but are not limited to:

unexpected changes in any of the following: (i) general economic and business conditions; (ii) the competitive setting in which we operate, including advertising or promotional strategies by us or our competitors, as well as changes in consumer demand; (iii) interest rates and other terms available to us on our borrowings; (iv) energy and raw materials costs and availability and hedging counter-party risks; (v) relationships with or increased costs related to our employees, independent distributors and third party service providers; and (vi) laws and regulations (including environmental and health-related issues), accounting standards or tax rates in the markets in which we operate;

the loss or financial instability of any significant customer(s);

changes in consumer behavior, trends and preferences, including health and whole grain trends, and the movement toward more inexpensive store-branded products;

the level of success we achieve in developing and introducing new products and entering new markets;

our ability to implement new technology and customer requirements as required;

our ability to operate existing, and any new, manufacturing lines according to schedule;

our ability to execute our business strategy, which may involve integration of recent acquisitions or the acquisition or disposition of assets at presently targeted values;

consolidation within the baking industry and related industries;

changes in pricing, customer and consumer reaction to pricing actions, and the pricing environment among competitors within the industry;

increases in employee and employee-related costs, including funding of pension plans;

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the credit and business risks associated with independent distributors and our customers, which operate in the highly competitive retail food and foodservice industries;

any business disruptions due to political instability, armed hostilities, incidents of terrorism, natural disasters, technological breakdowns, product contamination or the responses to or repercussions from any of these or similar events or conditions and our ability to insure against such events;

the failure of our information technology systems to perform adequately, including any interruptions, intrusions or security breaches of such systems; and

regulation and legislation related to climate change that could affect our ability to procure our commodity needs or that necessitate additional unplanned capital expenditures.

The foregoing list of important factors does not include all such factors, nor necessarily present them in order of importance. In addition, you should consult other disclosures made by the company (such as in our other filings with the Securities and Exchange Commission (SEC) or in company press releases) for other factors

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that may cause actual results to differ materially from those projected by the company. Refer to Part I, Item 1A., *Risk Factors*, of this Form 10-K for additional information regarding factors that could affect the company's results of operations, financial condition and liquidity.

We caution you not to place undue reliance on forward-looking statements, as they speak only as of the date made and are inherently uncertain. The company undertakes no obligation to publicly revise or update such statements, except as required by law. You are advised, however, to consult any further public disclosures by the company (such as in our filings with the SEC or in company press releases) on related subjects.

We own or have rights to trademarks or trade names that we use in connection with the operation of our business, including our corporate names, logos and website names. In addition, we own or have the rights to copyrights, trade secrets and other proprietary rights that protect the content of our products and the formulations for such products. Solely for convenience, some of the trademarks, trade names and copyrights referred to in this Form 10-K are listed without the ®, ® and symbols, but we will assert, to the fullest extent under applicable law, our rights to our trademarks, trade names and copyrights.

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PART I

**Item 1. Business
Historical Information**

Flowers Foods' beginning dates back to 1919 when two brothers, William Howard and Joseph Hampton Flowers, opened Flowers Baking Company in Thomasville, GA. In 1968, Flowers Baking Company went public, became Flowers Industries, and began trading over-the-counter stock. Less than a year later, the company listed on the American Stock Exchange. In 1982, Flowers listed on the New York Stock Exchange under the symbol FLO. In the mid-1990s, following the acquisitions of Keebler Foods Company, one of the largest cookie and cracker companies in the U.S., and the top-selling Mrs. Smith's frozen pie brand, Flowers Industries transformed from a strong regional baker into a national baked foods company. By 1999, the company had \$4.2 billion in annual sales and three business units—Flowers Bakeries, a super-regional fresh baked foods company; Mrs. Smith's Bakeries, a national frozen baked foods company; and Keebler Foods, a national cookie and cracker company. In March 2001, Flowers sold its investment in Keebler to the Kellogg Company. The remaining business units—Flowers Bakeries and Mrs. Smith's Bakeries—were spun off into a new company, Flowers Foods, which was incorporated in Georgia in 2000. In April 2003, Flowers Foods sold its Mrs. Smith's frozen dessert business to The Schwan Food Company, retaining its core fresh bakery and frozen bread and roll businesses.

From 2003 through 2014, Flowers Foods executed its growth strategy to reach more of the U.S. population with fresh breads, buns, rolls, and snack cakes through its Direct-Store-Delivery segment. During this time frame, the company's geographic market for its fresh bakery products and brands grew from about 38% of the U.S. population to approximately 81%. The company's market capitalization increased from \$418.9 million at the end of fiscal 2003 to \$4,006.9 million at the end of fiscal 2014.

As used herein, references to we, our, us, the company, Flowers or Flowers Foods include the historical operating results and activities of business operations that comprised Flowers Foods, Inc., as of January 3, 2015.

The Company

Flowers Foods currently operates two business segments: a direct-store-delivery segment (DSD Segment) and a warehouse delivery segment (Warehouse Segment). The DSD Segment (84% of total sales) operates 38 bakeries that market a wide variety of fresh bakery foods, including fresh breads, buns, rolls, tortillas, and snack cakes. These products are sold through a DSD route delivery system to retail and foodservice customers throughout the Northeast, South, Southern Midwest, Southwest, and California. The Warehouse Segment (16% of total sales) operates eight bakeries that produce snack cakes, breads and rolls for national retail, foodservice, vending, and co-pack customers, which are delivered through customers' warehouse channels and one bakery mix plant.

At the end of fiscal 2014, the DSD Segment's fresh bakery foods were available to approximately 81% of the U.S. population. Our DSD Segment is comprised of approximately 5,200 independent distributors who own the rights to distribute certain brands of our fresh packaged bakery foods in their geographic territories. In addition, the company has approximately 560 company-owned territories available for sale.

The Warehouse Segment's fresh snack cakes and frozen breads and rolls are sold nationally direct to customers' warehouses and delivered through frozen and non-frozen contract carriers.

See Note 22, *Segment Reporting*, of Notes to Consolidated Financial Statements of this Form 10-K for financial information about our segments.

Our brands are among the best known in the baking industry. Many of our DSD Segment brands have a major presence in the product categories in which they compete. They have a leading share of fresh packaged

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branded sales measured in both dollars and units in the major metropolitan areas we serve in Southern markets. A listing of our leading brands, by sales and classification, include the following:

DSD Segment Brands/	DSD Segment	Warehouse Segment Brands/
Company Owned	Brands/Franchised/Licensed	Company Owned
<i>Nature's Own</i>	<i>Sunbeam</i>	<i>Mrs. Freshley's</i>
<i>Wonder</i>	<i>Roman Meal</i>	<i>European Bakers</i>
<i>Whitewheat</i>	<i>Bunny</i>	<i>Broad Street Bakery</i>
<i>Cobblestone Bread Company</i>	<i>Holsum</i>	
<i>Tastykake</i>	<i>Country Kitchen</i>	
<i>Home Pride</i>		
<i>Merita</i>		

Strategies

Flowers Foods has focused on developing and refining operating strategies to create competitive advantages in the marketplace. We believe these strategies help us achieve our long-term objectives and work to build value for shareholders. Put simply, our strategies are to:

Grow Sales. We develop new and core markets through new customers, new products, strong brands, and acquisitions. We have a three-pronged strategy for growing sales through acquisitions, market expansions, and core markets.

Invest Wisely. We use technology and efficiencies to be the low-cost producer of delicious bakery foods. We invest to improve the effectiveness of our bakeries, distribution networks, and information systems.

Bake Smart. We innovate to improve processes, enhance quality, reduce costs, and conserve resources.

Give Extraordinary Service. We go beyond the expected to meet our customers' needs.

Appreciate the Team. We respect every individual, embrace diversity, and promote the career growth of team members.

Grow Sales

As a leading U.S. baker, our products are available to consumers through traditional supermarkets, foodservice distributors, convenience stores, mass merchandisers, club stores, wholesalers, casual dining and quick-serve restaurants, schools, hospitals, dollar stores, and vending machines. To enhance our ability to grow sales, we develop bakery products that are responsive to changing consumer needs and preferences using market research and the strength of our well-established brands. We establish and strengthen our brands in existing and new markets by focusing on product quality, offering a broad and diverse product line, and providing exceptional customer service. We expand our geographic reach by making strategic acquisitions and expanding from our existing bakeries into new markets. Our growth strategy has proven successful, evidenced by our sales and net income compound average annual growth rate of 7.7% and 7.3%, respectively, over the last five years. Our strategy encompasses specific efforts for growth through acquisitions, market expansions, and core markets.

Acquisitions

Growth through acquisitions has been an important component of our strategy. Since our initial public offering in 1968, we have made over 100 acquisitions. Since our spinoff in 2001, Flowers Foods has completed 12 acquisitions that, at the time of each acquisition, added approximately

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\$1.7 billion in annual revenue. Other than the *Sara Lee* California and the Acquired Hostess Bread Assets acquisitions discussed below, our primary acquisition targets have historically been independent/regional baking companies in areas of the country where we have not previously had access to market our fresh baked foods. See Note 8, *Acquisitions*, of Notes to Consolidated Financial Statements of this Form 10-K for more details of each of the acquisitions described below.

Modesto, California acquisition (2013)

On July 27, 2013, the company completed the acquisition of certain assets related to a bun line in Modesto, California that now serves the California market.

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Hostess specified assets acquisition (2013)

On July 19, 2013, the company completed the acquisition of certain assets of Hostess Brands, Inc. (Hostess), which included the *Wonder*, *Nature's Pride*, *Merita*, *Home Pride*, and *Butternut* bread brands, 20 closed bakeries and 36 depots (the Acquired Hostess Bread Assets). We did not begin introducing the brands associated with the Acquired Hostess Bread Assets to the marketplace until near the end of the third quarter of fiscal 2013 on September 23, 2013. The re-introduction of the brands continued in fiscal 2014 and will continue in fiscal 2015.

Sara Lee California acquisition (2013)

On February 23, 2013, the company completed its acquisition of certain assets and trademark licenses from BBU, Inc., a subsidiary of Grupo Bimbo S.A.B. de C.V. (BBU). The company acquired from BBU in the acquisition: (1) perpetual, exclusive, and royalty-free licenses to the *Sara Lee* and *Earthgrains* brands for sliced breads, buns, and rolls in the state of California and (2) a closed bakery in Stockton, California. In addition, we received a perpetual, exclusive, and royalty-free license to the *Earthgrains* brand for a broad range of fresh bakery products in the Oklahoma City, Oklahoma market area.

Lepage acquisition (2012)

In July 2012, we completed the acquisition of Lepage Bakeries and certain of its affiliated companies (Lepage), a strong regional baker that serves New England and New York. Lepage operates two bakeries in Maine and one in Vermont with fresh breads, buns, rolls, croissants, English muffins, and donuts. The acquisition extends Flowers Foods' reach into New England and brings new brands (*Country Kitchen* and *Barowsky's*), products, and customers to strengthen our DSD Segment.

Expansion Markets

In 2011, we announced a specific market expansion goal: to serve a geographical area that includes at least 75% of the U.S. population by 2016 with our *Nature's Own* brand and other fresh DSD Segment brands. At the end of 2014, we had expanded our population reach to approximately 81%, adding an additional twelve states for a total of 37, and adding \$186.7 million in annual sales in these expansion markets. Expansion markets are defined as new markets entered into within the last five years. We exceeded our goal by expanding the reach of our existing bakeries into new territories and merging with or acquiring independent bakers in strategic locations.

Our market expansion efforts are driven by our individual bakeries as they extend their service boundaries by serving new customers in territories adjacent to their current service areas. They accomplish this by partnering with retail and foodservice customers to serve new locations, adding our direct-store-distribution structure, and working to reach new customers in the targeted growth area.

Core Markets

Our strategy for growth in core markets includes introducing new products to serve both retail and foodservice customers. We have been successful in developing innovative products that gained consumer acceptance. A list of new products introduced in fiscal 2014 can be found below in the Brands & Products discussion.

In core markets, we also strive to enhance our customer base by reaching out to retailers or foodservice customers to offer additional products to those we currently serve and develop relationships with those who are potential customers.

Invest Wisely and Bake Smart

Throughout our history, we have devoted significant resources to automate our production facilities and improve our distribution capabilities. We believe these investments have made us one of the most efficient producers of packaged bakery products in the United States. We believe our capital investments yield valuable long-term benefits, such as more consistent product quality, highly sanitary processes, and greater production volume at a lower cost per unit.

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From 2009 through 2014, we invested \$427.8 million in capital projects. We believe this consistent, yearly investment in our bakeries has given us a competitive edge in the industry and we are committed to maintaining that advantage by continuing our investments in new technology and improved processes.

During the second quarter of fiscal 2014, we opened our Knoxville, Tennessee plant that was acquired as a part of the Acquired Hostess Bread Assets. This plant operates a single bread line and increases our capacity in Tennessee, Kentucky, and Ohio.

On July 27, 2013, we completed the acquisition of certain assets related to a bun line in Modesto, California that now serves the California market. Also in 2013, we announced that we began production at our Henderson, Nevada bakery, which was acquired as a part of the Acquired Hostess Bread Assets and had been closed since November 2012 when Hostess began liquidation. This bakery produces products for markets in southern Nevada and parts of California.

Through several decades, we have established a reciprocal baking system that allows us to move or shift production among our DSD Segment bakeries to ensure that we are able to meet current market needs, respond to extraordinary events (such as hurricanes or other natural disasters), and remain a low-cost producer and marketer of a full line of bakery products on a national and super-regional basis. We also use company-owned and leased warehouses and distribution centers located in geographic areas that allow for efficient movement of our products from bakery to market.

We believe our company also invests wisely and bakes smart by:

Engaging in research and development activities that involve developing new products, improving the quality of existing products, and improving and automating production processes.

Developing and evaluating new processing techniques for both current and proposed product lines.

Improving our shipping and logistics. In 2009, we began to roll out a paperless, user-directed automated shipping system at our bakeries that uses barcode labels, displays, and door scanners. The system streamlines the finished goods product flow, provides for greater accountability of finished goods received and shipped, improves order fulfillment, and minimizes shortage costs. At the end of 2014, we had installed this automated shipping system in 31 of our bakeries. We intend to install this system in five additional locations during 2015.

Give Extraordinary Service

When it comes to our customers, our strategy is to go beyond the expected. We know that great service helps build strong relationships with our retail and foodservice customers. Our reputation for excellent service supports our sales growth in core markets and helps us as we move into new markets.

Our national accounts team for key customers supports bakery teams to build trade relationships at the corporate and local level. They are assisted by our business analysis and insights team that provides our trade partners with objective statistical data and creative ideas aimed at enhancing the overall bakery category. We also work with trade customers in other ways – from web-based ordering to scan-based trading or pay-by-scan (PBS). In foodservice, we partner with national chains to develop customized bakery items that meet their specific needs.

Appreciate the Team

We strive to maintain good relationships and ongoing communications with all of our team members. We are committed to equal employment opportunities, meeting all federal and state employment laws, and striving to respect the dignity of all of our team members and associates. In addition, our subsidiaries provide:

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Fair and equitable compensation and a balanced program of benefits;

Working conditions that promote employees' health and safety;

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Training opportunities that encourage professional development; and

Ways for team members to discuss concerns through our open door policy and peer review program.

We employ approximately 10,380 people. Approximately 1,060 of these employees are covered by collective bargaining agreements. We believe that we have good relations with our employees.

Brands & Products

Nature's Own is the bestselling loaf bread in the U.S. in pounds and dollars, and its compound annual growth rate in retail sales since 2000 has been 11.0%. The *Nature's Own* sales, at retail, were \$1,117.1 million for fiscal 2014.

Our DSD Segment brand activities during fiscal 2014 include the following:

Nature's Own Honey Wheat is the number one selling Fresh Packaged Bread uniform parcel code (UPC) in the U.S. *Nature's Own* had three of the top five UPC s in the Fresh Packaged Bread category during the fourth quarter of 2014;

Wonder brand Classic White Loaf returned to the market in 2013, and is continuing to be introduced into new markets in 2015, gaining the #1 selling branded White Loaf in six U.S. markets: Boston, MA, Hartford, CT/Springfield, MA, Kansas City, KS, Memphis, TN, New York, NY, and Providence, RI;

Home Pride brand Wheat Loaf returned to the market in 2013, and is continuing to be introduced into new markets in 2015, to become the #1 selling branded Soft Variety Loaf in four U.S. markets: Las Vegas, NV, Los Angeles, CA, Sacramento, CA and San Francisco/Oakland, CA;

We launched *Cobblestone Bread Co.* (CBC) brand of premium specialty bread, buns and rolls. CBC gets its inspiration from the restaurant and sandwich shop industry. CBC grew to \$73.6 million in sales, at retail, for fiscal 2014;

Tastykake brought a variety of new products to the market, including *Tastykake* Crème filled Butterscotch Krimpets, Strawberry Cupcakes, Banana Pudding Cupcakes, Boston Crème honey buns, Lemon Juniors, and Seasonal Pumpkin Spice Cupcakes;

The *Tastykake* brand celebrated its centennial year. The 100th Anniversary highlights included a special limited edition birthday cake cupcake, a national *100 Birthday Moments* partnership with the United Service Organization (USO), as well as an appearance on a national news segment. The brand presence on television continued with a special *Tastykake Birthday Cake* featured on a national morning talk show, as well as two dedicated episodes on Food Network s new series *REWRAPPED*. *Tastykake* advertising also included radio and digital ads to gain maximum exposure among all consumer groups; and

Fresh packaged bakery products under store brands for retailers. While store branded products carry lower margins than our branded products, they allow us to effectively use available production and distribution capacity. Store branded product also helps the company expand our total retail shelf space.

Our Warehouse Segment markets a line of specialty breads and rolls under the *European Bakers* brand and proprietary breads, buns, and rolls for specific foodservice customers. This segment s snack cakes are sold under the *Mrs. Freshley s*, *Broad Street Bakery*, and store brands. Our Warehouse Segment products are distributed nationally through retail, foodservice and vending customer warehouses.

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In 2014, we had the following initiatives for the *Mrs. Freshley*'s brand:

Introduction of the new Cinnamon Coffee Cakes; and

Introduction of a new line of Hershey's cobranded items including: Peanut Butter Swiss Rolls featuring *Reese's* Peanut Butter and Double Chocolate donuts featuring *Hershey's Cocoa* generated additional interest in the market for *Mrs. Freshley's*.

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During 2014, the *Mrs. Freshley's* brand was focused on consumer and customer relations. Marketing and PR events in focus markets included radio and several nationally syndicated broadcast features. An in book promotion with a leading women's magazine, as well as continued trade promotion, provided great print and online exposure.

Marketing

We support our key brands with a multi-million dollar advertising and marketing effort that reaches out to consumers through electronic and in-store coupons, social media (such as Facebook and Twitter), digital media (including e-newsletters to consumers), websites (our brand sites and third-party sites), event and sports marketing, on-package promotional offers and sweepstakes, and print advertising. When appropriate, we may join other sponsors with promotional tie-ins. We often focus our marketing efforts on specific products and holidays, such as hamburger and hot dog bun sales during Memorial Day, the Fourth of July, and Labor Day.

Customers

Our top 10 customers in fiscal 2014 accounted for 43.9% of sales. During 2014, our largest customer, Walmart/Sam's Club, represented 19.5% of the company's sales. The loss of, or a material negative change in our relationship with, Walmart/Sam's Club or any other major customer could have a material adverse effect on our business. Walmart was the only customer to account for 10.0% or more of our sales during fiscal 2014, 2013 and 2012.

Our fresh baked foods customers include mass merchandisers, supermarkets and other retailers, restaurants, quick-serve chains, food wholesalers, institutions, dollar stores, and vending companies. We also sell returned and surplus product through a system of discount bakery stores. The company currently operates 277 such stores, and reported sales of \$78.8 million during fiscal 2014 related to these outlets.

Our Warehouse Segment supplies national and regional restaurants, institutions and foodservice distributors, and retail in-store bakeries with frozen bakery products. It also sells packaged bakery products to wholesale distributors for ultimate sale to a wide variety of food outlets. It sells packaged bakery snack cakes primarily to customers who distribute the product nationwide through multiple channels of distribution, including mass merchandisers, supermarkets, vending outlets and convenience stores. In certain circumstances, we enter into co-packing arrangements with retail customers or other food companies, some of which are competitors.

Distribution

Distributing fresh bakery foods through a DSD system is a complex process. It involves determining appropriate order levels and delivering products from bakeries to independent distributors for sale and direct delivery to customer stores. Distributors are responsible for ordering products, stocking shelves, maintaining special displays, and visiting customers daily to ensure adequate inventory and removing unsold goods.

To get fresh bakery foods to market, we use a network of approximately 5,760 routes (or territories) to distribute certain Flowers DSD Segment brands in specified geographic territories. The company has sold the majority of these territories to independent distributors under long-term financing arrangements. The independent distributor program is designed to provide retail and foodservice customers with superior service. Independent distributors, highly motivated by financial incentives from their territory ownership, strive to increase sales by offering outstanding service and merchandising. Independent distributors have the opportunity to benefit directly from the enhanced value of their territories resulting from higher branded sales volume.

The company has developed proprietary software on the hand-held computers that independent distributors use for daily ordering, transactions, and to manage their businesses. The company provides these hand-held computers to the independent distributors and charges them an administrative fee for their use. This fee reduces the company's selling, distribution and administrative expenses, and totaled \$6.6 million in 2014, \$5.2 million in 2013, and \$4.9 million in 2012. Our proprietary software permits distributors to track and communicate inventory data to bakeries and to calculate recommended order levels based on historical sales data and recent

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trends. These orders are electronically transmitted to the appropriate bakery on a nightly basis. This system ensures that distributors have an adequate supply of the right mix of products to meet retail and foodservice customers' immediate needs. We believe this system assists us in minimizing returns of unsold goods.

In addition to hand-held computers, we maintain an information technology (IT) platform that allows us to accurately track sales, product returns, and profitability by selling location, bakery, day, and other criteria. The system provides us with daily real-time, on-line access to sales and gross margin reports, allowing us to make prompt operational adjustments when appropriate. It also permits us to forecast sales and improve our in-store product ordering by customer. This IT platform is integral to our hand-held computers.

We also use PBS to track and monitor sales and inventories more effectively. PBS allows the independent distributors to bypass the often lengthy product check-in at retail stores, which gives them more time to service customers and merchandise products. PBS also benefits retailers, who only pay suppliers for what they actually sell, or what is scanned at checkout. During fiscal 2014 approximately \$1,206.6 million of our DSD Segment sales came through our PBS system.

Our Warehouse Segment distributes a portion of our packaged bakery snack products from a central distribution facility located near our Crossville, Tennessee snack cake bakery. We believe this centralized distribution method allows us to achieve both production and distribution efficiencies. Our snack cake bakeries operate what we believe are long, efficient production runs of a single product, which are then shipped to the central distribution facility. Products coming from different bakeries are then cross-docked and shipped directly to customers' warehouses nationwide. Our frozen bread and roll products are shipped to various outside freezer facilities for distribution to our customers.

Intellectual Property

We own a number of trademarks, trade names, patents, and licenses. The company also sells products under franchised and licensed trademarks and trade names that it does not own. We consider all of our trademarks and trade names important to our business since we use them to build strong brand awareness and consumer loyalty.

Raw Materials

Our primary baking ingredients are flour, sweeteners, and shortening. We also use paper products, such as corrugated cardboard, films and plastics to package our bakery foods. We strive to maintain diversified sources for all of our baking ingredients and packaging products.

In addition, we are dependent on natural gas or propane as fuel for firing our ovens. Our independent distributors and third-party shipping companies use gasoline and diesel as fuel for their trucks.

Commodities, such as our baking ingredients, periodically experience price fluctuations. The cost of these inputs may fluctuate widely due to government policy and regulation, weather conditions, domestic and international demand, or other unforeseen circumstances. We enter into forward purchase agreements and other derivative financial instruments in an effort to manage the impact of such volatility in raw material prices. Any decrease in the availability of these agreements and instruments could increase the effective price of these raw materials to us and significantly affect our earnings.

Regulations

As a producer and marketer of food items, our operations are subject to regulation by various federal governmental agencies, including the Food and Drug Administration, the Department of Agriculture, the Federal Trade Commission, the Environmental Protection Agency, and the Department of Commerce. We also are subject to the regulations of various state agencies, with respect to production processes, product quality, packaging, labeling, storage, distribution and local regulations regarding the licensing of plants and the enforcement of state standards and facility inspections. Under various statutes and regulations, these federal and state agencies prescribe requirements and establish standards for quality, purity, and labeling. Failure to comply with one or more regulatory requirements could result in a variety of sanctions, including monetary fines or compulsory withdrawal of products from store shelves.

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Advertising of our businesses is subject to regulation by the Federal Trade Commission, and we are subject to certain health and safety regulations, including those issued under the Occupational Safety and Health Act.

The cost of compliance with such laws and regulations has not had a material adverse effect on the company's business. We believe that we are currently in material compliance with applicable federal, state and local laws and regulations.

Our operations, like those of similar businesses, are subject to various federal, state and local laws and regulations with respect to environmental matters, including air and water quality and underground fuel storage tanks, as well as other regulations intended to protect public health and the environment. The company is not a party to any material proceedings arising under these regulations. We believe compliance with existing environmental laws and regulations will not materially affect the Consolidated Financial Statements or the competitive position of the company. The company is currently in substantial compliance with all material environmental regulations affecting the company and its properties.

Competitive Overview

The U.S. market for fresh and frozen bakery products is estimated at \$34 billion at retail. This category is intensely competitive and underwent significant change in 2013. From a national standpoint, Flowers Foods is currently the number two company in the U.S. fresh baking industry based on market share.

In January 2012, Hostess filed for bankruptcy. By the end of 2012, Hostess, which had been in bankruptcy for six of the last nine years, ceased production and announced it would liquidate. At that time, Hostess immediately stopped production and sold their remaining inventory. Hostess discontinued serving their customers by late November 2012. These events impacted the industry as Hostess sales shifted to other providers to meet marketplace needs. These providers included Flowers, BBU (with *Sara Lee*, *Arnolds*, *Thomas*, and *Entenmann's* brands), Campbell Soup Company (with the *Pepperidge Farm* brand), McKee Foods Corporation (*Little Debbie*) and smaller regional bakeries, retailer-owned bakeries, and store brands. The *Hostess* cake products were re-introduced into the market in July 2013 by a new and separate company formed by the outside investment group of Apollo Global Management and C. Dean Metropoulos & Co. that purchased the *Hostess* cake brands.

The current competitive landscape for breads and rolls in the U.S. baking industry now comprises BBU, Flowers Foods, and Campbell Soup Company on a national or super-regional scale, together with independent regional bakers, local bakeries, and retailer-owned bakeries. The company faces significant competition from store brands (also known as private label) and products produced by independent bakers. While store brand breads and rolls have been offered by food retailers for decades, food retailers have put more emphasis on store brand products with the entry of mass merchandisers like Walmart and the ongoing consolidation of traditional supermarkets into much larger regional operations. In general, the store brand share of the fresh bread aisle accounts for approximately 27% of the dollar sales and approximately 37% of unit sales.

There are a number of smaller regional bakers in the U.S. Some of these do not enjoy the competitive advantages of larger operations, including greater brand awareness and economies of scale in purchasing, distribution, production, information technology, advertising and marketing. However, size alone is not sufficient to ensure success in our industry.

Competition in the baking industry continues to be driven by a number of factors. These include the ability to serve consolidated retail and foodservice customers, generational changes in family-owned businesses, and competitors' promotional efforts on branded bread and store brands. Competition typically is based on product availability, product quality, brand loyalty, price, effective promotions, and the ability to target changing consumer preferences. Customer service, including frequent delivery to keep store shelves well-stocked, is an increasingly important competitive factor.

Competition for fresh packaged bakery snack products is based upon the ability to meet production and distribution demands of retail and vending customers at a competitive price. Primary national competitors for

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fresh packaged bakery snack products include *Hostess* cake products (a new and separate company formed by the outside investment group that purchased the *Hostess* cake brands), McKee Foods Corporation (*Little Debbie* and *Drake* s), Cloverhill Bakery, and BBU.

Competitors for frozen bakery products include Alpha Baking Co., Inc., Rotella s Italian Bakery, United States Bakery, Turano Baking Company, and All Round Foods, Inc. Competition for frozen bakery products is based primarily on product quality and consistency, product variety and the ability to consistently meet production and distribution demands at a competitive price.

The company also faces competition from store brands that are produced both by us and our competitors. For several decades, store brand breads and rolls have been offered by food retail customers. Recently, food retailers have put more emphasis on store brand products, initiating a store brand push in such categories as chips and cereals. In general, the store brand share of the fresh bread aisle has remained relatively consistent.

Other Available Information

Throughout this Form 10-K, we incorporate by reference information from parts of other documents filed with the SEC. The SEC allows us to disclose important information by referring to it in this manner, and you should review this information in addition to the information contained in this report.

Our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and proxy statement for the annual shareholders meeting, as well as any amendments to those reports, are available free of charge through our website as soon as reasonably practicable after we file them with the SEC. You can learn more about us by reviewing our SEC filings in the Investor Center on our website at www.flowersfoods.com.

The SEC also maintains a website at www.sec.gov that contains reports, proxy statements and other information about SEC registrants, including the company. You may also obtain these materials at the SEC s Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You can obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330.

The following corporate governance documents may be obtained free of charge through our website in the Corporate Governance section of the Investor Center tab or by sending a written request to Flowers Foods, Inc., 1919 Flowers Circle, Thomasville, GA 31757, Attention: Investor Relations.

Board Committees

Code of Business Conduct and Ethics

Flowers Foods Employee Code of Conduct

Disclosure Policy

Corporate Governance Guidelines

Stock Ownership Guidelines

Audit Committee Charter

Compensation Committee Charter

Finance Committee Charter

Nominating/Corporate Governance Committee Charter

Flowers Foods Supplier Code of Conduct (This document is on our website in the Company Info tab)

Item 1A. Risk Factors

You should carefully consider the risks described below, together with all of the other information included in this report, in considering our business and prospects. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties not presently known to us, or that we currently deem insignificant, may also impair our business operations. The occurrence of any of the following risks could harm our business, financial condition, liquidity or results of operations.

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Economic conditions may negatively impact demand for our products, which could adversely impact our sales and operating profit.

The willingness of our customers and consumers to purchase our products depends in part on economic conditions. In recent years, economic conditions were significantly strained in the United States. Continuing or worsening economic challenges could have a negative impact on our business. Economic uncertainty may result in increased pressure to reduce the prices of some of our products, limit our ability to increase or maintain prices, and reduce sales of higher margin products or shift our product mix to low-margin products. In addition, changes in tax or interest rates, whether due to recession, financial and credit market disruptions or other reasons, could negatively impact us. If any of these events occurs, or if unfavorable economic conditions continue or worsen, our sales and profitability could be adversely affected.

Increases in costs and/or shortages of raw materials, fuels and utilities could adversely impact our profitability.

Commodities, such as flour, sweeteners, and shortening, which are used in our bakery products, are subject to price fluctuations. The cost of these inputs may fluctuate widely due to government policies and regulations, weather conditions, domestic and international demand, or other unforeseen circumstances. Any substantial change in the prices of raw materials may have an adverse impact on our profitability. We enter into forward purchase agreements and other derivative financial instruments from time to time to manage the impact of such volatility in raw materials prices; however, these strategies may not be adequate to overcome increases in market prices. Our failure to enter into effective hedging arrangements or any decrease in the availability or increase in the cost of these agreements and instruments could increase the price of these raw materials and significantly affect our earnings.

In addition, we are dependent upon natural gas or propane for firing ovens. Our independent distributors and third-party shipping companies are dependent upon gasoline and diesel for their vehicles. The cost of fuel may fluctuate widely due to economic and political conditions, government policy and regulation, war, or other unforeseen circumstances. Substantial future increases in prices for, or shortages of, these fuels could have a material adverse effect on our profitability, financial condition or results of operations. There can be no assurance that we can cover these cost increases through future pricing actions. Also, as a result of these pricing actions, consumers could purchase less or move from purchasing high-margin products to lower-margin products.

Competition could adversely impact revenues and profitability.

The United States bakery industry is highly competitive. Our principal competitors in these categories all have substantial financial, marketing, and other resources. In most product categories, we compete not only with other widely advertised branded products, but also with store branded products that are generally sold at lower prices. Competition is based on product availability, product quality, price, effective promotions, and the ability to target changing consumer preferences. We experience price pressure from time to time due to competitors' promotional activity and other pricing efforts. This pricing pressure is particularly strong during adverse economic periods. Increased competition could result in reduced sales, margins, profits and market share.

The costs of maintaining and enhancing the value and awareness of our brands are increasing, which could have an adverse impact on our revenues and profitability.

We rely on the success of our well-recognized brand names and we intend to maintain our strong brand recognition by continuing to devote resources to advertising, marketing and other brand building efforts. Brand value could diminish significantly due to a number of factors, including consumer perception that we have acted in an irresponsible manner, adverse publicity about our products (whether or not valid), our failure to maintain the quality of our products, the failure of our products to deliver consistently positive consumer experiences, or the products becoming unavailable to consumers. Our marketing investments may not prove successful in maintaining or increasing our market share. If we are not able to successfully maintain our brand recognition, our revenues and profitability could be adversely affected.

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We rely on several large customers for a significant portion of our sales and the loss of one of our large customers could adversely affect our financial condition and results of operations.

We have several large customers that account for a significant portion of our sales, and the loss of one of our large customers could adversely affect our results of operations. Our top ten customers accounted for 43.9% of our sales during fiscal 2014. Our largest customer, Walmart/Sam's Club, accounted for 19.5% of our sales during this period. These customers do not typically enter into long-term sales contracts, and instead make purchase decisions based on a combination of price, product quality, consumer demand, and customer service performance. At any time, they may use more of their shelf space, including space currently used for our products, for store branded products or for products from other suppliers. Additionally, our customers may face financial or other difficulties that may impact their operations and their purchases from us. Disputes with significant suppliers could also adversely affect our ability to supply products to our customers. If our sales to one or more of these customers are reduced, this reduction may adversely affect our business, financial condition or results of operations.

Inability to anticipate or respond to changes in consumer preferences may result in decreased demand for our products, which could have an adverse impact on our future growth and operating results.

Our success depends, in part, on our ability to respond to current market trends and to anticipate the tastes and dietary habits of consumers, including concerns of consumers regarding health and wellness, obesity, product attributes, and ingredients. Introduction of new products and product extensions requires significant development and marketing investment. If our products fail to meet consumer preferences, or we fail to introduce new and improved products on a timely basis, then the return on that investment will be less than anticipated and our strategy to grow sales and profits with investments in marketing and innovation will be less successful. If we fail to anticipate, identify, or react to changes in consumer preferences, or we fail to introduce new or improved products on a timely basis we could experience reduced demand for our products, which could in turn cause our operating results to suffer.

We may be adversely impacted by the failure to successfully execute acquisitions and divestitures and integrate acquired operations.

From time to time, the company undertakes acquisitions or divestitures. In fiscal 2013, we acquired the Acquired Hostess Bread Assets, certain assets and the Sara Lee trademark licenses from BBU in California, and certain assets related to a bun line in Modesto, California. The success of these acquisitions, or any other acquisition or divestiture depends on the company's ability to identify opportunities that help us meet our strategic objectives, consummate a transaction on favorable contractual terms, and achieve expected returns and other financial benefits.

Acquisitions, including our recent acquisitions, require us to efficiently integrate the acquired business or businesses, which involves a significant degree of difficulty, including the following:

integrating the operations of the acquired businesses while carrying on the ongoing operations of the businesses we operated prior to the acquisitions;

managing a significantly larger company than before consummation of the acquisitions;

the possibility of faulty assumptions underlying our expectations regarding the integration process;

coordinating a greater number of diverse businesses and businesses located in a greater number of geographic locations;

integrating different business cultures;

attracting and retaining the necessary personnel associated with the acquisitions;

creating uniform standards, controls, procedures, policies and information systems and controlling the costs associated with such matters; and

integrating information, purchasing, accounting, finance, sales, billing, payroll and regulatory compliance systems.

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Divestitures have operational risks that may include impairment charges. Divestitures also present unique financial and operational risks, including diversion of management attention from the existing core business, separating personnel and financial data and other systems, and adverse effects on existing business relationships with suppliers and customers.

In situations where acquisitions or divestitures are not successfully implemented or completed, the company's business or financial results could be negatively impacted.

This risk includes our expectations about the performance of acquired trademarks and brands. If we are unable to implement our growth strategies for these acquired intangible assets as expected, it could adversely impact the carrying value of the acquired brands. The fair value of the trademarks could be less than our carrying value if any of our four material assumptions in our fair value analysis: (a) weighted average cost of capital; (b) long-term sales growth rates; (c) forecasted operating margins; and (d) market multiples do not meet our expectations, thereby requiring us to record an asset impairment.

Consolidation in the retail and foodservice industries could affect our sales and profitability.

If our retail and foodservice customers continue to grow larger due to consolidation in their respective industries, they may demand lower pricing and increased promotional programs. Meeting these demands could adversely affect our sales and profitability.

Our large customers may impose requirements on us that may adversely affect our results of operations.

From time to time, our large customers may re-evaluate or refine their business practices and impose new or revised requirements on us and their other suppliers. The growth of large mass merchandisers, supercenters and dollar stores, together with changes in consumer shopping patterns, have produced large, sophisticated customers with increased buying power and negotiating strength. Current trends among retailers and foodservice customers include fostering high levels of competition among suppliers, demanding new products or increased promotional programs, requiring suppliers to maintain or reduce product prices, and requiring product delivery with shorter lead times. These business changes may involve inventory practices, logistics, or other aspects of the customer-supplier relationship. Compliance with requirements imposed by major customers may be costly and may have an adverse effect on our margins and profitability. However, if we fail to meet a significant customer's demands, we could lose that customer's business, which also could adversely affect our results of operations.

Our inability to execute our business strategy could adversely affect our business.

We employ various operating strategies to maintain our position as one of the nation's leading producers and marketers of bakery products available to customers through multiple channels of distribution. If we are unsuccessful in implementing or executing one or more of these strategies, our business could be adversely affected.

Increases in employee and employee-related costs could have adverse effects on our profitability.

Pension, health care, and workers' compensation costs are increasing and will likely continue to do so. Any substantial increase in pension, health care or workers' compensation costs may have an adverse impact on our profitability. The company records pension costs and the liabilities related to its benefit plans based on actuarial valuations, which include key assumptions determined by management. Material changes in pension costs may occur in the future due to changes in these assumptions. Future annual amounts could be impacted by various factors, such as changes in the number of plan participants, changes in the discount rate, changes in the expected long-term rate of return, changes in the level of contributions to the plan, and other factors. In addition, legislation or regulations involving labor and employment and employee benefit plans (including employee health care benefits and costs) may impact our operational results.

We have risks related to our pension plans, which could impact the company's liquidity.

The company has trustee, noncontributory defined benefit pension plans covering certain employees maintained under the U.S. Employee Retirement Income Security Act of 1974 (ERISA). The funding

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obligations for our pension plans are impacted by the performance of the financial markets, including the performance of our common stock, which comprises approximately 10.3% of all the pension plan assets as of January 3, 2015.

If the financial markets do not provide the long-term returns that are expected, the likelihood of the company being required to make larger contributions will increase which could impact our liquidity. The equity markets can be, and recently have been, very volatile, and therefore our estimate of future contribution requirements can change dramatically in relatively short periods of time. Similarly, changes in interest rates can impact our contribution requirements. In a low interest rate environment, the likelihood of larger required contributions increases. Adverse developments in any of these areas could adversely affect our financial condition, liquidity or results of operations.

A disruption in the operation of our DSD distribution system could negatively affect our results of operations, financial condition and cash flows.

We believe that our DSD distribution system is a significant competitive advantage. A material negative change in our relationship with the independent distributors, an adverse ruling by regulatory or governmental bodies regarding our independent distributorship program or an adverse judgment against the company for actions taken by the independent distributors could materially affect our financial condition, results of operations, and cash flows.

Disruption in our supply chain or distribution capabilities from political instability, armed hostilities, incidents of terrorism, natural disasters, weather or labor strikes could have an adverse effect on our business, financial condition and results of operations.

Our ability to make, move and sell products is critical to our success. Damage or disruption to our manufacturing or distribution capabilities, or the manufacturing or distribution capabilities of our suppliers due to weather, natural disaster, fire or explosion, terrorism, pandemics or labor strikes, could impair our ability to manufacture or sell our products. Moreover, terrorist activity, armed conflict, political instability or natural disasters that may occur within or outside the U.S. may disrupt manufacturing, labor, and other business operations. Failure to take adequate steps to mitigate the likelihood or potential impact of such events, or to effectively manage such events if they occur, could adversely affect our business, financial conditions and results of operations.

Future product recalls or safety concerns could adversely impact our results of operations.

We may be required to recall certain of our products should they be mislabeled, contaminated, spoiled, tampered with or damaged. We also may become involved in lawsuits and legal proceedings if it is alleged that the consumption of any of our products causes injury, illness or death. A product recall or an adverse result in any such litigation could have a material adverse effect on our operating and financial results, depending on the costs of the recall, the destruction of product inventory, competitive reaction and consumer attitudes. Even if a product liability or consumer fraud claim is unsuccessful or without merit, the negative publicity surrounding such assertions regarding our products could adversely affect our reputation and brand image. We also could be adversely affected if consumers in our principal markets lose confidence in the safety and quality of our products.

We may be adversely impacted if our information technology systems fail to perform adequately, including with respect to cybersecurity issues.

The efficient operation of our business depends on our information technology systems. We rely on our information technology systems to effectively manage our business data, communications, supply chain, order entry and fulfillment, and other business processes. The failure of our information technology systems (including those provided to us by third parties) to perform as we anticipate could disrupt our business and could result in billing, collecting, and ordering errors, processing inefficiencies, and the loss of sales and customers, causing our business and results of operations to suffer. In addition, our information technology systems may be vulnerable to damage or interruption from circumstances beyond our control, including fire, natural disasters, systems failures,

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security breaches or intrusions (including theft of customer, consumer or other confidential data), and viruses. Any such damage or interruption could have a material adverse effect on our business or financial results.

Government regulation could adversely impact our results of operations and financial condition.

As a producer and marketer of food items, our production processes, product quality, packaging, labeling, storage, and distribution are subject to regulation by various federal, state and local government entities and agencies. Failure to comply with, or violations of, the regulatory requirements of one or more of these agencies can result in a variety of sanctions, including monetary fines or compulsory withdrawal of products from store shelves, any of which could adversely affect our results of operations and financial condition. In addition, the marketing of food products has come under increased scrutiny in recent years, and the food industry has been subject to an increasing number of legal proceedings and claims relating to alleged false or deceptive marketing under federal, state or local laws or regulations. Legal proceedings or claims related to our marketing could damage our reputation and/or adversely affect our business or financial results.

Climate change or changes in or new interpretations of applicable laws or regulations involving government regulations to limit carbon dioxide and other greenhouse gas emissions may result in increased compliance costs, capital expenditures, and other financial obligations that could affect our profitability or impede the production or distribution of our products and have an adverse effect on our results of operations, liquidity and financial condition.

There is growing concern that carbon dioxide and other greenhouse gases in the atmosphere may have an adverse impact on global temperatures, weather patterns, and the frequency and severity of extreme weather and natural disasters. In the event that such climate change has a negative effect on agricultural productivity, we may be subject to decreased availability or less favorable pricing for certain commodities that are necessary for our products, such as corn, wheat, and soybeans. We may also be subjected to decreased availability or less favorable pricing for water as a result of such change, which could impact our manufacturing and distribution operations. In addition, natural disasters and extreme weather conditions may disrupt the productivity of our facilities or the operation of our supply chain.

The increasing concern over climate change also may result in more regional, federal, and/or global legal and regulatory requirements to reduce or mitigate the effects of greenhouse gases. We use natural gas, diesel fuel, and electricity in the manufacturing and distribution of our products. Legislation or regulation affecting these inputs could materially affect our results of operations, liquidity and financial condition since they could affect our ability to procure our commodity needs at costs we currently experience and may require additional unplanned capital expenditures. In the event that such regulation is enacted and is more aggressive than the sustainability measures that we are currently undertaking to monitor our emissions and improve our energy efficiency, we may experience significant increases in our costs of operation and delivery.

Failure to maximize or to successfully assert our intellectual property rights could impact our competitiveness.

We rely on trademark, trade secret, patent and copyright laws to protect our intellectual property rights. We cannot be sure that these intellectual property rights will be maximized or that they can be successfully asserted. There is a risk that we will not be able to obtain and perfect our own or, where appropriate, license intellectual property rights necessary to support new product introductions. We cannot be sure that these rights, if obtained, will not be invalidated, circumvented or challenged in the future. Our failure to perfect or successfully assert our intellectual property rights could make us less competitive and could have an adverse effect on our business, operating results and financial condition.

Our articles of incorporation and bylaws, and Georgia law may inhibit a change in control that you may favor.

Our articles of incorporation and bylaws, and Georgia law contain provisions that may delay, deter or inhibit any possible future acquisition of our company if not approved by our Board of Directors. This could occur even if our shareholders are offered an attractive value for their shares or if a substantial number or even a majority of

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our shareholders believe the takeover is in their best interest. These provisions are intended to encourage any person interested in acquiring us to negotiate with and obtain the approval of our Board of Directors in connection with the transaction. Provisions in our organizational documents that could delay, deter or inhibit a future acquisition include the following:

A classified Board of Directors, subject to the Board of Directors determination, on November 21, 2014, to seek shareholder approval of a proposal to declassify its board of directors at the 2015 Annual Meeting of Shareholders;

The requirement that our shareholders may only remove directors for cause;

Specified requirements for calling special meetings of shareholders;

The ability to issue preferred stock, which would be issued with voting, liquidation, dividend and other rights superior to our common stock; and

The ability of the Board of Directors to consider the interests of various constituencies, including our employees, customers, creditors, and the local community.

* On November 21, 2014, the Board of Directors determined that the company will seek shareholder approval of a proposal to declassify its board of directors at the 2015 Annual Meeting of Shareholders.

Our articles of incorporation also permit the Board of Directors to issue shares of preferred stock with such designations, powers, preferences and rights as it determines, without any further vote or action by our shareholders.

Executive Offices

The address and telephone number of our principal executive offices are 1919 Flowers Circle, Thomasville, Georgia 31757, (229) 226-9110.

Executive Officers of Flowers Foods

The following table sets forth certain information regarding the persons who currently serve as the executive officers of Flowers Foods. Our Board of Directors elects our Executive Chairman of the Board for a one-year term. The Board of Directors has granted the Executive Chairman of the Board the authority to appoint the executive officers to hold office until they resign or are removed.

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Name, Age and Office	Business Experience
Allen L. Shiver Age 59 President and Chief Executive Officer	Mr. Shiver has been President and Chief Executive Officer of Flowers Foods since May 2013. Mr. Shiver was President of Flowers Foods from January 2010 to May 2013. Mr. Shiver previously served as Executive Vice President and Chief Marketing Officer of Flowers Foods from May 2008 to December 2009. Prior to that he served as President and Chief Operating Officer of the Warehouse Segment from April 2003 until May 2008. Prior to that, he served as President and Chief Operating Officer of Flowers Snack from July 2002 until April 2003. Prior to that time Mr. Shiver served as Executive Vice President of Flowers Bakeries from 1998 until 2002, as a Regional Vice President of Flowers Bakeries in 1998, and as President of Flowers Baking Company of Villa Rica from 1995 until 1998. Prior to that time, Mr. Shiver served in various sales and marketing positions at Flowers Bakeries.
R. Steve Kinsey Age 54 Executive Vice President and Chief Financial Officer	Mr. Kinsey has been Executive Vice President and Chief Financial Officer of Flowers Foods since May 2008. Mr. Kinsey previously served as Senior Vice President and Chief Financial Officer of Flowers Foods from September 2007 to May 2008. Prior to that he served as Vice President and Corporate Controller of Flowers Foods from June 2003 to September 2007. Prior to that he served as Corporate Controller from March 2002 to June 2003. Prior to that he served as Director of Tax of Flowers Foods from 2001 to March 2002 and at Flowers Industries from June 1998 to 2001. Mr. Kinsey served as Tax Manager of Flowers Industries from July 1994 to June 1998. Mr. Kinsey joined the company in July 1989 as a Tax Associate.
Stephen R. Avera Age 58 Executive Vice President, Secretary and General Counsel	Mr. Avera has been Executive Vice President, Secretary and General Counsel of Flowers Foods since May 2008. Mr. Avera previously served as Senior Vice President, Secretary and General Counsel of Flowers Foods from September 2004 to May 2008. Prior to that, he served as Secretary and General Counsel from February 2002 until September 2004. He also served as Vice President and General Counsel of Flowers Bakeries from July 1998 to February 2002. Mr. Avera also previously served as an Associate and Assistant General Counsel of Flowers Industries from February 1986 to July 1998.
Bradley K. Alexander Age 56 Executive Vice President and Chief Operating Officer	Mr. Alexander has been Executive Vice President and Chief Operating Officer since July 2014. Mr. Alexander previously served as President of Flowers Bakeries from May 2008 to July 2014. Prior to that time Mr. Alexander served as a Regional Vice President of Flowers Bakeries from 2003 until May 2008. Prior to that, he served in various sales, marketing and operational positions since joining the company in 1981, including bakery president and Senior Vice President of Sales and Marketing.
D. Keith Wheeler Age 51 President, Flowers Bakeries	Mr. Wheeler, 51, was named President of Flowers Bakeries in July 2014. Mr. Wheeler previously served as a Senior Vice President of Flowers Foods West Coast Region from 2012 until July 2014. Prior to that time Mr. Wheeler served in various operational positions within the company, including bakery president, region controller, and director of both business systems and strategic planning.

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Name, Age and Office	Business Experience
Robert B. Hysell	
Age 56	
President, Flowers Foodservice Group	Mr. Hysell has been President of Flowers Foodservice Group since January 2012. He previously served as Senior Vice President of Flowers Bakeries from 2011 to 2012, and prior to that served as Senior Vice President of Flowers Foods Specialty Group from 2003 through 2010. He joined the company in 2001, initially serving as Vice President of Sales for the company's frozen pie business.
Joseph G. Tashie	
Age 60	
President, Flowers Cake Group	Mr. Tashie has been President of Flowers Cake Group since January 2012. Mr. Tashie previously served as a Senior Vice President of Flowers Bakeries from 2002 to 2011. Prior to that time, he served in various sales, marketing, and operations positions since joining the company in 1978, including president at two Flowers bakeries.
Michael A. Beaty	
Age 64	
Executive Vice President	Mr. Beaty has been Executive Vice President of Flowers Foods since January 2015. Mr. Beaty previously served as Executive Vice President of Supply Chain of Flowers Foods from May 2008 to January 2015. Prior to that, Mr. Beaty served as Senior Vice President-Supply Chain of Flowers Foods from September 2002 to May 2008. Prior to that time he served as Senior Vice President of Bakery Operations of Flowers Bakeries from September 1994 until September 2002. He also served as Vice President of Manufacturing of Flowers Bakeries from February 1987 until September 1994. Prior to that time Mr. Beaty served in management positions at various Flowers Bakeries operations.
Gene D. Lord	
Age 67	
Executive Vice President	Mr. Lord has been Executive Vice President of Flowers Foods since July 2014. Mr. Lord previously served as Executive Vice President and Chief Operating Officer of Flowers Foods from May 2008 to July 2014. Prior to that time, Mr. Lord served as President and Chief Operating Officer of the DSD Segment from July 2002 to May 2008. Prior to that, he served as a Regional Vice President of Flowers Bakeries from January 1997 until July 2002. Prior to that time he served as Regional Vice President, Baked Products Group of Flowers Industries from May 1987 until January 1997 and as President of Atlanta Baking Company from February 1981 until May 1987. Prior to that time Mr. Lord served in various sales positions at Flowers Bakeries.
Marta Jones Turner	
Age 61	
Executive Vice President of Corporate Relations	Ms. Jones Turner has been Executive Vice President of Corporate Relations of Flowers Foods since May 2008. Ms. Jones Turner previously served as Senior Vice President of Corporate Relations of Flowers Foods from July 2004 to May 2008. Prior to that time she served as Vice President of Communications and Investor Relations from November 2002 until July 2004. She also served as Vice President of Public Affairs of Flowers Industries from September 1997 until November 2002 and Director of Public Relations of Flowers Industries from 1985 until 1997. Ms. Jones Turner joined the company in 1978.
H. Mark Courtney	
Age 54	
Senior Vice President of Sales	Mr. Courtney has been Senior Vice President of Sales of Flowers Bakeries since April of 2008. Prior to that time Mr. Courtney served in various sales, marketing, and operations positions, including Executive Vice President of Flowers Snack Group. Mr. Courtney joined the company in 1983.

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Name, Age and Office	Business Experience
David A. Hubbard	
Age 45	
Senior Vice President and Chief Information Officer	Mr. Hubbard has been Senior Vice President and Chief Information Officer of Flowers Foods since December 2012. Prior to that he served as Vice President and Chief Information Officer from October 2011 to December of 2012. He previously served as Vice President, IT Technology and Development in 2011. Prior to that Mr. Hubbard was the IT Director, SAP Technology and eBusiness from 2003 through early 2011.
Karyl H. Lauder	
Age 58	
Senior Vice President and Chief Accounting Officer	Ms. Lauder has been Senior Vice President and Chief Accounting Officer of Flowers Foods since May 2008. Ms. Lauder previously served as Vice President and Chief Accounting Officer of Flowers Foods from September 2007 to May 2008. Ms. Lauder previously served as Vice President and Operations Controller of Flowers Foods from 2003 to 2007. Prior to that she served as Division Controller for Flowers Bakeries Group from 1997 to 2003. Prior to that time Ms. Lauder served as a Regional Controller for Flowers Bakeries after serving as Controller and in other accounting supervisory positions at various plant locations since 1978.
Dan W. Stone	
Age 58	
Senior Vice President of Logistics and Chief Integration Officer	Mr. Stone has been Senior Vice President of Logistics and Chief Integration Officer for Flowers Foods since January 2014. Mr. Stone previously served as Vice President of Logistics and Supply Chain Services from 2005 to 2014 and as Vice President of Purchasing from 2001 to 2005. Prior to that time Mr. Stone served as Director of Purchasing from 1997 to 2001. From 1995 to mid 1997, Mr. Stone served as Division Controller for Flowers Bakeries after serving as Regional Controller from 1990 to 1995. Prior to that he served in several management positions including Executive Vice President of Operations and Controller at various plant locations since joining the company in 1979.
Tonja Taylor	
Age 55	
Senior Vice President of Human Resources	Ms. Taylor has been Senior Vice President of Human Resources for Flowers Foods since September 2013. Prior to that time she served as Vice President of Human Resources from 2008 until September 2013. Ms. Taylor began her career with Flowers in 1999 as Change Management Coordinator for a key information technology initiative. She joined the corporate Human Resources team in 2000 and served in various positions including Manager of Organizational Development, Director of Organizational Development, and Managing Director of Human Resources.
Craig Parr	
Age 45	
Senior Vice President of Finance and Chief Risk Officer	Mr. Parr has been Senior Vice President of Finance and Chief Risk Officer since October 2012. Prior to joining Flowers Foods, Inc., Mr. Parr was with The Andersons, Inc. for 20 years, where he served as vice president of risk management and food ingredient supply, and in various leadership positions in accounting, treasury, quantitative analysis and purchasing.
Robert L. Benton, Jr.	
Age 57	
Senior Vice President and Chief Manufacturing Officer	Mr. Benton has been Senior Vice President and Chief Manufacturing Officer of Flowers Foods, Inc. since January 2015. Mr. Benton previously served as Senior Vice President of Manufacturing and Operations Support from January 2011 until January 2015, Vice President of Manufacturing from July 2001 until January 2011, and Director of Manufacturing from August 1993 until July 2001. Prior to that time Mr. Benton served in several manufacturing and operational management positions including regional manufacturing coordinator, bakery vice president of operations, director of manufacturing, and manufacturing manager at various locations throughout the company since 1980.

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None

Item 2. *Properties*

The company currently operates 46 bakeries, of which 44 are owned and two are leased, and one mix plant. We believe our properties are in good condition, well maintained, and sufficient for our present operations. During fiscal 2014, DSD Segment facilities taken as a whole, operated moderately above capacity and Warehouse Segment facilities operated moderately below capacity. Our production plant locations are:

DSD Segment

Birmingham, Alabama
 Opelika, Alabama
 Tuscaloosa, Alabama
 Phoenix, Arizona
 Tolleson, Arizona
 Batesville, Arkansas
 Modesto, California (Leased)
 Bradenton, Florida
 Jacksonville, Florida
 Lakeland, Florida
 Miami, Florida
 Atlanta, Georgia
 Savannah, Georgia
 Thomasville, Georgia
 Villa Rica, Georgia
 Bardstown, Kentucky
 Baton Rouge, Louisiana
 Lafayette, Louisiana

New Orleans, Louisiana
 Lewiston, Maine(2 locations)
 Henderson, Nevada
 Goldsboro, North Carolina
 Jamestown, North Carolina
 Newton, North Carolina
 Philadelphia, Pennsylvania (Leased)
 Oxford, Pennsylvania
 Knoxville, Tennessee
 Morristown, Tennessee
 Denton, Texas
 El Paso, Texas
 Houston, Texas(2 locations)
 San Antonio, Texas
 Tyler, Texas
 Brattleboro, Vermont
 Lynchburg, Virginia
 Norfolk, Virginia

Warehouse Segment

Montgomery, Alabama
 Texarkana, Arkansas
 Suwanee, Georgia
 Tucker, Georgia
 Cedar Rapids, Iowa (mix plant)

London, Kentucky
 Winston-Salem, North Carolina
 Cleveland, Tennessee
 Crossville, Tennessee

In Thomasville, Georgia, the company leases properties that house its shared services center and information technology group, and owns its corporate headquarters facility.

Item 3. *Legal Proceedings*

The company and its subsidiaries from time to time are parties to, or targets of, lawsuits, claims, investigations and proceedings, which are being handled and defended in the ordinary course of business. While the company is unable to predict the outcome of these matters, it believes, based upon currently available facts, that it is remote that the ultimate resolution of any such pending matters will have a material adverse effect on its overall financial condition, results of operations or cash flows in the future. However, adverse developments could negatively impact earnings in a particular future fiscal period.

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The company's facilities are subject to various federal, state and local laws and regulations regarding the discharge of material into the environment and the protection of the environment in other ways. The company is not a party to any material proceedings arising under these regulations. The company believes that compliance with existing environmental laws and regulations will not materially affect the consolidated financial condition, results of operations, cash flows or the competitive position of the company. The company is currently in substantial compliance with all material environmental regulations affecting the company and its properties.

Item 4. *Mine Safety Disclosures*

Not Applicable

PART II**Item 5. *Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities***
Market Information

Shares of Flowers Foods common stock are quoted on the New York Stock Exchange under the symbol FLO. The following table sets forth quarterly dividend information and the high and low sale prices of the company's common stock on the New York Stock Exchange as reported in published sources.

Quarter	FY 2014			FY 2013		
	Market Price		Dividend	Market Price		Dividend
	High	Low		High	Low	
First	\$ 22.22	\$ 18.70	\$ 0.1125	\$ 22.11	\$ 15.18	\$ 0.1067
Second	\$ 21.42	\$ 19.71	\$ 0.1200	\$ 23.55	\$ 21.60	\$ 0.1125
Third	\$ 21.28	\$ 17.83	\$ 0.1200	\$ 24.50	\$ 20.10	\$ 0.1125
Fourth	\$ 20.25	\$ 17.46	\$ 0.1325	\$ 25.67	\$ 20.58	\$ 0.1125

 Holders

As of February 19, 2015, there were approximately 3,759 holders of record of our common stock.

Dividends

The payment of dividends is subject to the discretion of our Board of Directors. The Board of Directors bases its decisions regarding dividends on, among other things, general business conditions, our financial results, contractual, legal and regulatory restrictions regarding dividend payments and any other factors the Board may consider relevant.

Table of Contents**Index to Financial Statements****Securities Authorized for Issuance Under Equity Compensation Plans**

The following chart sets forth the amounts of securities authorized for issuance under the company's compensation plans as of January 3, 2015.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column(a)) (c)
Equity compensation plans approved by security holders	6,191	\$ 10.88	7,923
Equity compensation plans not approved by security holders			
Total	6,191	\$ 10.88	7,923

Under the company's compensation plans, the Board of Directors is authorized to grant a variety of stock-based awards, including stock options, restricted stock awards and deferred stock, to its directors and certain of its employees. The number of securities set forth in column (c) above reflects securities available for issuance as stock options, restricted stock and deferred stock under the company's compensation plans. The number of shares originally available under the 2014 Omnibus Equity and Incentive Compensation Plan (the "Omnibus Plan") is 8,000,000 shares. The Omnibus Plan replaced the Flowers Foods 2001 Equity and Performance Incentive Plan, as amended and restated as of April 1, 2009 ("EPIP"), the stock appreciation rights plan, and the bonus plan. As a result, no additional shares will be issued under the EPIP as of the approval date of the Omnibus Plan. See Note 16, *Stock-Based Compensation*, of Notes to Consolidated Financial Statements of this Form 10-K for additional information on equity compensation plans.

Purchases of Equity Securities by the Issuer

Our Board of Directors has approved a plan that authorizes share repurchases of up to 67.5 million shares of the company's common stock. At the Board of Directors meeting in November 2014, the Board increased the company's share repurchase authorization by 7.1 million shares to a total of 74.6 million shares. At the close of the company's fourth quarter on January 3, 2015, 14.0 million shares remained available for repurchase under the existing authorization. Under the plan, the company may repurchase its common stock in open market or privately negotiated transactions at such times and at such prices as determined to be in the company's best interest. These purchases may be commenced or suspended without prior notice depending on then-existing business or market conditions and other factors. The table below provides the shares and cost of the shares acquired during fiscal 2014 by quarter under the plan.

Fiscal Quarter	Total Number of Shares Purchased	Total Dollars of Shares Purchased (amounts in thousands)
During the quarter ended April 19, 2014	464,610	\$ 9,460
During the quarter ended July 12, 2014		\$
During the quarter ended October 4, 2014	550,000	\$ 10,332
During the quarter ended January 3, 2015	1,000,000	\$ 19,124
Total	2,014,610	\$ 38,916

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From the inception of the plan through January 3, 2015, 60.6 million shares, at a cost of \$497.3 million, have been purchased.

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The following chart sets forth the amounts of our common stock purchased by the company during the fourth quarter of fiscal 2014 under the stock repurchase plan and includes the increased authorized shares effective on November 21, 2014.

Period	Total Number of Shares Purchased	Weighted Average Price Per Share (Amounts in thousands, except price data)	Total Number of Shares Purchased as Part of Publicly Announced Plan or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plan or Programs
October 5, 2014 - November 1, 2014				7,944
November 2, 2014 - November 29, 2014				15,000
November 30, 2014 - January 3, 2015	1,000	\$ 19.09	1,000	14,000
Total	1,000	\$ 19.09	1,000	

Table of Contents**Index to Financial Statements****Stock Performance Graph**

The chart below is a comparison of the cumulative total return (assuming the reinvestment of all dividends paid) of our common stock, Standard & Poor's 500 Index, Standard & Poor's 500 Packaged Foods and Meats Index, and Standard & Poor's MidCap 400 Index for the period January 2, 2010 through January 2, 2015, the last trading day of our 2014 fiscal year.

	January 2, 2010	January 1, 2011	December 31, 2011	December 29, 2012	December 28, 2013	January 3, 2015
FLOWERS FOODS INC	100.00	116.72	127.25	158.34	225.60	207.42
S&P 500 INDEX	100.00	115.06	117.49	134.03	179.76	205.13
S&P 500 PACKAGED FOODS & MEAT INDEX	100.00	116.36	136.36	148.77	195.80	219.68
S&P MIDCAP 400 INDEX	100.00	126.64	124.45	144.38	194.92	214.85

Companies in the S&P 500 Index, the S&P 500 Packaged Foods and Meats Index, and the S&P MidCap 400 Index are weighted by market capitalization and indexed to \$100 at January 2, 2010. Flowers Foods' share price is also indexed to \$100 at January 2, 2010. These prices have been adjusted for stock splits.

Table of Contents**Index to Financial Statements****Item 6. Selected Financial Data**

The selected consolidated historical financial data presented below as of and for the fiscal years 2014, 2013, 2012, 2011, and 2010 have been derived from the audited Consolidated Financial Statements of the company. Fiscal 2014 is a 53 week year while the other fiscal years were all 52 week years. The results of operations presented below are not necessarily indicative of results that may be expected for any future period and should be read in conjunction with *Management's Discussion and Analysis of Financial Condition and Results of Operations*, and our Consolidated Financial Statements and the accompanying Notes to Consolidated Financial Statements included in this Form 10-K.

	Fiscal 2014 53 weeks	Fiscal 2013 52 weeks	For Fiscal Year Fiscal 2012 52 weeks	Fiscal 2011 52 weeks	Fiscal 2010 52 weeks
	(Amounts in thousands, except per share data)				
Statement of Income Data:					
Sales	\$ 3,748,973	\$ 3,732,616	\$ 3,031,124	\$ 2,759,367	\$ 2,560,787
Net income	\$ 175,739	\$ 230,894	\$ 136,121	\$ 123,428	\$ 137,047
Net income attributable to Flowers Foods, Inc. common shareholders per diluted share	\$ 0.82	\$ 1.09	\$ 0.66	\$ 0.60	\$ 0.66
Cash dividends per common share	\$ 0.485	\$ 0.444	\$ 0.420	\$ 0.389	\$ 0.345
Balance Sheet Data:					
Total assets	\$ 2,408,974	\$ 2,504,014	\$ 1,995,849	\$ 1,553,998	\$ 1,325,489
Long-term debt and capital lease obligations	\$ 728,940	\$ 892,478	\$ 535,016	\$ 283,406	\$ 98,870

Notes to the Selected Financial Data table for additional context

1. During the fourth quarter of fiscal 2014, we revised net sales. Historically, certain immaterial discounts had been recorded as an expense to selling, distribution and administrative costs. These discounts are now recorded as contra revenue. These revisions have been made for all periods presented in this Form 10-K.
2. Fiscal 2014 includes the impact of a \$15.4 million pension settlement loss.
3. Fiscal 2013 includes the recording of a bargain purchase gain of \$50.1 million at the time of the *Sara Lee* California acquisition.
4. Fiscal 2013 includes the Modesto, *Sara Lee* California, and the Acquired Hostess Bread Assets acquisitions.
5. Fiscal 2012 includes the Lepage acquisition.
6. Fiscal 2012 includes the issuance of our \$400.0 million senior notes.
7. Fiscal 2011 includes the Tasty Baking Company acquisition.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion should be read in conjunction with the Selected Financial Data included herein and the Consolidated Financial Statements and accompanying Notes to Consolidated Financial Statements included in this Form 10-K. The following information contains forward-looking statements which involve certain risks and uncertainties. See Forward-Looking Statements at the beginning of this Form 10-K.

Overview:

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is segregated into four sections, including:

Business discussion of our long-term strategic objectives, acquisitions, and the competitive environment.

Critical Accounting Estimates describes the accounting areas where management makes critical estimates to report our financial condition and results of operations.

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Results of Operations – an analysis of the company’s consolidated results of operations for the two comparative periods presented in our consolidated financial statements.

Liquidity and Capital Resources – an analysis of cash flow, contractual obligations, and certain other matters affecting the company’s financial position.

There were several events that will provide additional context while reading this discussion. These events include:

Revision of Prior Period Sales – During the fourth quarter of fiscal 2014, we revised net sales. Historically, certain immaterial discounts had been recorded as an expense to selling, distribution and administrative costs. These discounts are now recorded as contra revenue. These revisions have been made for all periods presented in this Form 10-K. See Note 3, *Financial Statement Revisions*, of the Notes to Consolidated Financial Statements of this Form 10-K for more details.

Hostess Asset Purchases – On July 19, 2013, we completed the acquisition of certain assets of Hostess Brands, Inc. (Hostess), which included the *Wonder*, *Nature’s Pride*, *Merita*, *Home Pride* and *Butternut* bread brands, 20 closed bakeries and 36 depots (the Acquired Hostess Bread Assets). We began the re-introduction of certain of the Acquired Hostess Bread brands in our third quarter of fiscal 2013. We have not completed our assessment of the plants and depots acquired from Hostess, but we have sold certain properties and determined that we intend to sell additional properties that do not fit into our long-term operating strategy. During fiscal 2014, the company received \$24.2 million on the sale of Acquired Hostess Bread Asset plants and depots with additional plants and depots classified as held for sale in our Consolidated Balance Sheets included in this Form 10-K. We expect these sales to continue throughout fiscal 2015. Also, we recorded carrying costs associated with all of the Acquired Hostess Bread Asset plants and depots of approximately \$19.5 million, excluding asset impairments, during fiscal 2014 in our Consolidated Statements of Income. The carrying costs were \$10.6 million after the acquisition of the Acquired Hostess Bread Assets in fiscal 2013. Carrying costs include workforce-related costs, property taxes, utilities, and depreciation, among other costs, and these costs were primarily included in the Materials, supplies, labor, and other production costs (exclusive of depreciation and amortization shown separately) line item in our Consolidated Statements of Income.

Opening of the Henderson, Nevada Plant – During the fourth quarter of fiscal 2013, we opened the bread line at a plant that was acquired as a part of the Acquired Hostess Bread Assets. We also opened the bun line during the second quarter of fiscal 2014. This plant increased our capacity for the California and Nevada markets.

Opening of the Modesto, California Bread Line – During the first quarter of fiscal 2014, we added a bread line at a plant we acquired in fiscal 2013 that originally produced only buns. This new line increases our capacity for the California market.

Opening of the Knoxville, Tennessee Plant – During the second quarter of fiscal 2014, we opened another plant that was acquired as a part of the Acquired Hostess Bread Assets. This plant operates a single bread line and increases our capacity in Tennessee, Kentucky, and Ohio.

Amendment to the Credit Facility and Term Loan – On February 14, 2014, we announced that we amended our existing senior unsecured revolving loan facility previously amended and restated on May 20, 2011 and the term loan agreement dated April 5, 2013. The amendment to the senior unsecured revolving loan facility reduced the applicable interest rate and extended the maturity date to February 14, 2019. The amendment to the term loan agreement reduced the applicable interest rate.

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Plant Sale During the second quarter of fiscal 2014, we decided to sell certain assets at our Ft. Worth, Texas, tortilla facility (the disposal group). We relocated our flour tortilla equipment to an existing manufacturing facility and continue to sell these products through our DSD Segment. The disposal group sale closed August 13, 2014 for a sale price of \$8.4 million in cash. The carrying value of the assets sold was \$7.6 million and was presented in Assets Held for Sale as of July 12, 2014 because the disposal

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group met the requirements for held for sale classification on that balance sheet date. Assets not included in the disposal group were either transferred to other plants or were scrapped shortly after closing. We recognized an impairment loss on goodwill of \$2.6 million and an additional impairment loss of \$1.9 million for the scrapped assets during our second quarter of fiscal 2014. These impairments are recorded on the Consolidated Statements of Income in the line item Impairment of assets. The total gain on the divestiture was \$1.8 million, of which \$0.8 million related to property, plant and equipment recorded as held for sale in our second quarter of fiscal 2014, and is recorded on the Consolidated Statements of Income in the line item Selling, distribution and administrative expenses. We also incurred costs of \$0.8 million included in the Consolidated Statements of Income line item Materials, supplies, labor, and other production costs (exclusive of depreciation and amortization shown separately) relating to severance and inventory. The total costs for fiscal 2014 relating to the divestiture were \$3.5 million.

Amendments to the Accounts Receivable Securitization facility On August 7, 2014, the company amended the accounts receivable securitization facility. The amendment (i) increased the revolving commitments under the facility to \$200.0 million from \$150.0 million, (ii) extended the term one year to August 7, 2016, and (iii) made certain other conforming changes. On December 17, 2014, the company entered into a second amendment under the facility to add a lender to the lending group. The second amendment did not change the terms of the facility.

Pension Risk Mitigation Plan In September 2014, the company announced a one-time voluntary lump sum offer to approximately 2,500 former employees in Plan No. 1 and 2 who had not yet started receiving monthly payments of their vested benefits. The offer supports the company's pension risk management strategy and reduced plan obligations by 10%. Distribution of \$50.4 million in lump sums from existing plan assets in December 2014 resulted in a settlement charge of \$15.4 million during fiscal 2014.

Impairment of Assets As described in the *Plant Sale* discussion above, we recognized an impairment loss on goodwill of \$2.6 million and an addition impairment loss of \$1.9 million for the scrapped assets associated with the disposal group during our second quarter of fiscal 2014. During the fourth quarter of our fiscal 2014, we recognized an impairment loss of \$5.8 million related to the amount expected to be realized for the fair value of certain Acquired Hostess Bread Assets classified as held for sale.

Business

Flowers is focused on opportunities for growth within the baked foods category and seeks to have its products available wherever baked foods are consumed whether in homes, restaurants, fast food outlets, institutions, or vending machines. The company has 46 bakery subsidiaries in 16 states that produce a wide range of breads, buns, rolls, snack cakes, and tortillas. These products are marketed fresh to approximately 81% of the U.S. population or are sold fresh and frozen nationally.

Segments and Delivery Methods

The company has two business segments that reflect its two distinct methods of delivering products to market. DSD Segment products are delivered fresh to customers through a network of independent distributors who are incentivized to grow sales and to build equity in their distributorships. The DSD Segment reaches approximately 81% of the U.S. population with fresh bakery foods. The Warehouse Segment ships fresh and frozen products to customers' warehouses nationwide. Customers then distribute these products to their depots, stores, or restaurants. Flowers' bakeries fall into either the DSD Segment or Warehouse Segment depending on the primary method of delivery used to sell their products.

The DSD Segment operates a highly involved system of reciprocal baking whereby each bakery has an assigned production mission to produce certain items for its own market as well as for other DSD Segment bakeries' markets and the Warehouse Segment. This system allows for long and efficient production runs that help the company maintain its position as a low-cost producer. Bakeries within regional networks exchange products overnight through a third-party transportation system so that at the beginning of each sales day every DSD Segment bakery has a full complement of fresh products for its independent distributors to provide to their retail and foodservice customers.

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The company has invested significant capital in its bakeries for several decades to ensure its production is as efficient as possible, uses technology effectively, provides consistently excellent quality, and offers a good working environment for team members. In fiscal years 2014, 2013, and 2012, the company had capital expenditures of \$83.8 million, \$99.2 million, and \$67.3 million, respectively.

Consumers and our product portfolio

The company recognizes the need to stay in touch with changing consumer trends regarding baked foods. As a result, ongoing research on consumer preferences is conducted and outside resources are engaged to stay current on changing taste, flavor, texture, and shape trends in bakery products and food in general. Our marketing, quality assurance, and research and development teams collaborate regularly as new products are considered, developed, tested, and introduced.

Brands are important in the bakery category and the company has invested over several decades in its brand portfolio through advertising, promotion, and packaging. *Nature's Own*, introduced in 1977, was developed to address the developing trend of consumers demanding baked foods with a healthier profile. *Nature's Own*, from inception, offered baked foods with no artificial flavors, colors, or preservatives.

On February 23, 2013, the company completed its acquisition of certain assets and trademark licenses from BBU, Inc., a subsidiary of Grupo Bimbo, S.A.B. de C.V. (BBU). The company acquired from BBU in the acquisition (1) perpetual, exclusive, and royalty-free licenses to the *Sara Lee* and *Earthgrains* brands for sliced breads, buns, and rolls in the state of California and (2) a closed bakery in Stockton, California. In addition, we received a perpetual, exclusive, and royalty-free license to the *Earthgrains* brand for a broad range of fresh bakery products in the Oklahoma City, Oklahoma market area.

On July 19, 2013, the company completed the acquisition of the Acquired Hostess Bread Assets. In September 2013, the company began to reintroduce the *Wonder*, *Merita*, *Home Pride*, and *Butternut* brands, which had been off the market since Hostess ceased operations in November 2012, into certain markets. The brands were returned to markets where they were available before the company acquired the brands within our DSD Segment. The acquired *Nature's Pride* brand has not been re-introduced to the market and we are still considering the future of this brand.

Snack cakes have been part of the company's product offerings since at least the early 1920s. In more recent years, snack cakes have been developed and introduced under several brands, such as *Blue Bird* and *Mrs. Freshley's*. On May 20, 2011, the company acquired Tasty Baking Co. (Tasty) and its extensive line of *Tastykake* branded snack cakes. The *Tastykake* brand added an iconic snack cake brand to our brand portfolio. Since the acquisition of Tasty, we have expanded the distribution of the *Tastykake* products into our core markets. We expect to continue to expand the *Tastykake* brand into any additional markets we enter over the next several years.

In 2014, we re-branded the Cobblestone Mill brand to the Cobblestone Bread Company brand. There were twelve core products and other regional favorites at introduction. This brand includes restaurant and sandwich shop inspired breads and rolls. We completed the roll-out to the full market in July 2014.

Strengths and core competencies

We aim to achieve consistent and sustainable growth in sales and earnings by focusing on improvements in the operating results of our existing bakeries and, after detailed analysis, acquiring companies and properties that add value to the company. We believe this strategy has resulted in consistent and sustainable growth that will continue to build value for our shareholders.

The company is also committed to maintaining a collaborative, in-house information technology team, as well as certain outsourced services, that meets all of our bakeries' needs and maximizes efficiencies. The consumer packaged goods industry has used scan-based trading technology (referred to as *pay by scan* or *PBS*) over several years to share information between the supplier and retailer. An extension of this technology allows the retailer to pay the supplier when the consumer purchases the goods rather than at the time they are

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delivered to the retailer. In addition, PBS permits the manufacturer to more accurately track trends in product sales and manage inventory. In fiscal years 2014, 2013, and 2012, the company recorded \$1,206.6 million, \$1,116.4 million, and \$863.4 million, respectively, in sales through PBS.

We regularly articulate our core business strategies to the investment community and internally to our team members, including long-term (five-year) goals. Compensation and bonus programs are linked to the company's long-term goals. The majority of our employees participate in an annual formula-driven, performance-based cash bonus program. In addition, certain employees participate in a long-term incentive program that provides performance-contingent common stock awards that generally vest over a two-year period. We believe these incentive programs provide both a short and long-term goal for our most senior management team and aligns their interests with those of our shareholders.

We believe our highly automated bakeries, with teams that focus on quality, bake products that meet consumers' needs. We strive to maintain and exceed service levels for our customers, consumers, and suppliers. The design of our delivery systems and segments permits us to allocate management time and resources to meet marketplace expectations.

Competition and risks

Hostess' liquidation in late November 2012 impacted the industry as Hostess sales shifted to other providers to meet marketplace needs. These providers included Flowers, Grupo Bimbo (with *Sara Lee*, *Arnolds*, *Thomas*, and *Entenmann's* brands), Campbell Soup Company (with the *Pepperidge Farm* brand), McKee Foods Corporation (*Little Debbie*) and smaller regional bakeries, retailer-owned bakeries, and store brands. Certain *Hostess* cake products were re-introduced into the market in July 2013 by a new and separate company formed by the outside investment group of Apollo Global Management and C. Dean Metropoulos & Co. that purchased the *Hostess* cake brands.

Sales are principally affected by pricing, quality, brand recognition, new product introductions, product line extensions, marketing, and service. Sales for fiscal 2014 increased 0.4% from fiscal 2013. This increase was due to the additional week in fiscal 2014, a favorable price/mix shift, and the *Sara Lee* California acquisition until cycled, partially offset by volume decreases.

The current economic environment and competitive landscape in the baking industry is currently experiencing volatility. The baking industry will continue to see market fluctuations in the near-term as companies compete for market position in the wake of the Hostess liquidation.

Commodities, such as our baking ingredients, periodically experience price fluctuations. The cost of these inputs may fluctuate widely due to government policy and regulation, weather conditions, domestic and international demand, or other unforeseen circumstances. We enter into forward purchase agreements and other derivative financial instruments in an effort to manage the impact of such volatility in raw material prices. Any decrease in the availability of these agreements and instruments could increase the effective price of these raw materials to us and significantly affect our earnings.

Critical Accounting Estimates

Note 2, *Summary of Significant Accounting Policies*, of the Notes to Consolidated Financial Statements of this Form 10-K includes a summary of the significant accounting policies and methods used in the preparation of the company's Consolidated Financial Statements.

The company's discussion and analysis of its results of operations and financial condition are based upon the Consolidated Financial Statements of the company, which have been prepared in accordance with generally accepted accounting principles in the United States (GAAP). The preparation of these financial statements requires the company to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of the revenues, expenses, and cash flows during the reporting period. On an ongoing basis, the company evaluates its estimates, including those related to customer programs and incentives,

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bad debts, raw materials, inventories, long-lived assets, intangible assets, income taxes, restructuring, pensions and other post-retirement benefits, and contingencies and litigation. The company bases its estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The selection and disclosure of the company's critical accounting estimates have been discussed with the company's audit committee. The following is a review of the critical assumptions and estimates, and the accounting policies and methods listed below, which are used in the preparation of the Consolidated Financial Statements:

revenue recognition;

derivative instruments;

valuation of long-lived assets, goodwill, and other intangible assets;

self-insurance reserves;

income tax expense and accruals;

pension obligations; and

share-based payments.

Revenue Recognition. The company recognizes revenue from the sale of its products at the time of delivery when title and risk of loss pass to the customer. The company records both direct and estimated reductions to gross revenue for customer programs and incentive offerings at the time the incentive is offered or at the time of revenue recognition for the underlying transaction that results in progress by the customer towards earning the incentive. These allowances include price promotion discounts, coupons, customer rebates, cooperative advertising, and product returns. Price promotion discount expense is recorded as a reduction to gross sales when the discounted product is sold to the customer. If market conditions were to decline, the company may take actions to increase incentive offerings, possibly resulting in an incremental reduction of revenue.

The consumer packaged goods industry has used scan-based trading technology over several years to share information between the supplier and retailer. An extension of this technology allows the retailer to pay the supplier when the consumer purchases the goods rather than at the time they are delivered to the retailer. Consequently, revenue on these sales is not recognized until the product is purchased by the consumer. This technology is referred to as PBS. The company began a pilot program in fiscal 1999, working with certain retailers to develop the technology to execute PBS, and there has been a sharp increase in its use since that time. In fiscal 2014, the company recorded \$1,206.6 million in sales through PBS. The company will continue to implement PBS technology for current PBS customers as they open new retail stores during 2015. In addition, new PBS customers will begin implementation during 2015. Revenue on PBS sales is recognized when the product is purchased by the end consumer because that is when title and risk of loss is transferred. Non-PBS sales are recognized when the product is delivered to the customer since that is when title and risk of loss is transferred.

Derivative Instruments. The company's cost of primary raw materials is highly correlated to certain commodities markets. Commodities, such as our baking ingredients, experience price fluctuations. If actual market conditions become significantly different than those anticipated, raw material prices could increase significantly, adversely affecting our results of operations. We enter into forward purchase agreements and other derivative financial instruments qualifying for hedge accounting to manage the impact of volatility in raw material prices. The company

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measures the fair value of its derivative portfolio using fair value as the price that would be received to sell an asset or paid to transfer a liability in the principal market for that asset or liability. When quoted market prices for identical assets or liabilities are not available, the company bases fair value on internally developed models that use current market observable inputs, such as exchange-quoted futures prices and yield curves.

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Valuation of Long-Lived Assets, Goodwill and Other Intangible Assets. The company records an impairment charge to property, plant and equipment, goodwill and intangible assets in accordance with applicable accounting standards when, based on certain indicators of impairment, it believes such assets have experienced a decline in value that is other than temporary. Future adverse changes in market conditions or poor operating results of these underlying assets could result in losses or an inability to recover the carrying value of the asset that may not be reflected in the asset's current carrying value, thereby possibly requiring impairment charges in the future. Based on management's evaluation, no impairment charges relating to long-lived held and used assets were recorded for fiscal years 2014, 2013 or 2012.

The company evaluates the recoverability of the carrying value of its goodwill on an annual basis or at a time when events occur that indicate the carrying value of the goodwill may be impaired using a two step process. We have elected not to perform the qualitative approach. The first step of this evaluation is performed by calculating the fair value of the business segment, or reporting unit, with which the goodwill is associated. Our reporting units are at the segment level. Each segment consists of several components. These components are aggregated by their respective delivery method into the Warehouse Segment and DSD Segment. These segments rely on reciprocal baking among their components, cross-sells their products/brands within the segment, and utilize the same delivery method. Marketing, research and development and capital projects are measured at the segment level. We believe these factors support our reporting unit classifications. This fair value is compared to the carrying value of the reporting unit, and if less than the carrying value, the goodwill is evaluated for potential impairment under step two. Under step two of this calculation, goodwill is measured for potential impairment by comparing the implied fair value of the reporting unit's goodwill, determined in the same manner as a business combination, with the carrying amount of the goodwill.

Our annual evaluation of goodwill impairment requires management judgment and the use of estimates and assumptions to determine the fair value of our reporting units. Fair value is estimated using standard valuation methodologies incorporating market participant considerations and management's assumptions on revenue, revenue growth rates, operating margins, discount rates, and EBITDA (defined as earnings before interest, taxes, depreciation and amortization). Our estimates can significantly affect the outcome of the test. We perform the fair value assessment using the income and market approach. We use this data to complete a separate fair value analysis for each reporting unit. Changes in our forecasted operating results and other assumptions could materially affect these estimates. This test is performed in our fourth quarter unless circumstances require this analysis to be completed sooner. The income approach is tested using a sensitivity analysis to changes in the discount rate and yield a sufficient buffer to significant variances in our estimates. The estimated fair values of our reporting units exceeded our carrying values by at least \$606 million in each reporting unit in fiscal 2014. Based on management's evaluation, no impairment charges relating to goodwill were recorded for the fiscal years 2014, 2013, or 2012.

In connection with acquisitions, the company has acquired trademarks, customer lists, and non-compete agreements, a portion of which are amortizable. The company evaluates these assets whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. The undiscounted future cash flows of each intangible asset is compared to the carrying amount, and if less than the carrying value, the intangible asset is written down to the extent the carrying amount exceeds the fair value. The fair value is computed using the same approach described above for goodwill and includes the same risks and estimates. The fair value of the trademarks could be less than our carrying value if any of our four material assumptions in our fair value analysis: (a) weighted average cost of capital; (b) long-term sales growth rates; (c) forecasted operating margins; and (d) market multiples do not meet our expectations, thereby requiring us to record an asset impairment. We use the multi-period excess earnings and relief from royalty methods to value these intangibles. The method used for impairment testing purposes is consistent with the valuation method employed at acquisition of the intangible asset. Based on management's evaluation, no impairment charges relating to amortizable intangible assets were recorded for the fiscal years 2014, 2013, or 2012.

The company also owns \$455.0 million of trademarks acquired in acquisitions that are indefinite-lived intangible assets not subject to amortization. A total of \$185.0 million of the trademarks were from the Lepage acquisition that occurred in July 2012. A total of \$79.5 million and \$189.0 million of the trademarks were from the Sara Lee California and the Acquired Hostess Bread Assets acquisitions, respectively, both completed in fiscal 2013. The company evaluates the recoverability by comparing the fair value to the carrying value of these

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intangible assets on an annual basis or at a time when events occur that indicate the carrying value may be impaired. In addition, the assets are evaluated to determine whether events and circumstances continue to support an indefinite-life. The fair value is compared to the carrying value of the intangible asset, and if less than the carrying value, the intangible asset is written down to fair value.

There are certain inherent risks included in our expectations about the performance of acquired trademarks and brands. If we are unable to implement our growth strategies for these acquired intangible assets as expected, it could adversely impact the carrying value of the brands. The fair value of the trademarks could be less than our carrying value if any of our four material assumptions in our fair value analysis: (a) weighted average cost of capital; (b) long-term sales growth rates; (c) forecasted operating margins; and (d) market multiples do not meet our expectations, thereby requiring us to record an asset impairment. Based on management's evaluation, no impairment charges relating to intangible assets not subject to amortization were recorded for the fiscal years 2014, 2013, or 2012.

The impairment analysis on the indefinite-lived intangible assets not subject to amortization is very sensitive to the long-term growth rates of the brand. The brands acquired in the Acquired Hostess Bread Assets have been valued based on our expectation of the timing reintroducing the brands. The company is also continually analyzing these brands to determine the expansion markets in which they will be introduced. If the timing of our expansion does not proceed as we currently anticipate, these brands could become impaired.

Self-Insurance Reserves. We are self-insured for various levels of general liability, auto liability, workers' compensation, and employee medical and dental coverage. Insurance reserves are calculated on an undiscounted basis and are based on actual claim data and estimates of incurred but not reported claims developed utilizing historical claim trends. Projected settlements and incurred but not reported claims are estimated based on pending claims and historical trends and data. Though the company does not expect them to do so, actual settlements and claims could differ materially from those estimated. Material differences in actual settlements and claims could have an adverse effect on our financial condition and results of operations.

Income Tax Expense and Accruals. The annual tax rate is based on our income, statutory tax rates, and tax planning opportunities available to us in the various jurisdictions in which we operate. Changes in statutory rates and tax laws in jurisdictions in which we operate may have a material effect on the annual tax rate. The effect of these changes, if any, would be recognized when the change takes place.

Deferred income taxes arise from temporary differences between the tax and financial statement recognition of revenues and expenses. Our income tax expense, deferred tax assets and liabilities, and reserve for uncertain tax benefits reflect our best assessment of future taxes to be paid in the jurisdictions in which we operate. The company records a valuation allowance to reduce its deferred tax assets if we believe it is more likely than not that some or all of the deferred assets will not be realized. While the company considers future taxable income and ongoing prudent and feasible tax strategies in assessing the need for valuation allowance, if these estimates and assumptions change in the future, the company may be required to adjust its valuation allowance, which could result in a charge to, or an increase in, income in the period such determination is made.

Periodically, we face audits from federal and state tax authorities, which can result in challenges regarding the timing and amount of income or deductions. We provide reserves for potential exposures when we consider it more likely than not that a taxing authority may take a sustainable position on a matter contrary to our position. We evaluate these reserves on a quarterly basis to ensure that they have been appropriately adjusted for events, including audit settlements that may impact the ultimate payment of such potential exposures. While the ultimate outcome of audits cannot be predicted with certainty, we do not currently believe that future audits will have a material adverse effect on our consolidated financial condition or results of operations. The company is no longer subject to federal examination for years prior to 2011.

Pension Obligations. The company records pension costs and benefit obligations related to its defined benefit plans based on actuarial valuations. These valuations reflect key assumptions determined by management, including the discount rate, expected long-term rate of return on plan assets and mortality. Material changes in pension costs and in benefit obligations may occur in the future due to experience that is different than assumed and changes in these assumptions.

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Effective January 1, 2006, the company curtailed its largest defined benefit plan (Plan No. 1) that covered the majority of its workforce. Benefits under this plan are frozen, and no future benefits will accrue under this plan. The company assumed sponsorship of two defined benefit plans as part of the ButterKrust acquisition (2008) and a qualified defined benefit plan as part of the Tasty acquisition (2011); benefits under these plans are frozen, and no future benefits will accrue under these plans. The ButterKrust plans and the Tasty plan were merged into Plan No. 1 effective December 31, 2011 and December 31, 2012, respectively. In addition to Plan No. 1, the company sponsors an ongoing defined benefit pension plan for union employees (Plan No. 2) and a frozen nonqualified plan covering former Tasty executives.

The company recorded pension cost of \$5.6 million for fiscal 2014 (inclusive of a \$15.4 million settlement charge for lump sums paid in the fourth quarter of 2014). We expect pension income of approximately \$6.0 million on our qualified defined benefit plans for fiscal 2015.

In September 2014, the company announced a one-time voluntary lump sum offer to approximately 2,500 former employees in Plan No. 1 and 2 who had not yet started receiving monthly payments of their vested benefits. The offer supports the company's pension risk management strategy and reduced plan obligations by 10%. Distributions of \$50.4 million in lump sums from existing plan assets for Plan 1 and Plan 2 in December 2014 resulted in a settlement charge of \$15.4 million for Plan No. 1 only. No settlement charge was required for Plan No. 2 as the distributions were not in excess of service costs and interest costs for fiscal 2014.

The discount rate used by the company reflects rates at which pension benefits could be effectively settled. The company looks to rates of return on high-quality fixed income investments to determine its discount rate. The company uses a cash flow matching technique to select the discount rate. The expected cash flows of each pension plan are matched to a yield curve based on Aa-graded bonds available in the marketplace at the measurement date. A present value is developed, which is then used to develop a single equivalent discount rate.

In developing the expected long-term rate of return on plan assets at each measurement date, the company considers the plan assets' historical actual returns, targeted asset allocations, and the anticipated future economic environment and long-term performance of individual asset classes, based on the company's investment strategy. While appropriate consideration is given to recent and historical investment performance, the assumption represents management's best estimate of the long-term prospective return. Based on these factors, the long-term rate of return assumption for the plans was set at 8.0% for fiscal 2014, as compared with the average annual return on the plans' assets over the past 15 years of approximately 7.1% (net of expenses). The plan has an average annual rate of return since inception in 1987 of 9.4% (net of expenses). The expected long-term rate of return assumption is based on a target asset allocation of 40-60% equity securities, 10-40% fixed income securities, 0-25% real estate, 0-40% other diversifying strategies (including, absolute return funds, hedged equity funds, and guaranteed insurance contracts), and 0-25% short-term investments and cash. The company regularly reviews such allocations and periodically rebalances the plan assets to the targeted allocation when considered appropriate. Pension costs do not include an explicit expense assumption and the return on assets rate reflects the long-term expected return, net of expenses. For the details of our pension plan assets, see Note 19, *Postretirement Plans*, of Notes to Consolidated Financial Statements of this Form 10-K.

The company utilizes the Society of Actuaries' (SOA) published mortality tables and improvement scales in developing their best estimates of mortality. On October 27, 2014, the SOA published updated mortality tables and an updated improvement scale, both of which reflect longer anticipated lifetimes. Based on an evaluation of these new tables and recent retiree experience, the Company updated the mortality assumptions for purposes of measuring pension benefit obligations at year-end 2014. The base mortality assumption selected is the RP-2014 healthy mortality table with an adjustment of 116% for all participants except for participants in Plan No. 2. For Plan No. 2, the base mortality selected is the RP-2014 healthy mortality table with blue collar adjustment. In addition, the SOA's mortality improvement projection scale, MP-2014 was selected without modification. The change to the mortality assumption increased the year-end pension benefit obligations by \$21 million.

The company determines the fair value of substantially all of its plans' assets utilizing market quotes rather than developing smoothed values, market related values, or other modeling techniques. Plan asset gains or losses in a given year are included with other actuarial gains and losses due to remeasurement of the plans

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projected benefit obligations (PBO). If the total unrecognized gain or loss exceeds 10% of the larger of (i) the PBO or (ii) the market value of plan assets, the excess of the total unrecognized gain or loss is amortized over the expected average future lifetime of participants in the frozen pension plans. The total unrecognized loss as of December 31, 2014 for the pension plans the company sponsors is \$144.8 million. The company uses a calendar year end for the measurement date since the plans are based on a calendar year and because it approximates the company's fiscal year end. Amortization of this unrecognized loss during fiscal 2015 is expected to be approximately \$5.0 million. To the extent that this unrecognized loss is subsequently recognized, the loss will increase the company's pension costs in the future.

A sensitivity analysis of fiscal 2014 pension costs on a pre-tax basis and year-end benefit obligations for our qualified plans is presented in the table below (amounts in thousands) to changes in the discount rate and expected long-term rate of return on plan assets (EROA):

Percentage increase (decrease)	0.25% Discount Rate	(0.25%) Discount Rate	0.25% EROA	(0.25%) EROA
Estimated change in FY 2014 pension costs	\$ (142)	\$ 132	\$ (1,057)	\$ 1,057
Estimated change in FY 2014 year-end benefit obligations	\$ (13,514)	\$ 14,219	N/A	N/A

Stock-based compensation. Stock-based compensation expense for all share-based payment awards granted is determined based on the grant date fair value. The company recognizes these compensation costs net of an estimated forfeiture rate, and recognizes compensation cost only for those shares expected to vest on a straight-line basis over the requisite service period of the award, which is generally the vesting term of the share-based payment award.

Employee grants issued before fiscal 2012 included non-qualified stock options (NQSOs) and performance-contingent stock awards (PSAs). The NQSOs were valued using a Black-Scholes option-pricing model. The inputs for the model include an expected life, risk-free rate, expected volatility, and dividend yield. The PSAs incorporated a market and performance condition component. However, because of the market condition the expense amount would only change if we determined the performance condition was triggered. The performance condition was always satisfied and adjustments were never made. The market condition was dependent on certain market benchmarks but the expense for these awards never changed.

In fiscal 2012, 2013, and 2014, we granted PSAs that separately have a market and performance condition. The expense computed for the total shareholder return shares (TSR) is fixed and recognized on a straight-line basis over the vesting period. The expense computed for the return on invested capital (ROIC) shares can change depending on the attainment of performance condition goals. The expense for the ROIC shares can be within a range of 0% to 125% of the target. There is a possibility that this expense component will change in subsequent quarters depending on how the company performs relative to the ROIC target.

Our Chief Executive Officer (CEO) received a time-based restricted stock award of approximately \$1.3 million in 2013, which will vest 100% on the fourth anniversary of the date of grant provided the CEO remains employed by the company during this time. This award is being expensed on a straight line basis over the four year vesting period.

Results of Operations***Matters Affecting Analysis***

Reporting Periods. The company operates on a 52-53 week fiscal year ending the Saturday nearest December 31. Fiscal 2014 consisted of 53 weeks. Fiscal 2013 and 2012 consisted of 52 weeks.

Revision of Prior Period Sales, Impairment of Assets, and the Pension Risk Mitigation Plan. Refer to the Overview section above for a description of each of these items. Acquisitions are described below.

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Modesto, California acquisition (2013)

On July 27, 2013, the company completed the acquisition of certain assets related to a bun line in Modesto, California that now serves the California market for a total cash payment of \$10.3 million. This acquisition is included in our DSD Segment and the total goodwill for this acquisition was \$4.2 million.

Hostess specified assets acquisition (2013)

On July 19, 2013, the company completed the Acquired Hostess Assets acquisition for a total cash payment of \$355.3 million. For fiscal 2013, we incurred carrying costs of \$10.6 million related to these acquired facilities, such as workforce-related costs, property taxes, utilities, and depreciation, and these costs were primarily included in the materials, supplies, labor, and other production costs (exclusive of depreciation and amortization shown separately) line item in our Condensed Consolidated Statements of Income. We did not begin introducing the brands associated with the Acquired Hostess Bread Assets to the marketplace until near the end of the third quarter on September 23, 2013. The re-introduction of the brands continued in fiscal 2014 and will continue in fiscal 2015.

Sara Lee California acquisition (2013)

On February 23, 2013, the company completed its acquisition of certain assets and trademark licenses from BBU, Inc., a subsidiary of Grupo Bimbo, SAB de CV (BBU), for a total cash payment of \$50.0 million. The company acquired from BBU in the acquisition (1) perpetual, exclusive, and royalty-free licenses to the *Sara Lee* and *Earthgrains* brands for sliced breads, buns, and rolls in the state of California and (2) a closed bakery in Stockton, California. In addition, we received a perpetual, exclusive, and royalty-free license to the *Earthgrains* brand for a broad range of fresh bakery products in the Oklahoma City, Oklahoma market area. We financed this acquisition with cash on hand and debt. We believe the California acquisition resulted in a bargain purchase because the Department of Justice (the DOJ) required BBU to divest these assets, which resulted in a more favorable price to us than would have normally resulted from a typical arms-length negotiation. Accordingly, the fair value of the assets acquired exceeded the consideration paid by approximately \$50.1 million after tax. The company agreed to a \$10.0 million escrow holdback provision as a part of the *Sara Lee* California acquisition of which the company received \$7.5 million during the first quarter of fiscal 2014. The escrow holdback is described in more detail in Note 8, *Acquisitions*, of Notes to Consolidated Financial Statements of this Form 10-K.

Lepage acquisition (2012)

In July 2012, we completed the acquisition of Lepage Bakeries and certain of its affiliated companies (Lepage), a strong regional baker that serves New England and New York. Lepage operates two bakeries in Maine and one in Vermont with fresh breads, buns, rolls, croissants, English muffins, and donuts. The acquisition extends Flowers Foods' reach into New England and brings new brands (*Country Kitchen* and *Barowsky's*), products, and customers to strengthen our DSD Segment. This acquisition provides a DSD platform to accelerate penetration of *Nature's Own* and *Tastykake* brands in the Northeast.

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The company's results of operations, expressed as a percentage of sales, are set forth below for fiscal 2014 and 2013 (by segment):

	Fiscal 2014 (Amounts in thousands)	Fiscal 2013 (Amounts in thousands)	Percentage of Sales Fiscal 2014	Percentage of Sales Fiscal 2013	Increase (Decrease) Dollars (Amounts in thousands)	%
Sales						
DSD Segment	\$ 3,155,607	\$ 3,080,255	84.2	82.5	\$ 75,352	2.4
Warehouse Segment	593,366	652,361	15.8	17.5	(58,995)	(9.0)
Total	\$ 3,748,973	\$ 3,732,616	100.0	100.0	\$ 16,357	0.4
Materials, supplies, labor and other production costs (exclusive of depreciation and amortization shown separately below)						
DSD Segment(1)	\$ 1,515,536	\$ 1,482,765	48.0	48.1	\$ 32,771	2.2
Warehouse Segment(1)	435,097	489,456	73.3	75.0	(54,359)	(11.1)
Total	\$ 1,950,633	\$ 1,972,221	52.0	52.8	\$ (21,588)	(1.1)
Selling, distribution and administrative expenses						
DSD Segment(1)	\$ 1,231,651	\$ 1,198,106	39.0	38.9	\$ 33,545	2.8
Warehouse Segment(1)	91,652	95,488	15.4	14.6	(3,836)	(4.0)
Corporate(2)	44,986	63,148			(18,162)	(28.8)
Total	\$ 1,368,289	\$ 1,356,742	36.5	36.3	\$ 11,547	0.9
Depreciation and amortization						
DSD Segment(1)	\$ 113,881	\$ 102,341	3.6	3.3	\$ 11,540	11.3
Warehouse Segment(1)	15,166	15,483	2.6	2.4	(317)	(2.0)
Corporate(2)	(86)	667			(753)	NM
Total	\$ 128,961	\$ 118,491	3.4	3.2	\$ 10,470	8.8
Pension Plan Settlement Loss						
DSD Segment(1)	\$	\$			\$	
Warehouse Segment(1)						
Corporate(2)	15,387				15,387	NM
Total	\$ 15,387	\$	0.4		\$ 15,387	NM
Impairment of Assets						
DSD Segment(1)	\$ 10,308	\$	0.3		\$ 10,308	NM
Warehouse Segment(1)						
Corporate(2)						
Total	\$ 10,308	\$	0.3		\$ 10,308	NM
Gain on acquisition						
DSD Segment(1)	\$	\$ 50,071		1.6	\$ (50,071)	NM
Warehouse Segment(1)						
Corporate(2)						
Total	\$	\$ 50,071		1.3	\$ (50,071)	NM

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Income from operations							
DSD Segment(1)	\$ 284,231	\$ 347,114	9.0	11.3	\$ (62,883)	(18.1)	
Warehouse Segment(1)	51,451	51,934	8.7	8.0	(483)	(0.9)	
Corporate(2)	(60,287)	(63,815)			3,528	5.5	
Total	\$ 275,395	\$ 335,233	7.3	9.0	\$ (59,838)	(17.8)	
Interest expense, net							
	\$ 7,341	\$ 12,860	0.2	0.3	\$ (5,519)	(42.9)	
Income taxes							
	\$ 92,315	\$ 91,479	2.5	2.5	\$ 836	0.9	
Net income							
	\$ 175,739	\$ 230,894	4.7	6.2	\$ (55,155)	(23.9)	

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1. As a percentage of revenue within the reporting segment.
 2. The corporate segment has no revenues.
- NM the computation is not meaningful

The company's results of operations, expressed as a percentage of sales, are set forth below for fiscal 2013 and 2012 (by segment):

	Fiscal 2013		Fiscal 2012		Percentage of Sales		Increase (Decrease)	
	(Amounts in thousands)		(Amounts in thousands)		Fiscal 2013	Fiscal 2012	Dollars	%
Sales								
DSD Segment	\$ 3,080,255	\$ 2,494,927	82.5	82.3	\$ 585,328	23.5		
Warehouse Segment	652,361	536,197	17.5	17.7	116,164	21.7		
Total	\$ 3,732,616	\$ 3,031,124	100.0	100.0	\$ 701,492	23.1		
Materials, supplies, labor and other production costs (exclusive of depreciation and amortization shown separately below)								
DSD Segment(1)	\$ 1,482,765	\$ 1,217,896	48.1	48.8	\$ 264,869	21.7		
Warehouse Segment(1)	489,456	399,914	75.0	74.6	89,542	22.4		
Total	\$ 1,972,221	\$ 1,617,810	52.8	53.4	\$ 354,411	21.9		
Selling, distribution and administrative expenses								
DSD Segment(1)	\$ 1,198,106	\$ 960,221	38.9	38.5	\$ 237,885	24.8		
Warehouse Segment(1)	95,488	81,110	14.6	15.1	14,378	17.7		
Corporate(2)	63,148	50,782			12,366	24.4		
Total	\$ 1,356,742	\$ 1,092,113	36.3	36.0	\$ 264,629	24.2		
Depreciation and amortization								
DSD Segment(1)	\$ 102,341	\$ 85,725	3.3	3.4	\$ 16,616	19.4		
Warehouse Segment(1)	15,483	16,832	2.4	3.1	(1,349)	(8.0)		
Corporate(2)	667	133			534	NM		
Total	\$ 118,491	\$ 102,690	3.2	3.4	\$ 15,801	15.4		
Gain on acquisition								
DSD Segment(1)	\$ 50,071	\$	1.6		\$ 50,071	NM		
Warehouse Segment(1)								
Corporate(2)								
Total	\$ 50,071	\$	1.3		\$ 50,071	NM		
Income from operations								
DSD Segment(1)	\$ 347,114	\$ 231,087	11.3	9.3	\$ 116,027	50.2		
Warehouse Segment(1)	51,934	38,339	8.0	7.2	13,595	35.5		
Corporate(2)	(63,815)	(50,915)			(12,900)	(25.3)		

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Total	\$ 335,233	\$ 218,511	9.0	7.2	\$ 116,722	53.4
Interest expense, net	\$ 12,860	\$ 9,739	0.3	0.3	\$ 3,121	32.0
Income taxes	\$ 91,479	\$ 72,651	2.5	2.4	\$ 18,828	25.9
Net income	\$ 230,894	\$ 136,121	6.2	4.5	\$ 94,773	69.6

1. As a percentage of revenue within the reporting segment.
 2. The corporate segment has no revenues.
- NM the computation is not meaningful

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	Fiscal 2014 53 weeks		Fiscal 2013 52 weeks		% Increase (Decrease)
	\$ (Amounts in thousands)	%	\$ (Amounts in thousands)	%	
Branded Retail	\$ 2,102,131	56.1%	\$ 2,038,726	54.6%	3.1%
Store Branded Retail	610,899	16.3	645,858	17.3	(5.4)%
Non-retail and Other	1,035,943	27.6	1,048,032	28.1	(1.2)%
Total	\$ 3,748,973	100.0%	\$ 3,732,616	100.0%	0.4%

The 0.4% increase in sales was attributable to the following:

Percentage Point Change in Sales Attributed to:	Favorable (Unfavorable)
Pricing/Mix	1.1%
Volume	(2.8)%
Acquisition (Sara Lee California until cycled)	0.4%
Week 53	1.7%
Total Percentage Change in Sales	0.4%

Sales category discussion

Overall, sales increased due to the additional week in fiscal 2014 which affected all categories, as well as favorable pricing/mix due to a shift from lower margin cake items and store branded bread, buns, and rolls to higher margin branded bread, buns and rolls, and the *Sara Lee* California acquisition contribution. These increases were partially offset by volume declines in our cake business, store branded breads, buns and rolls and foodservice business, and increased promotional activity. The re-introduction of the *Hostess* cake brands by a competitor negatively impacted our cake sales and certain store branded and foodservice business was exited during the fiscal year. The increase in branded retail sales was due primarily to volume increases from the re-introduction of the brands we acquired as part of the Acquired Hostess Bread Assets, growth in our expansion markets and the *Sara Lee* California acquisition, partially offset by significant volume declines in branded cake. The decrease in store branded retail sales was due primarily to volume decreases in branded cake and certain exited business. The decrease in non-retail and other sales, which include contract manufacturing, vending and foodservice, was largely due to volume decreases in foodservice, institutional and vending sales, partially offset by positive pricing/mix. Sales from the Acquired Hostess Bread Assets are not included in the acquisition contribution because Hostess filed for bankruptcy and ceased operations in November 2012. As a result, there were no sales from the Acquired Hostess Bread Asset brands between November 2012 and our reintroduction of the Acquired Hostess Bread Asset brands in the fourth quarter of fiscal 2013.

DSD Segment Sales

	Fiscal 2014 53 weeks		Fiscal 2013 52 weeks		% Increase (Decrease)
	\$	%	\$	%	

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	(Amounts in thousands)		(Amounts in thousands)		
Branded Retail	\$ 1,971,931	62.5%	\$ 1,898,016	61.6%	3.9%
Store Branded Retail	486,845	15.4	504,707	16.4	(3.5)%
Non-retail and Other	696,831	22.1	677,532	22.0	2.8%
Total	\$ 3,155,607	100.0%	\$ 3,080,255	100.0%	2.4%

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The 2.4% increase in sales was attributable to the following:

Percentage Point Change in Sales Attributed to:	Favorable
Pricing/Mix	0.2%
Volume	%
Acquisition (Sara Lee California until cycled)	0.5%
Week 53	1.7%
Total Percentage Change in Sales	2.4%

Sales category discussion

Sales increased due to the additional week in fiscal 2014 which impacted all categories, as well as volume increases resulting from the re-introduction of the Acquired Hostess Bread Assets, growth in our expansion markets and to a lesser extent, the *Sara Lee* California acquisition. Declines in cake volumes and store branded products partially offset these increases. The re-introduction of the *Hostess* cake brands by a competitor negatively impacted our sales. We also experienced declines in certain store branded business. The increase in branded retail sales was due primarily to volume increases and the *Sara Lee* California acquisition, partially offset by declines in branded cake and pricing/mix. We continue to experience heavy promotional activity within the category. The decrease in store branded retail was mainly due to volume declines related to certain exited business. The increase in non-retail and other sales was due to positive pricing/mix, partially offset by volume decreases in institutional sales.

Warehouse Segment Sales

	Fiscal 2014 53 weeks		Fiscal 2013 52 weeks		% Increase (Decrease)
	\$	%	\$	%	
	(Amounts in thousands)		(Amounts in thousands)		
Branded Retail	\$ 130,200	21.9%	\$ 140,710	21.6%	(7.5)%
Store Branded Retail	124,054	20.9	141,151	21.6	(12.1)%
Non-retail and Other	339,112	57.2	370,500	56.8	(8.5)%
Total	\$ 593,366	100.0%	\$ 652,361	100.0%	(9.0)%

The 9.0% decrease in sales was attributable to the following:

Percentage Point Change in Sales Attributed to:	Favorable (Unfavorable)
Pricing/Mix	(0.1)%
Volume	(10.4)%
Week 53 Contribution	1.5%
Total Percentage Change in Sales	(9.0)%

Sales category discussion

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Volume declined in all categories due to decreases in our cake business associated with the re-introduction of the *Hostess* cake brands by a competitor in the second half of fiscal 2013 as well as declines in our foodservice business, partially offset by the additional week in fiscal 2014 which affected all categories. Branded and store branded retail decreased due to significant volume declines in cake, partially offset by positive pricing/mix. The decrease in non-retail and other sales, which include contract manufacturing, vending and foodservice (including tortillas), was due primarily to certain exited foodservice business and to a lesser extent lower vending and contract manufacturing volume.

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Materials, Supplies, Labor, and Other Production Costs (exclusive of depreciation and amortization shown separately). The table below presents the significant components of materials, supplies, labor, and other production costs (exclusive of depreciation and amortization shown separately):

Line item component	FY 2014 % of sales	FY 2013 % of sales	Increase (Decrease) as a % of sales
Ingredients	25.9%	26.9%	(1.0)%
Workforce-related costs	13.7	13.1	0.6
Packaging	4.6	4.5	0.1
Utilities	1.7	1.5	0.2
Other	6.1	6.8	(0.7)
Total	52.0%	52.8%	(0.8)%

Overall, the decrease was attributable to lower ingredient costs as a percent of sales and improved manufacturing efficiencies, partially offset by the carrying costs, excluding depreciation, associated with the acquired Hostess facilities increasing \$5.4 million and higher workforce-related costs. Ingredient costs decreased as a percent of sales largely due to lower prices for sweeteners, oils and flour, partially offset by higher gluten costs and decreases in outside purchases of product (sales with no associated ingredient costs). This outside purchased product is included in the other line item above and largely relates to purchases from BBU in the prior year for the *Sara Lee* product. Increases in workforce-related costs as a percent of sales primarily resulted from lower sales for the Warehouse Segment and decreases in outside purchases of product (sales with no associated workforce-related costs).

Commodities, such as our baking ingredients, periodically experience price fluctuations. The cost of these inputs may fluctuate widely due to government policy and regulation, weather conditions, domestic and international demand, or other unforeseen circumstances. We enter into forward purchase agreements and other derivative financial instruments in an effort to manage the impact of such volatility in raw material prices. Any decrease in the availability of these agreements and instruments could increase the effective price of these raw materials to us and significantly affect our earnings.

The table below presents the significant components of materials, supplies, labor, and other production costs for the DSD Segment (exclusive of depreciation and amortization shown separately):

Line item component	FY 2014 % of sales	FY 2013 % of sales	Increase (Decrease) as a % of sales
Ingredients	23.4%	24.2%	(0.8)%
Workforce-related costs	12.0	11.6	0.4
Packaging	3.4	3.4	
Utilities	1.6	1.5	0.1
Other	7.6	7.4	0.2
Total	48.0%	48.1%	(0.1)%

The DSD Segment's decrease in ingredient costs as a percent of sales was attributable to lower pricing on sweeteners, oils and flour, partially offset by decreases in sales of outside purchased products (sales with no associated ingredient costs) and higher gluten prices. Workforce-related costs increased as a percent of sales primarily due to decreased outside purchased product (sales with no associated workforce-related costs). This outside purchased product is included in the other line item above and largely relates to purchases from BBU in the prior year for the *Sara Lee* product. The increase in the other line item is due to decreases in sales of product to and increases in purchases from the Warehouse Segment and increases in other carrying costs associated with the acquired Hostess facilities, mostly offset by decreases in outside purchases of product.

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The table below presents the significant components of materials, supplies, labor and other production costs for the Warehouse Segment (exclusive of depreciation and amortization shown separately):

Line item component	FY 2014 % of sales	FY 2013 % of sales	Increase (Decrease) as a % of sales
Ingredients	39.0%	39.6%	(0.6)%
Workforce-related costs	22.8	20.4	2.4
Packaging	11.0	9.9	1.1
Utilities	1.9	1.7	0.2
Other	(1.4)	3.4	(4.8)
Total	73.3%	75.0%	(1.7)%

The Warehouse Segment's decrease in ingredient costs as a percent of sales was primarily attributed to lower ingredient pricing, partially offset by increased sales to the DSD Segment (ingredient costs with no associated sales). The decreases in sales volume and increased sales to the DSD Segment increased workforce-related costs as a percent of sales (workforce-related costs with no associated sales). The increase in packaging was due primarily to price increases and increased sales to the DSD Segment (packaging costs with no associated sales). The decrease in the other line item is primarily due to decreased purchases of product from the DSD Segment and, to a lesser extent, increased sales of product to the DSD Segment.

Selling, Distribution and Administrative Expenses. The table below presents the significant components of selling, distribution and administrative expenses as a percent of sales:

Line item component	FY 2014 % of sales	FY 2013 % of sales	Increase (Decrease) as a % of sales
Workforce-related costs	17.4%	17.7%	(0.3)%
Distributor distribution fees	13.4	12.3	1.1
Other	5.7	6.3	(0.6)
Total	36.5%	36.3%	0.2%

The distributor distribution fees increased due to converting the DSD Segment's Lepage and California territories to independent distributors, as well as the DSD Segment comprising a larger percentage of consolidated sales. Workforce-related costs decreased due to the conversion to independent distributors, partially offset by costs associated with the Lepage integration and lower sales for the Warehouse Segment. Prior year acquisition-related costs of \$17.8 million caused the majority of the decline in the other line item component.

The table below presents the significant components of our DSD Segment selling, distribution and administrative expenses as a percent of sales:

Line item component	FY 2014 % of sales	FY 2013 % of sales	Increase (Decrease) as a % of sales
Workforce-related costs	17.5%	18.2%	(0.7)%
Distributor distribution fees	15.9	14.9	1.0
Other	5.6	5.8	(0.2)

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Total	39.0%	38.9%	0.1%
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The decrease in workforce-related costs was attributable to the conversion to independent distributors discussed above which corresponds to the increase in distributor distribution fees. These decreases were partially offset by higher costs associated with the Lepage integration. The decrease in the other line item is mainly attributable to lower marketing costs in the current year as compared to the prior year.

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The table below presents the significant components of our Warehouse Segment selling, distribution and administrative expenses as a percent of sales:

Line item component	FY 2014 % of sales	FY 2013 % of sales	Increase (Decrease) as a % of sales
Workforce-related costs	7.7%	7.4%	0.3%
Freezer/storage rent	2.0	1.8	0.2
Distribution costs	0.8	0.8	
Other	4.9	4.6	0.3
Total	15.4%	14.6%	0.8%

The overall increase in selling, distribution and administrative expenses was primarily driven by significantly lower sales which spread the costs over a smaller sales base.

Depreciation and Amortization. Depreciation and amortization expense increased in dollars and as a percent of sales due primarily to the Acquired Hostess Bread Assets, the Henderson, Nevada bakery placed into operation, the acquisition of certain assets related to a bun line in Modesto, California and their bread line added earlier this year, and certain capital leases entered into during the year.

The DSD Segment's depreciation and amortization expense increased in dollars and as a percent of sales primarily due to the Acquired Hostess Bread Assets, the acquisition of certain assets related to a bun line in Modesto, California and their bread line added earlier this year, and certain capital leases entered into during the year.

The Warehouse Segment's depreciation and amortization expense increase as a percent of sales was the result of significantly lower sales in the current year as compared to the prior year.

Pension Plan Settlement Loss. We recorded a settlement charge of \$15.4 million during the fourth quarter of our fiscal 2014 related to our pension risk mitigation plan. Refer to the *Pension Risk Mitigation Plan* discussion in the Overview section above for additional details.

Impairment of Assets. We recorded impairments of assets of \$10.3 million during fiscal 2014. Refer to the *Impairment of Assets* discussion in the Overview section above for additional details.

Income from Operations. The table below summarizes the change in operating income by segment as a percent of sales:

Operating income (loss)	Favorable (Unfavorable) Percentage
DSD Segment	(18.1)%
Warehouse Segment	(0.9)
Unallocated corporate	5.5
Consolidated	(17.8)%

The unfavorable decrease in the DSD Segment income from operations was largely attributable to the gain on acquisition recorded for the *Sara Lee* California acquisition in fiscal 2013 as discussed above. The gain on acquisition accounted for 13.8% of the DSD Segment decrease in operating income. Excluding the gain on acquisition, the decrease was 4.3% which was driven by the impairment of assets discussed in the

Overview section above, higher costs for the acquired Hostess facilities, and the Lepage integration costs, partially offset by lower ingredient costs. The unfavorable decrease in the Warehouse Segment income from operations was primarily due to sales decreases which were driven by volume declines as discussed above, partially offset by lower ingredient costs. The favorable decrease in unallocated corporate expenses was primarily due to the prior year acquisition costs associated with the Acquired Hostess Assets and the *Sara Lee* California acquisition in fiscal 2013 and higher pension income in fiscal 2014 as compared to the prior year, partially offset by the pension plan settlement loss discussed in the

Overview above.

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Net Interest Expense. The decrease resulted from higher interest income in fiscal 2014 due to an increase in distributor notes receivables outstanding during the current year.

Income Taxes. The effective tax rate for fiscal 2014 and fiscal 2013 was 34.4% and 28.4%, respectively. The fiscal 2013 rate was driven by the gain on acquisition, which was recorded net of deferred taxes as a component of income before income taxes. The fiscal 2013 gain was treated as a permanent item in the tax provision, and favorably impacted the rate by approximately 5.2%. The other significant differences in the effective rate and the statutory rate are additions for state income taxes, offset by reductions for the Section 199 qualifying production activities deduction, and discrete tax benefits.

Fiscal 2013 compared to Fiscal 2012***Consolidated Sales***

	Fiscal 2013 52 weeks		Fiscal 2012 52 weeks		% Increase
	\$	%	\$	%	
	(Amounts in thousands)		(Amounts in thousands)		
Branded Retail	\$ 2,038,726	54.6%	\$ 1,583,887	52.2%	28.7%
Store Branded Retail	645,858	17.3	544,479	18.0	18.6%
Non-retail and Other	1,048,032	28.1	902,758	29.8	16.1%
Total	\$ 3,732,616	100.0%	\$ 3,031,124	100.0%	23.1%

The 23.1% increase in sales was attributable to the following:

Percentage Point Change in Sales Attributed to:	Favorable
Pricing/Mix	0.1%
Volume	16.8%
Acquisitions (<i>Sara Lee</i> California and Lepage until cycled)	6.2%
Total Percentage Change in Sales	23.1%

Sales category discussion

Overall, sales increased due to significant volume increases, primarily associated with the Hostess liquidation, and the Lepage and *Sara Lee* California acquisitions. The increase in branded retail sales was due primarily to significant volume increases and the Lepage and *Sara Lee* California acquisitions. Significant increases in branded soft variety, snack cake, and white bread drove the increase and were primarily attributable to volume growth. The increase in store branded retail sales was due primarily to large volume increases and the Lepage acquisition contribution. Increases in the white bread, buns and rolls, and variety bread categories primarily drove these volume increases. The increase in non-retail and other sales was due to volume increases, largely foodservice and vending, and, to a lesser extent, the Lepage acquisition contribution, partially offset by price/mix declines. Sales from the Acquired Hostess Bread Assets are not included in the acquisition contribution.

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	Fiscal 2013 52 weeks		Fiscal 2012 52 weeks		% Increase
	\$ (Amounts in thousands)	%	\$ (Amounts in thousands)	%	
Branded Retail	\$ 1,898,016	61.6%	\$ 1,480,048	59.3%	28.2%
Store Branded Retail	504,707	16.4	426,580	17.1	18.3%
Non-retail and Other	677,532	22.0	588,299	23.6	15.2%
Total	\$ 3,080,255	100.0%	\$ 2,494,927	100.0%	23.5%

The 23.5% increase in sales was attributable to the following:

Percentage Point Change in Sales Attributed to:	Favorable
Pricing/Mix	2.6%
Volume	13.4%
Acquisitions (<i>Sara Lee</i> California and Lepage until cycled)	7.5%
Total Percentage Change in Sales	23.5%

Sales category discussion

Overall, sales increased due to significant volume increases, primarily associated with the Hostess liquidation, and the Lepage and *Sara Lee* California acquisitions. The increase in branded retail sales was due primarily to significant volume increases and the Lepage and *Sara Lee* California acquisitions. Increases in brand soft variety, brand white bread, and brand cake contributed the most growth and were attributable mainly to volume increases. The increase in store branded retail sales was due to volume increases and the Lepage acquisition. Increases in the white bread and buns and rolls categories primarily drove the volume increase. These increases were partially offset by certain store branded snack cake items that are now sold through our Warehouse Segment. This operational change negatively affected DSD Segment sales by approximately 1%. The increase in non-retail and other sales was due to volume increases and, to a lesser extent, the Lepage acquisition. Sales from the Acquired Hostess Bread Assets are not included in the acquisition contribution.

Warehouse Segment Sales

	Fiscal 2013 52 weeks		Fiscal 2012 52 weeks		% Increase
	\$ (Amounts in thousands)	%	\$ (Amounts in thousands)	%	
Branded Retail	\$ 140,710	21.6%	\$ 103,839	19.4%	35.5%
Store Branded Retail	141,151	21.6	117,899	22.0	19.7%
Non-retail and Other	370,500	56.8	314,459	58.6	17.8%
Total	\$ 652,361	100.0%	\$ 536,197	100.0%	21.7%

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The 21.7% increase in sales was attributable to the following:

Percentage Point Change in Sales Attributed to:	Favorable (Unfavorable)
Pricing/Mix	(7.2)%
Volume	28.9%
Total Percentage Change in Sales	21.7%

Sales category discussion

The overall increase in sales was driven by significant volume increases, primarily associated with the Hostess liquidation, partially offset by price/mix decreases in foodservice. The increase in branded retail sales was primarily the result of significant increases in branded snack cake volume, partially offset by unfavorable price/mix. The increase in store branded retail sales was due to volume and price/mix increases. These increases were a result of approximately \$27.2 million of store branded snack cake that were previously sold through our DSD Segment as discussed above. This operational change positively impacted Warehouse Segment sales by approximately 5%, increasing volume, but negatively impacting pricing/mix overall. The increase in non-retail and other sales, which include contract manufacturing, vending and foodservice was due to volume increases in vending and foodservice, partially offset by price/mix decreases in foodservice.

Materials, Supplies, Labor and Other Production Costs (exclusive of depreciation and amortization shown separately). The table below presents the significant components of materials, supplies, labor and other production costs (exclusive of depreciation and amortization shown separately):

Line item component	FY 2013 % of sales	FY 2012 % of sales	Increase (Decrease) as a % of sales
Ingredients	26.9%	27.7%	(0.8)%
Workforce-related costs	13.1	13.9	(0.8)
Packaging	4.5	4.8	(0.3)
Utilities	1.5	1.7	(0.2)
Other	6.8	5.3	1.5
Total	52.8%	53.4%	(0.6)%

The overall decrease was attributed to significant volume increases, partially offset by higher ingredient prices, increased outside purchases of product, carrying costs associated with the Acquired Hostess Bread Assets facilities, and decreased manufacturing efficiencies. Although ingredient prices rose, ingredient costs decreased as a percent of sales primarily due to increases in outside purchases of product (sales with no associated ingredient costs). The cost of these outside purchases is included in the other line item component. Workforce-related costs decreased as a percent of sales due to significant volume increases and higher sales of outside purchased products (sales with no associated workforce-related costs). Packaging decreased as a percent of sales mainly due to increases in outside purchases of product (sales with no associated packaging costs).

Commodities, such as our baking ingredients, periodically experience price fluctuations, and, for that reason, we continually monitor the market for these commodities. The commodities market continues to be volatile. Commodity prices increased in the second half of 2010. Since this time commodity prices have been very volatile. The cost of these inputs may fluctuate widely due to government policy and regulation, weather conditions, domestic and international demand, or other unforeseen circumstances. We enter into forward purchase agreements and other derivative financial instruments qualifying for hedge accounting to manage the impact of such volatility in raw materials prices. Any decrease in the availability of these agreements and instruments could increase the price of these raw materials and significantly affect our earnings.

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The table below presents the significant components of materials, supplies, labor and other production costs for the DSD Segment (exclusive of depreciation and amortization shown separately):

Line item component	FY 2013 % of sales	FY 2012 % of sales	Increase (Decrease) as a % of sales
Ingredients	24.2%	24.6%	(0.4)%
Workforce-related costs	11.6	12.1	(0.5)
Packaging	3.4	3.6	(0.2)
Utilities	1.5	1.6	(0.1)
Other	7.4	6.9	0.5
Total	48.1%	48.8%	(0.7)%

The overall DSD Segment improvement was due primarily to significant volume increases partially offset by increased outside purchases of product, carrying costs associated with the Acquired Hostess Bread Assets facilities, and decreased manufacturing efficiencies. The cost of the outside purchases is included in the other line item component. Increases in ingredient prices, primarily flour, were more than offset by increases in outside purchases of product (sales with no associated ingredient costs). Workforce-related costs decreased as a percent of sales due to significant volume increases and higher sales from outside purchased products (sales with no associated workforce-related costs).

The table below presents the significant components of materials, supplies, labor and other production costs for the Warehouse Segment (exclusive of depreciation and amortization shown separately):

Line item component	FY 2013 % of sales	FY 2012 % of sales	Increase (Decrease) as a % of sales
Ingredients	39.6%	42.0%	(2.4)%
Workforce-related costs	20.4	22.3	(1.9)
Packaging	9.9	10.6	(0.7)
Utilities	1.7	2.0	(0.3)
Other	3.4	(2.3)	5.7
Total	75.0%	74.6%	0.4%

The Warehouse Segment decrease in ingredient and packaging costs as a percent of sales was from the sales transferred from our DSD Segment described above (sales with no associated ingredient or packaging costs). The effect of this transfer was a 220 basis point benefit to ingredient and packaging costs as a percent of sales. Excluding the effect of this sales transfer, the decrease in ingredients was primarily attributed to increases in outside purchases of product (sales with no associated ingredient costs) that are included in the other line item component in the above table. Although ingredient costs declined as a percent of sales, ingredient pricing increased. Significant increases in volume and the increase in sales of outside purchased product reduced workforce-related costs as a percent of sales (sales with no associated workforce-related costs). The increase in other costs was due primarily to increased outside purchases and the sales transfer from the DSD Segment to the Warehouse Segment discussed above.

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Selling, Distribution and Administrative Expenses. The table below presents the significant components of selling, distribution and administrative expenses as a percent of sales:

Line item component	FY 2013 % of sales	FY 2012 % of sales	Increase (Decrease) as a % of sales
Workforce-related costs	17.7%	17.3%	0.4%
Distributor distribution fees	12.3	12.7	(0.4)
Other	6.3	6.0	0.3
Total	36.3%	36.0%	0.3%

The increase in workforce-related costs was primarily attributable to the Lepage and *Sara Lee* California acquisitions as they generally did not use independent distributors to deliver product for the majority of 2013. We transitioned the *Sara Lee* California and are transitioning the Lepage operations to the independent distributor model which will, over time, decrease the workforce-related costs and increase the distributor distribution fees. Acquisition-related costs were \$17.8 million for fiscal 2013 compared to \$9.6 million for fiscal 2012. These costs are included in the other line item component and were primarily for costs associated with the *Sara Lee* California acquisition and the acquisition of the Acquired Hostess Bread Assets, partially offset by costs incurred for the Lepage acquisition in the prior year.

The table below presents the significant components of our DSD Segment selling, distribution and administrative expenses as a percent of sales:

Line item component	FY 2013 % of sales	FY 2012 % of sales	Increase (Decrease) as a % of sales
Workforce-related costs	18.2%	17.5%	0.7%
Distributor distribution fees	14.9	15.5	(0.6)
Other	5.8	5.5	0.3
Total	38.9%	38.5%	0.4%

The increase in workforce-related costs was primarily attributable to the Lepage and *Sara Lee* California acquisitions as they generally did not use independent distributors to deliver product for the majority of 2013. We transitioned the *Sara Lee* California and are transitioning the Lepage operations to the independent distributor model which will, over time, decrease the workforce-related costs and increase the distributor distribution fees. We incurred higher marketing expenses as a percent of sales for the Hostess Bread Brands reintroduction, new markets, and *Tastykake* and these costs are included in the other line item.

The table below presents the significant components of our Warehouse Segment selling, distribution and administrative expenses as a percent of sales:

Line item component	FY 2013 % of sales	FY 2012 % of sales	Increase (Decrease) as a % of sales
Workforce-related costs	7.4%	7.3%	0.1%
Freezer/storage rent	1.8	1.8	
Distribution costs	0.8	1.1	(0.3)
Other	4.6	4.9	(0.3)

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Total	14.6%	15.1%	(0.5)%
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The Warehouse Segment selling, distribution and administrative expenses decreased as a percent of sales primarily due to decreases in distribution costs. These costs were lower because of higher sales volume which spread costs over a larger base.

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Depreciation and Amortization. Depreciation and amortization expense increased due primarily to the Lepage and *Sara Lee* California acquisitions, the Acquired Hostess Assets as well as other property, plant and equipment being placed in service.

The DSD Segment's depreciation and amortization expense increased primarily due to the Lepage acquisition, the Acquired Hostess Bread Assets as well as other property, plant and equipment being placed in service.

The Warehouse Segment depreciation and amortization expense decrease was the result of assets fully depreciated at the beginning of the year that did not impact the current year.

Gain on acquisition. On February 23, 2013, the company completed its acquisition of certain assets and trademark licenses from BBU for a cash purchase price of \$50.0 million. The company acquired from BBU in the acquisition: (1) perpetual, exclusive, and royalty-free licenses to the *Sara Lee* and *Earthgrains* brands for sliced breads, buns, and rolls in the state of California and (2) a closed bakery in Stockton, California. In addition, we received a perpetual, exclusive, and royalty-free license to the *Earthgrains* brand for a broad range of fresh bakery products in the Oklahoma City, Oklahoma, market area. The Oklahoma license purchase was completed during fiscal 2012 for an immaterial cost. We financed this transaction with cash on hand and available borrowings. We believe the California acquisition resulted in a bargain purchase because the DOJ required BBU to divest these assets, which resulted in a more favorable price to us than may have resulted from a typical arms-length negotiation. Accordingly, the fair value of the assets acquired exceeded the consideration paid by approximately \$50.1 million after tax.

Income from operations. The table below summarizes the change in operating income by segment as a percent of sales:

	Favorable (Unfavorable) Percentage
Operating income (loss)	
DSD Segment	50.2%
Warehouse Segment	35.5
Unallocated corporate	(25.3)
Consolidated	53.4%

The increase in the DSD Segment income from operations was largely attributable to the gain on acquisition recorded for the *Sara Lee* California acquisition as discussed above. The gain on acquisition accounted for 21.7% of the DSD Segment increase in operating income. Excluding the gain on acquisition, the increase was 28.5% which was driven by significantly higher sales volumes and the Lepage acquisition, partially offset by the carrying costs associated with the Acquired Hostess Bread Assets' facilities. The increase in the Warehouse Segment income from operations was primarily due to sales increases which were driven by higher volume as discussed above. The increase in unallocated corporate expenses was primarily due to \$17.8 million of acquisition costs associated with the Acquired Hostess Bread Assets and *Sara Lee* California acquisitions partially offset by the prior year acquisition costs of \$9.6 million.

Net Interest Expense. The increase resulted from higher interest expense on the securitization facility, new term loan, and credit facility due to borrowings made by the company during fiscal 2012 and fiscal 2013 primarily for the *Sara Lee* California and Acquired Hostess Bread Assets acquisitions.

Income Taxes. The effective tax rate for fiscal 2013 and fiscal 2012 was 28.4% and 34.8%, respectively. This decrease was driven by the gain on acquisition, which was recorded net of deferred taxes as a component of income before income taxes. The gain was treated as a permanent item in the tax provision, and favorably impacts the rate by approximately 5.2%. Discrete benefits recognized in the current period also contributed to the lower rate. The other significant differences in the effective rate and the statutory rate are state income taxes and the Section 199 qualifying production activities deduction.

Table of Contents**Index to Financial Statements****Liquidity and Capital Resources**

Liquidity represents our ability to generate sufficient cash flows from operating activities to meet our obligations and commitments as well as our ability to obtain appropriate financing and to convert into cash those assets that are no longer required to meet existing strategic and financing objectives. Therefore, liquidity cannot be considered separately from capital resources that consist primarily of current and potentially available funds for use in achieving long-range business objectives. Currently, the company's liquidity needs arise primarily from working capital requirements and capital expenditures. The company's strategy for use of its cash flow includes paying dividends to shareholders, making acquisitions, growing internally, and repurchasing shares of its common stock, when appropriate.

The company leases certain property and equipment under various operating and capital lease arrangements. Most of the operating leases provide the company with the option, after the initial lease term, either to purchase the property at the then fair value or renew its lease at the then fair value. The capital leases provide the company with the option to purchase the property at a fixed price at the end of the lease term. The company believes the use of leases as a financing alternative places the company in a more favorable position to fulfill its long-term strategy for the use of its cash flow. See Note 12, *Debt, Lease and Other Commitments*, of Notes to Consolidated Financial Statements of this Form 10-K for detailed financial information regarding the company's lease arrangements.

Liquidity discussion Fiscal 2014 compared to Fiscal 2013

Flowers Foods' cash and cash equivalents were \$7.5 million at January 3, 2015 as compared to \$8.5 million at December 28, 2013. The cash and cash equivalents were derived from the activities presented in the table below (amounts in thousands):

Cash flow component	Fiscal 2014	Fiscal 2013	Change
Cash flows provided by operating activities	\$ 313,970	\$ 270,484	\$ 43,486
Cash disbursed for investing activities	(33,313)	(502,885)	469,572
Cash (disbursed for) provided by financing activities	(281,664)	227,656	(509,320)
Total change in cash	\$ (1,007)	\$ (4,745)	\$ 3,738

Cash Flows Provided by Operating Activities. Net cash provided by operating activities included the following items for non-cash adjustments to net income (amounts in thousands):

	Fiscal 2014	Fiscal 2013	Change
Depreciation and amortization	\$ 128,961	\$ 118,491	\$ 10,470
Stock-based compensation	18,662	15,943	2,719
Impairment of assets	10,308		10,308
Gain on acquisition		(50,071)	50,071
Loss (gain) reclassified from accumulated other comprehensive income to net income	5,218	27,055	(21,837)
Deferred income taxes	9,241	6,485	2,756
Provision for inventory obsolescence	1,074	1,210	(136)
Allowances for accounts receivable	4,956	4,110	846
Pension and postretirement plans expense (includes settlement loss in fiscal 2014)	5,341	(2,041)	7,382
Other non-cash	(6,215)	(5,701)	(514)
Net non-cash adjustment to net income	\$ 177,546	\$ 115,481	\$ 62,065

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Net cash used for working capital requirements and pension contributions included the following items (amounts in thousands):

	Fiscal 2014	Fiscal 2013	Change
Changes in accounts receivable, net	\$ 7,181	\$ 1,114	\$ 6,067
Changes in inventories, net	6,977	(10,708)	17,685
Changes in hedging activities, net	22	(39,325)	39,347
Changes in other assets, net	(23,993)	(22,151)	(1,842)
Changes in accounts payable, net	(9,951)	(702)	(9,249)
Changes in other accrued liabilities, net	(6,552)	10,699	(17,251)
Qualified pension plan contributions	(12,999)	(14,818)	1,819
 Net changes in working capital and pension contributions	 \$ (39,315)	 \$ (75,891)	 \$ 36,576

The change in depreciation and amortization was primarily due to the acquisition of the Acquired Hostess Bread Assets, the Henderson, Nevada plant placed into operation, the Modesto, California bread line placed into service, and certain capital leases entered into during the year. Depreciation and amortization increased \$10.0 million primarily as a result of these activities. The change in stock-based compensation was primarily because the awards granted in fiscal 2014 and fiscal 2013 were full awards compared to a partial award granted in fiscal 2012. This caused an increase in the expense in fiscal 2014. See Note 16, *Stock-Based Compensation*, of Notes to Consolidated Financial Statements of this Form 10-K for a more detailed description on our award types. The pension and postretirement plan expense increased because of the settlement loss of \$15.4 million. Other non-cash items include non-cash interest expense for the amortization of debt discounts and deferred financing costs and gains or losses on the sale of assets.

The changes in accounts receivable and inventories are described above and are due to sales increases. Hedging activities change from market movements that affect the fair value and required collateral of positions and the timing and recognition of deferred gains or losses. These changes will occur as part of our hedging program. The other assets and accrued liabilities changes are from changes in income tax receivable balances, deferred tax liabilities, accrued interest and accrued employee costs (including accrued compensation for our formula driven, performance-based cash bonus program). Note 10, *Other Current and Noncurrent Assets*, Note 11, *Other Accrued Liabilities*, and Note 20, *Income Taxes*, of Notes to Consolidated Financial Statements of this Form 10-K list material items in each respective category for additional context to changes in working capital.

In fiscal 2014, there were required pension contributions under the minimum funding requirements of ERISA and the Pension Protection Act of 2006 (PPA) to our qualified plans of \$4.6 million and discretionary contributions of \$8.4 million. In addition, there were \$0.4 million in nonqualified pension benefits paid from corporate assets during fiscal 2014. During 2015, the company expects to contribute \$10.0 million to our qualified pension plans and expects to pay \$0.4 million in nonqualified pension benefits from corporate assets. The expected contributions to qualified pension plans represent the estimated minimum pension contributions required under ERISA and the PPA as well as discretionary contributions to avoid benefit restrictions. The company believes its cash flow and balance sheet will allow it to fund future pension needs without adversely affecting the business strategy of the company.

During fiscal 2014, the company paid \$24.7 million, including our share of employment taxes, in performance-based cash awards under the company's bonus plan. During fiscal 2013, the company paid \$23.7 million, including our share of employment taxes and deferred compensation contributions, relating to its formula-driven, performance-based cash bonus program.

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Cash Flows Disbursed for Investing Activities. The table below presents net cash disbursed for investing activities for fiscal 2014 and fiscal 2013 (amounts in thousands):

	Fiscal 2014	Fiscal 2013	Change
Purchase of property, plant, and equipment	\$ (83,778)	\$ (99,181)	\$ 15,403
Repurchase of independent distributor territories	(17,056)	(26,418)	9,362
Principal payments from notes receivable	23,718	21,596	2,122
Acquisition of businesses, net of cash acquired		(415,813)	415,813
Contingently refundable consideration	7,500		7,500
Proceeds from sale of new distribution territories		13,965	(13,965)
Proceeds from sale of property, plant and equipment	36,303	2,966	33,337
Net cash disbursed for investing activities	\$ (33,313)	\$ (502,885)	\$ 469,572

Net cash disbursed for investing activities included the *Sara Lee* California asset acquisition of \$49.5 million in the first quarter of fiscal 2013. There was an additional \$0.2 million paid for the final working capital adjustment for the Lepage acquisition during the second quarter of fiscal 2013. The Acquired Hostess Assets acquisition required approximately \$337.0 million in cash when the acquisition closed on July 19, 2013. We previously paid \$18.0 million as a deposit during the first quarter of fiscal 2013 that was applied to the purchase price of the Acquired Hostess Bread Assets acquisition at closing. An additional \$0.3 million was paid for the Acquired Hostess Bread Assets shortly after closing. The acquisition was funded from cash on hand and drawings under the new term loan and the securitization facility. There were no acquisitions during fiscal 2014. In fiscal 2014 the company did receive \$7.5 million for the cancellation of a co-pack agreement associated with the *Sara Lee* California acquisition. See Note 8, *Acquisitions*, of Notes to Consolidated Financial Statements of this Form 10-K for more details on the acquisitions that occurred during the reporting periods.

Capital expenditures for the DSD Segment and Warehouse Segment were \$73.5 million and \$6.5 million, respectively. The company currently estimates capital expenditures of approximately \$85.0 million to \$95.0 million on a consolidated basis during fiscal 2015. The change in the distributor territories repurchased and the principal payments on notes receivable are due to the *Sara Lee* California acquisition distributor territory during fiscal 2013 and for the implementation of the independent distributor model at Lepage. We expect the implementation to cause changes to the amount outstanding under the distributor notes in fiscal 2015 and affect the principal payments received by us in the future. The \$14.0 million in proceeds from the sale of new distribution territories was specifically for certain territories in California that were acquired outright from the company during fiscal 2013 and which were not financed at the time of acquisition. There were none of these in that market during fiscal 2014.

Cash Flows (Disbursed for) Provided by Financing Activities. The table below presents net cash provided by financing activities for fiscal 2014 and fiscal 2013 (amounts in thousands):

	Fiscal 2014	Fiscal 2013	Change
Dividends paid, including dividends on share-based payment awards	\$ (102,302)	\$ (92,840)	\$ (9,462)
Exercise of stock options, including windfall tax benefit	28,893	21,466	7,427
Payment of debt issuance costs and financing fees	(773)	(2,456)	1,683
Stock repurchases	(38,916)	(8,819)	(30,097)
Change in bank overdrafts	(679)	(499)	(180)
Net debt and capital lease obligations payments	(167,887)	310,856	(478,743)
Other		(52)	52
Net cash (disbursed for) provided by financing activities	\$ (281,664)	\$ 227,656	\$ (509,320)

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Our annual dividend payout rate increased 9.2% from fiscal 2013 to fiscal 2014. The ten-year compound annual growth rate for our dividend payout rate was 17.7%. While there are no requirements to increase the dividend payout we have shown a recent historical trend to do so. Should this continue in the future we will have additional working capital needs to meet these expected payouts. Stock option exercises and the associated tax windfall benefit increased as a result of more exercises occurring during fiscal 2014 when compared to fiscal 2013. As of January 3, 2015, there were nonqualified stock option grants of 6,190,461 shares that were exercisable. These have a remaining contractual life of approximately 2.27 years and a weighted average exercise price of \$10.88 per share. At this time, it is expected that these shares will be exercised before the contractual term expires and such exercises may provide an increase to the cash provided by financing activities.

Stock repurchase decisions are made based on our stock price, our belief of relative value, and our cash projections at any given time. Payments for debt issuance costs and financing fees changed because we incurred fees for the securitization facility and the new term loan, described in liquidity below, that were secured in fiscal 2013. The change in bank overdraft was a function of our cash receipts since the end of our fiscal 2013. Our cash objective is to minimize cash on hand by using the credit facility described below. The net debt obligations decreased primarily from the payments used to decrease our debt obligations.

The credit facility and the securitization facility are variable rate debt, as described below. In periods of rising interest rates the cost of using the credit facility will become more expensive and increase our interest expense. The stated interest rate of the senior notes will not change and the term loan was paid off during the third quarter of fiscal 2013. Therefore, borrowings under the credit facility provide us the greatest direct exposure to rising rates. In addition, if interest rates do increase it will make the cost of raising funds more expensive. Considering our current debt obligations, an environment of rising rates could materially affect our Consolidated Statements of Income.

Liquidity discussion Fiscal 2013 compared to Fiscal 2012

Flowers Foods cash and cash equivalents were \$8.5 million at December 28, 2013 as compared to \$13.3 million at December 29, 2012. The cash and cash equivalents were derived from the activities presented in the table below (amounts in thousands):

Cash flow component	Fiscal 2013	Fiscal 2012	Change
Cash flows provided by operating activities	\$ 270,484	\$ 216,880	\$ 53,604
Cash disbursed for investing activities	(502,885)	(385,437)	(117,448)
Cash provided by financing activities	227,656	174,049	53,607
Total change in cash	\$ (4,745)	\$ 5,492	\$ (10,237)

Cash Flows Provided by Operating Activities. Net cash provided by operating activities included the following items for non-cash adjustments to net income (amounts in thousands):

	Fiscal 2013	Fiscal 2012	Change
Depreciation and amortization	\$ 118,491	\$ 102,690	\$ 15,801
Stock-based compensation	15,943	10,116	5,827
Gain on acquisition	(50,071)		(50,071)
Loss (gain) reclassified from accumulated other comprehensive income to net income	27,055	17,272	9,783
Deferred income taxes	6,485	11,450	(4,965)
Provision for inventory obsolescence	1,210	947	263
Allowances for accounts receivable	4,110	1,991	2,119
Pension and postretirement plans expense	(2,041)	1,570	(3,611)
Other non-cash	(5,701)	(1,182)	(4,519)
Net non-cash adjustment to net income	\$ 115,481	\$ 144,854	\$ (29,373)

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Net cash used for working capital requirements and pension contributions included the following items (amounts in thousands):

	Fiscal 2013	Fiscal 2012	Change
Changes in accounts receivable, net	\$ 1,114	\$ (64,182)	\$ 65,296
Changes in inventories, net	(10,708)	(13,366)	2,658
Changes in hedging activities, net	(39,325)	(1,850)	(37,475)
Changes in other assets, net	(22,151)	1,431	(23,582)
Changes in accounts payable, net	(702)	28,529	(29,231)
Changes in other accrued liabilities, net	10,699	3,486	7,213
Qualified pension plan contributions	(14,818)	(18,143)	3,325
 Net changes in working capital and pension contributions	 \$ (75,891)	 \$ (64,095)	 \$ (11,796)

The change in depreciation and amortization was primarily due to the Lepage acquisition (fiscal 2012), Acquired Hostess Bread Assets (fiscal 2013), and the *Sara Lee* California (fiscal 2013) acquisitions. Depreciation and amortization increased \$11.3 million for these acquisitions. The change in stock-based compensation was primarily because the 2012 long term incentive grant occurred in July 2012 and, therefore, was included in all of 2013, as opposed to only two quarters in 2012, and the significant increase of our stock price in fiscal 2013. The stock-based compensation award in 2013 was on January 1, 2013 and was, therefore, included in the entire fiscal 2013. The provision of allowance for accounts receivable increased because sales increased by 12.6% in the fourth quarter of fiscal 2013. The sales increase affected the accounts receivable balance for sales that occurred in the quarter but which were not collected until 2014. The increase in inventory was because the company increased materials on hand to keep up with sales demand. The pension and postretirement plan expense decreased because the unfunded liability of the plans decreased from the prior year (requiring a smaller contribution in 2013 versus 2012). Other non-cash items include non-cash interest expense for the amortization of debt discounts and deferred financing costs and gains or losses on the sale of assets.

Hedging activities change from market movements that affect the fair value and required collateral of positions and the timing and recognition of deferred gains or losses. The other assets and accrued liabilities changes are from changes in income tax receivable balances, deferred tax liabilities, accrued interest and accrued employee costs (including accrued compensation for our formula driven, performance-based cash bonus program). Note 10, *Other Current and Noncurrent Assets*, Note 11, *Other Accrued Liabilities*, and Note 20, *Income Taxes*, of Notes to Consolidated Financial Statements of this Form 10-K list material items in each respective category for additional context to changes in working capital.

In fiscal 2013, there were required pension contributions under the minimum funding requirements of ERISA and the Pension Protection Act of 2006 (PPA) to our qualified plans of \$5.0 million and discretionary contributions of \$9.8 million. In addition, there were \$0.4 million in nonqualified pension benefits paid from corporate assets during fiscal 2013. Despite an average annual return on plan assets of 7.4% (net of expenses) over the last fifteen years, contributions in future years are expected to increase because of the significantly lower than expected asset returns during 2008 which have not fully recovered. During 2014, the company paid \$13.0 million to our qualified pension plans and paid \$0.4 million in nonqualified pension benefits from corporate assets. The expected contributions to qualified pension plans represent the estimated minimum pension contributions required under ERISA and the PPA as well as discretionary contributions to avoid benefit restrictions. The company believes its cash flow and balance sheet will allow it to fund future pension needs without adversely affecting the business strategy of the company.

During the fiscal 2013, the company paid \$23.7 million, including our share of employment taxes and deferred compensation contributions, relating to its formula-driven, performance-based cash bonus program earned during fiscal 2012. We paid \$13.4 million during fiscal 2012 for the performance-based cash bonus program earned during fiscal 2011.

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Cash Flows Disbursed for Investing Activities. The table below presents net cash disbursed for investing activities for fiscal 2013 and fiscal 2012 (amounts in thousands):

	Fiscal 2013	Fiscal 2012	Change
Purchase of property, plant, and equipment	\$ (99,181)	\$ (67,259)	\$ (31,922)
Repurchase of independent distributor territories	(26,418)	(17,849)	(8,569)
Principal payments from notes receivable	21,596	16,498	5,098
Acquisition of businesses, net of cash acquired	(415,813)	(318,476)	(97,337)
Proceeds from sale of new distribution territories	13,965		13,965
Proceeds from sale of property, plant and equipment	2,966	1,301	1,665
Other investing activities		348	(348)
Net cash disbursed for investing activities	\$ (502,885)	\$ (385,437)	\$ (117,448)

Net cash disbursed for investing activities included the *Sara Lee* California asset acquisition of \$49.5 million in the first quarter of fiscal 2013. There was an additional \$0.2 million paid for the final working capital adjustment for the Lepage acquisition during the second quarter of fiscal 2013. The Acquired Hostess Assets acquisition required approximately \$337.0 million in cash when the acquisition closed on July 19, 2013. We previously paid \$18.0 million as a deposit during the first quarter of fiscal 2013 that was applied to the purchase price of the Acquired Hostess Bread Assets acquisition at closing. An additional \$0.3 million was paid for the Acquired Hostess Bread Assets shortly after closing. The acquisition was funded from cash on hand and drawings under the new term loan and the securitization facility. Capital expenditures for the DSD Segment and Warehouse Segment were \$80.5 million and \$8.2 million, respectively. The change in the distributor territories repurchased and the principal payments on notes receivable are due to the *Sara Lee* California acquisition distributor territory during fiscal 2013. Prior to the acquisition, Lepage generally did not use the independent distributor model to deliver their products. During the third quarter of fiscal 2013 we began to implement the independent distributor model at Lepage.

Cash Flows Provided by Financing Activities. The table below presents net cash provided by financing activities for fiscal 2013 and fiscal 2012 (amounts in thousands):

	Fiscal 2013	Fiscal 2012	Change
Dividends paid, including dividends on share-based payment awards	\$ (92,840)	\$ (86,489)	\$ (6,351)
Exercise of stock options, including windfall tax benefit	21,466	16,199	5,267
Payment of debt issuance costs and financing fees	(2,456)	(4,440)	1,984
Stock repurchases	(8,819)	(18,726)	9,907
Change in bank overdrafts	(499)	6,684	(7,183)
Net debt and capital lease obligations payments	310,856	260,821	50,035
Other	(52)		(52)
Net cash provided by financing activities	\$ 227,656	\$ 174,049	\$ 53,607

Our annual dividend payout rate increased 5.4% from fiscal 2012 to fiscal 2013. Stock option exercises and the associated tax windfall benefit increased slightly. As of December 28, 2013, there were nonqualified stock option grants of 4,977,704 shares that were exercisable. These had a remaining contractual life of approximately 2.28 years and a weighted average exercise price of \$10.91 per share.

Stock repurchase decisions are made based on our stock price, our belief of relative value, and our cash projections at any given time. Payments for debt issuance costs and financing fees decreased because we incurred fees for the senior notes issued in April 2012 and the amendment to the credit facility in November 2012. The change in bank overdraft was a function of our cash receipts since the end of our fiscal 2012. The net debt obligations increased primarily from the new term loan and the securitization facility issued for the Acquired Hostess Bread Assets.

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At December 29, 2012, there was \$67.5 million due under our term loan by August 2013 in four equal payments. The first of these payments was made on December 31, 2012 with additional payments made on March 28, 2013 and on June 28, 2013. The final payment was made on August 5, 2013.

The credit facility and the securitization facility are variable rate debt, as described below. In periods of rising interest rates the cost of using the credit facility will become more expensive and increase our interest expense. The stated interest rate of the senior notes will not change and the term loan was paid off during the third quarter of fiscal 2013.

Additional liquidity items are discussed below for context.

Accounts Receivable Securitization Facility, New Term Loan, Senior Notes, Credit Facility, and Term Loan

Accounts Receivable Securitization Facility. On July 17, 2013, the company entered into an accounts receivable securitization facility (the facility). On August 7, 2014, the company entered into the first amendment under the facility. The amendment (i) increased the revolving commitments under the facility to \$200.0 million from \$150.0 million (ii) extended the term one year to July 17, 2016 and (iii) made certain other conforming changes. On December 17, 2014, the company executed the second amendment under the facility to add a bank to the lending group. The original commitment amount was split between the original lender and the new lender in the proportion of 62.5% for the original lender and 37.5% for the new lender. This modification, which was accounted for as an extinguishment of the debt, resulted in a charge of \$0.1 million, or 37.5%, of the unamortized financing costs. Under the facility, a wholly-owned, bankruptcy-remote subsidiary purchases, on an ongoing basis, substantially all trade receivables. As borrowings are made under the facility, the subsidiary pledges the receivables as collateral. In the event of liquidation of the subsidiary, its creditors would be entitled to satisfy their claims from the subsidiary's pledged receivables prior to distributions of collections to the company. We include the subsidiary in our Consolidated Financial Statements. The facility contains certain customary representations and warranties, affirmative and negative covenants, and events of default. As of January 3, 2015 and December 28, 2013, the company had \$0.0 million and \$150.0 million, respectively, outstanding under the facility. As of January 3, 2015, the company was in compliance with all restrictive financial covenants under the facility. On January 3, 2015, the company had \$200.0 million available under its facility for working capital and general corporate purposes.

Optional principal repayments may be made at anytime without premium or penalty. Interest is due two days after our reporting periods end in arrears on the outstanding borrowings and is computed as the cost of funds rate plus an applicable margin of 70 basis points. An unused fee of 25 basis points is applicable on the unused commitment at each reporting period. The company paid financing costs of \$0.8 million in connection with the facility at the time we entered into the facility, which are being amortized over the life of the facility. During fiscal 2014, we incurred \$0.2 million in financing costs with the first and second amendments.

New Term Loan. We entered into a senior unsecured delayed-draw term facility (the new term loan) on April 5, 2013 with a commitment of up to \$300.0 million to partially finance the then pending acquisition of the Acquired Hostess Bread Assets and pay acquisition-related costs and expenses. The company drew down the full amount of the new term loan on July 18, 2013 (the borrowing date) to complete the Acquired Hostess Bread Assets acquisition as disclosed in Note 8, *Acquisitions*, of Notes to Consolidated Financial Statements of this Form 10-K. On February 14, 2014, we entered into the first amendment to the credit agreement for the new term loan.

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The new term loan amortizes in quarterly installments based on an increasing annual percentage. The first payment was due and payable on June 30, 2013 (the last business day of the first calendar quarter ending after the borrowing date), quarterly payments are due on the last business day of each successive calendar quarter and all remaining outstanding principal is due and payable on the fifth anniversary of the borrowing date. The table below presents the principal payment amounts due under the new term loan until the balance is paid in full (amounts in thousands):

Fiscal Year	Payments
2015	\$ 30,000
2016	\$ 67,500
2017	\$ 112,500
2018	\$ 60,000

The February 14, 2014 amendment, which was accounted for as a modification of the debt, favorably reduced the interest rates described below from those entered into originally on April 5, 2013. Voluntary prepayments on the new term loan may be made without premium or penalty. Interest is due quarterly in arrears on any outstanding borrowings at a customary Eurodollar rate or the base rate plus applicable margin. The applicable margin ranges from 0.00% to 1.25% for base rate loans and from 1.00% to 2.25% for Eurodollar loans, and is based on the company's leverage ratio. Interest on base rate loans is payable quarterly in arrears on the last business day of each calendar quarter. Interest on Eurodollar loans is payable in arrears at the end of the interest period and every three months in the case of interest periods in excess of three months. The company paid financing costs of \$1.7 million in connection with the new term loan, which are being amortized over the life of the new term loan. A commitment fee of 20 basis points on the daily undrawn portion of the lenders' commitments commenced on May 1, 2013 and continued until the borrowing date, when the company borrowed the available \$300.0 million for the Acquired Hostess Bread Assets acquisition. The new term loan is subject to customary restrictive covenants, including certain limitations on liens and significant acquisitions and financial covenants regarding minimum interest coverage ratio and maximum leverage ratio. The February 14, 2014 amendment cost \$0.3 million and will be amortized over the remaining term. As of January 3, 2015 and December 28, 2013, the company was in compliance with all restrictive covenants under the new term loan.

Senior Notes. On April 3, 2012, the company issued \$400.0 million of senior notes. The company pays semiannual interest on the notes on each April 1 and October 1, beginning on October 1, 2012, and the notes will mature on April 1, 2022. The notes bear interest at 4.375% per annum. On any date prior to January 1, 2022, the company may redeem some or all of the notes at a price equal to the greater of (1) 100% of the principal amount of the notes redeemed and (2) a make-whole amount plus, in each case, accrued and unpaid interest. The make-whole amount is equal to the sum of the present values of the remaining scheduled payments of principal thereof (not including any interest accrued thereon to, but not including, the date of redemption), discounted to the date of redemption on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the treasury rate (as defined in the agreement), plus 35 basis points, plus in each case, unpaid interest accrued thereon to, but not including, the date of redemption. At any time on or after January 1, 2022, the company may redeem some or all of the notes at a price equal to 100% of the principal amount of the notes redeemed plus accrued and unpaid interest. If the company experiences a change of control triggering event (which involves a change of control of the company and related rating of the notes below investment grade), it is required to offer to purchase the notes at a purchase price equal to 101% of the principal amount, plus accrued and unpaid interest thereon unless the company exercised its option to redeem the notes in whole. The notes are also subject to customary restrictive covenants, including certain limitations on liens and sale and leaseback transactions.

The face value of the notes is \$400.0 million and the current discount on the notes is \$0.7 million. The company paid \$3.9 million issuance costs (including underwriting fees and legal fees) for issuing the notes. The issuance costs and the debt discount are being amortized to interest expense over the term of the notes. As of January 3, 2015 and December 28, 2013 the company was in compliance with the restrictive covenants under the notes and the indenture governing the notes.

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Credit Facility. On February 14, 2014, the company amended its senior unsecured credit facility (the credit facility) to provide for a less restrictive leverage ratio and certain more favorable covenant terms, to extend the term to February 14, 2019, to update the existing agreement to address changes in law, and to include applicable conforming changes in light of the new term loan. The amendment was accounted for as a modification of the debt. The credit facility is a five-year, \$500.0 million senior unsecured revolving loan facility. The credit facility contains a provision that permits Flowers to request up to \$200.0 million in additional revolving commitments, for a total of up to \$700.0 million, subject to the satisfaction of certain conditions. Proceeds from the credit facility may be used for working capital and general corporate purposes, including capital expenditures, acquisition financing, refinancing of indebtedness, dividends and share repurchases. The credit facility includes certain customary restrictions, which, among other things, require maintenance of financial covenants and limit encumbrance of assets and creation of indebtedness. Restrictive financial covenants include such ratios as a minimum interest coverage ratio and a maximum leverage ratio. The company believes that, given its current cash position, its cash flow from operating activities and its available credit capacity, it can comply with the current terms of the amended credit facility and can meet presently foreseeable financial requirements. As of January 3, 2015 and December 28, 2013, the company was in compliance with all restrictive financial covenants under the credit facility.

Interest is due quarterly in arrears on any outstanding borrowings at a customary Eurodollar rate or the base rate plus applicable margin. The underlying rate is defined as rates offered in the interbank Eurodollar market, or the higher of the prime lending rate or the federal funds rate plus 0.40%, with a floor rate defined by the one-month interbank Eurodollar market rate plus 1.00%. The applicable margin ranges from 0.0% to 0.95% for base rate loans and from 0.95% to 1.95% for Eurodollar loans. In addition, a facility fee ranging from 0.05% to 0.30% is due quarterly on all commitments under the credit facility. Both the interest margin and the facility fee are based on the company's leverage ratio. The company paid additional financing costs of \$0.3 million in connection with the February 14, 2014 amendment of the credit facility, which, in addition to the remaining balance of the original \$1.6 million in financing costs, is being amortized over the life of the credit facility.

There were \$53.0 million and \$44.2 million in outstanding borrowings under the credit facility at January 3, 2015 and December 28, 2013, respectively. The highest outstanding daily balance during fiscal 2014 was \$62.1 million and the lowest outstanding balance was zero. Amounts outstanding under the credit facility vary daily. Changes in the gross borrowings and repayments can be caused by cash flow activity from operations, capital expenditures, acquisitions, dividends, share repurchases, and tax payments, as well as derivative transactions which are part of the company's overall risk management strategy as discussed in Note 9, *Derivative Financial Instruments*, of Notes to Consolidated Financial Statements of this Form 10-K. During fiscal 2014, the company borrowed \$1,116.4 million in revolving borrowings under the credit facility and repaid \$1,125.2 million in revolving borrowings. The amount available under the credit facility is reduced by \$16.4 million for letters of credit. On January 3, 2015, the company had \$430.6 million available under its credit facility for working capital and general corporate purposes.

Credit Ratings. Currently, the company's credit ratings by Fitch Ratings, Moody's Investors Service, and Standard & Poor's are BBB, Baa2, and BBB-, respectively. Changes in the company's credit ratings do not trigger a change in the company's available borrowings or costs under the facility, new term loan, senior notes, and credit facility, but could affect future credit availability and cost.

Aggregate Maturities of Debt.

Assets recorded under capital lease agreements included in property, plant and equipment consist of machinery and equipment and transportation equipment.

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Aggregate maturities of debt outstanding, including capital leases and the associated interest, as of January 3, 2015, are as follows (excluding unamortized debt discount and issuance costs) (amounts in thousands):

2015	\$ 35,060
2016	74,880
2017	122,249
2018	122,881
2019	8,067
2020 and thereafter	404,094
Total	\$ 767,231

Stock Repurchase Plan. Our Board of Directors has approved a plan that authorizes share repurchases of up to 67.5 million shares of the company's common stock. At the Board of Directors meeting in November 2014, the board increased the company's share repurchase authorization by 7.1 million shares to a total of 74.6 million shares. At the close of the company's fourth quarter on January 3, 2015, 14.0 million shares remained under the existing authorization. Under the plan, the company may repurchase its common stock in open market or privately negotiated transactions at such times and at such prices as determined to be in the company's best interest. These purchases may be commenced or suspended without prior notice depending on then-existing business or market conditions and other factors. As of January 3, 2015, 60.6 million shares at a cost of \$497.3 million have been purchased under this plan. Included in these amounts are 2,014,610 shares at a cost of \$38.9 million purchased during fiscal 2014.

Income Taxes. Federal and state tax payments totaled \$82.8 million, \$83.8 million, and \$63.6 million during fiscal years 2014, 2013, and 2012, respectively, and were funded with cash flows from operations.

Distributor Arrangements. The company offers long-term financing to independent distributors for the purchase of their territories, and a vast majority of the independent distributors elect to use this financing alternative. The distributor notes generally have terms of up to ten years, and the distributors pay principal and interest weekly. A majority of the independent distributors have the right to require the company to repurchase the territories and trucks, if applicable, at the original price paid by the distributor on the long-term financing arrangement in the six-month period following the sale of a territory to the independent distributor. If the truck is leased, the company will assume the lease payment if the territory is repurchased during the first six-month period. After the six-month period expires, the company retains a right of first refusal to repurchase these territories. Additionally, in the event the company exits a territory or ceases to utilize the independent distribution form of doing business, the company is contractually required to purchase the territory from the independent distributor. If the company acquires a territory from an independent distributor that is to be resold, the company operates the territory until it can be resold. If the territory is not to be resold, the value of the territory is charged to earnings. The company held an aggregate of \$182.2 million and \$161.6 million as of January 3, 2015 and December 28, 2013, respectively, of distributor notes. The company does not view this aggregate amount as a concentrated credit risk, as each note relates to an individual distributor. The company has approximately \$20.5 million and \$26.6 million as of January 3, 2015 and December 28, 2013, respectively, of territories held for sale.

In the ordinary course of business, when an independent distributor terminates their relationship with the company, the company, although not legally obligated, generally purchases and operates that territory utilizing the leased truck of the former distributor. To accomplish this, the company operates the leased truck for the distributor, who generally remains solely liable under the original truck lease to the third party lessor, and continues the payments on behalf of the former distributor. Once the territory is resold to an independent distributor, the truck lease is assumed by the new independent distributor. At January 3, 2015 and December 28, 2013, the company operated approximately 420 and 370 trucks as held for sale distributorships, respectively. Assuming the company does not resell these territories to new independent distributors, at January 3, 2015 and

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December 28, 2013, the maximum obligation associated with these truck leases was approximately \$8.1 million and \$3.9 million, respectively. There is no liability recorded in the Consolidated Balance Sheet with respect to such leases, as the obligation for each lease generally remains an obligation of the former distributor until the territory is sold to a new distributor. The company does not anticipate operating these territories over the life of the lease as it intends to resell these territories to new independent distributors.

Special Purpose Entities. At January 3, 2015 and December 28, 2013, the company did not have any relationships with unconsolidated entities or financial partnerships, such as entities often referred to as structured finance or special purpose entities, which are established to facilitate off-balance sheet arrangements or other contractually narrow or limited purposes.

Deferred Compensation. The Executive Deferred Compensation Plan (EDCP) consists of unsecured general obligations of the company to pay the deferred compensation of, and our contributions to, participants in the EDCP. The obligations will rank equally with our other unsecured and unsubordinated indebtedness payable from the company's general assets.

The company's directors and certain key members of management are eligible to participate in the EDCP. Directors may elect to defer all or any portion of their annual retainer fee and meeting fees. Deferral elections by directors must be made prior to the beginning of each year and are thereafter irrevocable. Eligible employees may elect to defer up to 75% of their base salaries, and up to 100% of any cash bonuses and other compensation. Deferral elections by eligible executives must be made prior to the beginning of each year and are thereafter irrevocable during that year. The portion of the participant's compensation that is deferred depends on the participant's election in effect with respect to his or her elective contributions under the EDCP. The amount outstanding at January 3, 2015 and December 28, 2013 was \$14.5 million and \$13.1 million, respectively.

Contractual Obligations and Commitments. The following table summarizes the company's contractual obligations and commitments at January 3, 2015 and the effect such obligations are expected to have on its liquidity and cash flow in the indicated future periods:

	Total	Payments Due by Fiscal Year (Amounts in thousands)			2020 and Beyond
		2015	2016-2017	2018-2019	
Contractual Obligations:					
Long-term debt	\$ 743,000	\$ 30,000	\$ 187,500	\$ 123,000	\$ 402,500
Interest payments(1)	137,021	21,759	40,386	35,501	39,375
Capital leases	22,526	4,496	8,871	7,666	1,493
Interest on capital leases	1,705	564	758	282	101
Non-cancelable operating lease obligations(2)	499,903	65,583	104,274	70,239	259,807
Pension and postretirement contributions and payments(3)	18,542	10,691	1,726	1,922	4,203
Deferred compensation plan obligations(4)	14,515	1,861	2,204	790	9,660
Purchase obligations(5)	296,233	296,233			
Total contractual cash obligations	\$ 1,733,445	\$ 431,187	\$ 345,719	\$ 239,400	\$ 717,139

	Total	Amounts Expiring by Fiscal Year (Amounts in thousands)			More than 5 Years
		Less than 1 Year	1-3 Years	4-5 Years	
Commitments:					
Standby letters of credit(6)	\$ 16,412	\$ 16,412	\$	\$	\$
Truck lease guarantees	8,078	124	433	1,687	5,834
Total commitments	\$ 24,490	\$ 16,536	\$ 433	\$ 1,687	\$ 5,834

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- (1) The \$53.0 million outstanding under our credit facility at January 3, 2015 is not included since payments into and out of the credit facility change daily. Interest on the senior notes is based on the stated rate and excludes the amortization of debt discount of \$0.7 million. Also excluded from interest payments are the non-cash amortization charges of the discount for the fair value of the Lepage deferred payments. The facility and new term loan interest rates are based on the actual rates as of January 3, 2015.
- (2) Does not include lease payments expected to be incurred in fiscal year 2015 related to distributor vehicles and other short-term operating leases. These are not recorded on the Consolidated Balance Sheet but will be recorded as lease payments obligations are incurred in the Consolidated Statements of Income.
- (3) Includes the estimated company contributions to the pension plans during fiscal 2015 and the expected benefit payments for postretirement plans from fiscal 2015 through fiscal 2024. These future postretirement plan payments are not recorded on the Consolidated Balance Sheet but will be recorded as these payments are incurred in the Consolidated Statements of Income.
- (4) These are unsecured general obligations to pay the deferred compensation of, and our contributions to, participants in the EDCP. This liability is recorded on the Consolidated Balance Sheet.
- (5) Represents the company's various ingredient and packaging purchasing commitments. This item is not recorded on the Consolidated Balance Sheet.
- (6) These letters of credit are for the benefit of certain insurance companies related to workers' compensation liabilities recorded by the company as of January 3, 2015 and certain lessors and energy vendors. Such amounts are not recorded on the Consolidated Balance Sheet, but reduce availability of funds under the credit facility.

Because we are uncertain as to if or when settlements may occur, these tables do not reflect the company's net liability of \$1.4 million related to uncertain tax positions. Details regarding this liability are presented in Note 20, *Income Taxes*, of Notes to Consolidated Financial Statements of this Form 10-K. We expect to sell repurchased distributor territories that we currently operate. If we determined that these territories would not be sold, an additional \$8.1 million of future lease payments would become our responsibility. These lease payments are not included in the table and will only be incurred if the territories are not sold.

Guarantees and Indemnification Obligations. Our company has provided various representations, warranties, and other standard indemnifications in various agreements with customers, suppliers and other parties, as well as in agreements to sell business assets or lease facilities. In general, these provisions indemnify the counterparty for matters such as breaches of representations and warranties, certain environmental conditions and tax matters, and, in the context of sales of business assets, any liabilities arising prior to the closing of the transactions. Non-performance under a contract could trigger an obligation of the company. The ultimate effect on future financial results is not subject to reasonable estimation because considerable uncertainty exists as to the final outcome of any potential claims. We do not believe that any of these commitments will have a material effect on our results of operations or financial condition.

New Accounting Pronouncements Not Yet Adopted

In May 2014, the FASB issued guidance for recognizing revenue in contracts with customers. This guidance requires entities to recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. There are five steps outlined in the guidance to achieve this core principle. The company is still analyzing the potential impact of this guidance on the company's Consolidated Financial Statements. This guidance will be effective for our fiscal 2017 which begins on January 1, 2017.

In June 2014, the FASB issued guidance that requires performance targets for a share-based payment award that affects vesting and that could be achieved after the requisite service period is treated as a performance condition. The performance condition should not be reflected in the grant date fair value of the award. Compensation cost should be recognized in the period in which it becomes probable that the performance target will be achieved and should represent the compensation cost attributable to the period for which the requisite service has already been rendered. The company already applies the standards proscribed in this guidance therefore it will not have an impact on the Consolidated Financial Statements.

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This guidance is effective for annual periods and interim periods within those annual periods beginning after December 15, 2015, which is our fiscal 2016.

In August 2014, the FASB issued guidance related to management's responsibility to evaluate whether there is substantial doubt about an entity's ability to continue as a going concern by incorporating and expanding upon

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certain principles that are currently in U.S. auditing standards and to provide related footnote disclosures. This guidance is effective for the annual period ending after December 15, 2016, and for annual periods and interim periods thereafter. The requirements of this guidance are not expected to have a significant impact on the Consolidated Financial Statements.

In January 2015, the FASB issued guidance that eliminates the concept of extraordinary items from generally accepted accounting principles in the United States of America (GAAP). This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply the amendments prospectively. A reporting entity also may apply the amendments retrospectively to all prior periods presented in the financial statements. Early adoption is permitted provided that the guidance is applied from the beginning of the fiscal year of adoption. The requirements of this guidance are not expected to have a significant impact on the Consolidated Financial Statements.

In February 2015, the FASB issued guidance that focuses on the consolidation evaluation for reporting organizations that are required to evaluate whether they should consolidate certain legal entities. This guidance is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2015. A reporting entity may apply the amendments using a modified retrospective approach by recording a cumulative-effect adjustment to equity as of the beginning of the fiscal year of adoption. A reporting entity also may apply the amendments retrospectively. Early adoption is permitted, including adoption in an interim period. If an entity early adopts the amendments in an interim period, any adjustments should be reflected as of the beginning of the fiscal year that includes that interim period. The company is still analyzing the potential impact of this guidance on the company's Consolidated Financial Statements.

We have reviewed other recently issued accounting pronouncements and concluded that they are either not applicable to our business or that no material effect is expected as a result of future adoption.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk*

The company uses derivative financial instruments as part of an overall strategy to manage market risk. The company uses forwards, futures, swaps, and option contracts to hedge existing or future exposure to changes in interest rates and commodity prices. The company does not enter into these derivative financial instruments for trading or speculative purposes. If actual market conditions are less favorable than those anticipated, interest rates and commodity prices could increase significantly, adversely affecting our interest costs and the margins from the sale of our products.

Commodity Price Risk

The company enters into commodity forward, futures, option, and swap contracts for wheat and, to a lesser extent, other commodities in an effort to provide a predictable and consistent commodity price and thereby reduce the impact of market volatility in its raw material and packaging prices. As of January 3, 2015, the company's hedge portfolio contained commodity derivatives with a fair value of \$(16.3) million. Of this fair value, \$(13.0) million is based on quoted market prices and \$(3.3) million is based on models and other valuation methods; \$(13.8) million, and \$(2.5) million of this fair value relates to instruments that will be utilized in each of fiscal 2015 and 2016, respectively.

A sensitivity analysis has been prepared to quantify the company's potential exposure to commodity price risk with respect to its derivative portfolio. Based on the company's derivative portfolio as of January 3, 2015, a hypothetical ten percent change in commodity prices would increase or decrease the fair value of the derivative portfolio by \$12.7 million and \$(12.7) million, respectively. The analysis disregards changes in the exposures inherent in the underlying hedged items; however, the company expects that any increase or decrease in the fair value of the portfolio would be substantially offset by increases or decreases in raw material and packaging prices.

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Interest Rate Risk

The company entered into a treasury rate lock on March 28, 2012 to fix the interest rate for the notes issued on April 3, 2012. The derivative position was closed when the debt was priced on March 29, 2012, with a cash settlement that offset changes in the benchmark treasury rate between the execution of the treasury rate lock and the debt pricing date. This treasury rate lock was designated as a cash flow hedge. Because the treasury rate lock was exited on March 29, 2012, there was no fair value as of January 3, 2015 or December 28, 2013.

Item 8. *Financial Statements and Supplementary Data*

Refer to the Index to Consolidated Financial Statements and the Financial Statement Schedule for the required information.

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure*

None.

Item 9A. *Controls and Procedures*

Management's Evaluation of Disclosure Controls and Procedures:

We have established and maintain a system of disclosure controls and procedures that are designed to ensure that material information relating to the company, which is required to be timely disclosed by us in reports that we file or submit under the Securities Exchange Act of 1934 (Exchange Act), is accumulated and communicated to management in a timely fashion and is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms. An evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) was performed as of the end of the period covered by this annual report. This evaluation was performed under the supervision and with the participation of management, including our Chief Executive Officer (CEO), Chief Financial Officer (CFO), and Chief Accounting Officer (CAO).

Based upon that evaluation, our CEO, CFO, and CAO have concluded that these disclosure controls and procedures were effective as of the end of the period covered by this annual report.

Management's Report on Internal Control Over Financial Reporting:

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rule 13a-15(f). Under the supervision and with the participation of our management, including our CEO, CFO, and CAO, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in Internal Control Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation our management concluded that our internal control over financial reporting was effective as of January 3, 2015.

The effectiveness of our internal control over financial reporting as of January 3, 2015 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report which is included herein.

Changes in Internal Control Over Financial Reporting:

There were no changes in our internal control over financial reporting that occurred during our last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. *Other Information*

None.

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PART III

Item 10. *Directors, Executive Officers and Corporate Governance*

The information required by this item with respect to directors of the company is incorporated herein by reference to the information set forth under the captions Proposal I Election of Directors , Directors and Corporate Governance , Corporate Governance The Board of Directors and Committees of the Board of Directors , Corporate Governance Relationships Among Certain Directors , Audit Committee Report and Section 16(a) Beneficial Ownership Reporting Compliance in the company's definitive proxy statement for the 2015 Annual Meeting of Shareholders expected to be filed with the SEC in April (the proxy). The information required by this item with respect to executive officers of the company is set forth in Part I of this Form 10-K.

We have adopted the Flowers Foods, Inc. Code of Business Conduct and Ethics for Officers and Members of the Board of Directors, which applies to all of our directors and executive officers. The Code of Business Conduct and Ethics is publicly available on our website at www.flowersfoods.com in the Corporate Governance section of the Investor Center tab. If we make any substantive amendments to our Code of Business Conduct and Ethics or we grant any waiver, including any implicit waiver, from a provision of the Code of Business Conduct and Ethics, that applies to any of our directors or executive officers, including our principal executive officer, principal financial officer or principal accounting officer, we intend to disclose the nature of the amendment or waiver on our website at the same location. Alternatively, we may elect to disclose the amendment or waiver in a report on Form 8-K filed with the SEC.

Our President and Chief Executive Officer certified to the New York Stock Exchange (NYSE) on June 18, 2014 pursuant to Section 303A.12 of the NYSE's listing standards, that he was not aware of any violation by Flowers Foods of the NYSE's corporate governance listing standards as of that date.

Item 11. *Executive Compensation*

The information required by this item is incorporated herein by reference to the information set forth under the caption Executive Compensation in the proxy.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*

See Item 5 of this Form 10-K for information regarding Securities Authorized for Issuance under Equity Compensation Plans. The remaining information required by this item is incorporated herein by reference to the information set forth under the caption Security Ownership of Certain Beneficial Owners and Management in the proxy.

Item 13. *Certain Relationships and Related Transactions, and Director Independence*

The information required by this item is incorporated herein by reference to the information set forth under the caption Corporate Governance Determination of Independence and Transactions with Management and Others in the proxy.

Item 14. *Principal Accounting Fees and Services*

The information required by this item is incorporated herein by reference to the information set forth under the caption Fiscal 2014 and Fiscal 2013 Audit Firm Fee Summary in the proxy.

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PART IV

Item 15. Exhibits and Financial Statement Schedules

(a) *List of documents filed as part of this report.*

1. *Financial Statements of the Registrant*

Report of Independent Registered Public Accounting Firm.

Consolidated Balance Sheets at January 3, 2015 and December 28, 2013.

Consolidated Statements of Income for Fiscal 2014, Fiscal 2013, and Fiscal 2012.

Consolidated Statements of Comprehensive Income for Fiscal 2014, Fiscal 2013, and Fiscal 2012.

Consolidated Statements of Changes in Stockholders' Equity for Fiscal 2014, Fiscal 2013, and Fiscal 2012.

Consolidated Statements of Cash Flows for Fiscal 2014, Fiscal 2013, and Fiscal 2012.

Notes to Consolidated Financial Statements.

2. *Exhibits.* The following documents are filed as exhibits hereto:

EXHIBIT INDEX

Exhibit

No	Name of Exhibit
2.1	Distribution Agreement, dated as of October 26, 2000, by and between Flowers Industries, Inc. and Flowers Foods, Inc. (Incorporated by reference to Exhibit 2.1 to Flowers Foods' Registration Statement on Form 10, dated December 1, 2000, File No. 1-16247).
2.2	Amendment No. 1 to Distribution Agreement, dated as of March 12, 2001, by and between Flowers Industries, Inc. and Flowers Foods, Inc. (Incorporated by reference to Exhibit 2.2 to Flowers Foods' Annual Report on Form 10-K, dated March 30, 2001, File No. 1-16247).
2.3	Acquisition Agreement, dated as of May 31, 2012, by and among Flowers Foods, Inc., Lobsterco I, LLC, Lepage Bakeries, Inc., RAL, Inc., Bakeast Company, Bakeast Holdings, Inc., and the equity holders named therein (Incorporated by reference to Exhibit 2.1 to Flowers Foods' Current Report on Form 8-K, dated June 1, 2012, File No. 1-16247).
2.4	Agreement and Plan of Merger, dated as of May 31, 2012, by and among Flowers Foods, Inc., Lobsterco II, LLC, Aarow Leasing, Inc., The Everest Company, Incorporated and the shareholders named therein (Incorporated by reference to Exhibit 2.2 to Flowers Foods' Current Report on Form 8-K, dated June 1, 2012, File No. 1-16247).
2.5	Asset Purchase Agreement, dated as of January 11, 2013, by and among Hostess Brands, Inc., Interstate Brands Corporation, IBC Sales Corporation, Flowers Foods, Inc. and FBC Georgia, LLC (Incorporated by reference to Exhibit 2.1 to Flowers Foods' Current Report on Form 8-K, dated January 14, 2013, File No. 1-16247).
3.1	Restated Articles of Incorporation of Flowers Foods, Inc., as amended through May 21, 2014 (Incorporated by reference to Exhibit 3.1 to Flowers Foods' Current Report on Form 8-K, dated May 27, 2014, File No. 1-16247).

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- 3.2 Amended and Restated Bylaws of Flowers Foods, Inc., as amended through May 21, 2014 (Incorporated by reference to Exhibit 3.2 to Flowers Foods' Current Report on Form 8-K, dated May 27, 2014, File No. 1-16247).
- 4.1 Form of Share Certificate of Common Stock of Flowers Foods, Inc. (Incorporated by reference to Exhibit 4.1 to Flowers Foods' Annual Report on Form 10-K, dated February 29, 2012, File No. 1-16247).

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Exhibit	
No	Name of Exhibit
4.2	Form of Indenture (Incorporated by reference to Exhibit 4.6 to Flowers Foods Registration Statement on Form S-3, dated February 8, 2011, File No. 1-16247).
4.3	Form of Indenture (Incorporated by reference to Exhibit 4.1 to Flowers Foods Current Report on Form 8-K, dated March 29, 2012, File No. 1-16247).
4.4	Indenture, dated as of April 3, 2012, by and between Flowers Foods, Inc. and Wells Fargo Bank, National Association (Incorporated by reference to Exhibit 4.1 to Flowers Foods Current Report on Form 8-K, dated April 3, 2012, File No. 1-16247).
4.5	Officers Certificate pursuant to Section 2.02 of the Indenture (Incorporated by reference to Exhibit 4.2 to Flowers Foods Current Report on Form 8-K, dated April 3, 2012, File No. 1-16247).
4.6	Form of 4.375% Senior Notes due 2022 (Incorporated by reference to Exhibit 4.3 to Flowers Foods Current Report on Form 8-K, dated April 3, 2012, File No. 1-16247).
4.7	Registration Rights Agreement, dated as of July 21, 2012, by and among Flowers Foods, Inc. and the holders named therein (Incorporated by reference to Exhibit 4.1 to Flowers Foods Current Report on Form 8-K, dated July 23, 2012, File No. 1-16247).
4.8	Flowers Foods, Inc. 401(k) Retirement Savings Plan, as amended through December 17, 2013 (Incorporated by reference to Exhibit 4.1 to Flowers Foods Registration Statement on Form S-8, dated May 21, 2014).
10.1	Amended and Restated Credit Agreement, dated as of May 20, 2011, by and among, Flowers Foods, Inc., the Lenders party thereto from time to time, Deutsche Bank AG New York Branch, as administrative agent, Bank of America, N.A., as syndication agent, and Coöperatieve Centrale Raiffeisen-Boerenleenbank, B.A., Rabobank International, New York Branch, Branch Banking & Trust Company and Regions Bank, as co-documentation agents (Incorporated by reference to Exhibit 10.1 to Flowers Foods Current Report on Form 8-K, dated May 26, 2011, File No. 1-16247).
10.2	First Amendment to Amended and Restated Credit Agreement, dated as of November 16, 2012, by and among Flowers Foods, Inc., the Lenders party thereto and Deutsche Bank AG, New York Branch, as administrative agent (Incorporated by reference to Exhibit 10.1 to Flowers Foods Current Report on Form 8-K, dated November 21, 2012, File No. 1-16247).
10.3	Second Amendment to Amended and Restated Credit Agreement, dated as of April 5, 2013, by and among Flowers Foods, Inc., the Lenders party thereto and Deutsche Bank AG New York Branch, as administrative agent, swingline lender and issuing lender (Incorporated by reference to Exhibit 10.3 to Flowers Foods Current Report on Form 8-K, dated April 10, 2013, File No. 1-16247).
10.4	Third Amendment to Amended and Restated Credit Agreement, dated as of February 14, 2014, by and among Flowers Foods, Inc., the Lenders party thereto and Deutsche Bank AG New York Branch, as administrative agent, swingline lender and issuing lender (Incorporated by reference to Exhibit 10.2 to Flowers Foods Current Report on Form 8-K, dated February 18, 2014, File No. 1-16247).
10.5	Credit Agreement, dated as of April 5, 2013, by and among Flowers Foods, Inc., the lenders party thereto, Branch Banking and Trust Company, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Rabobank Nederland, New York Branch, and Regions Bank, as co-documentation agents, Bank of America, N.A., as syndication agent, and Deutsche Bank AG New York Branch, as administrative agent (Incorporated by reference to Exhibit 10.1 to Flowers Foods Current Report on Form 8-K, dated April 10, 2013, File No. 1-16247).
10.6	First Amendment to Credit Agreement, dated as of February 14, 2014, by and among Flowers Foods, Inc., the lenders party thereto and Deutsche Bank AG New York Branch, as administrative agent (Incorporated by reference to Exhibit 10.1 to Flowers Foods Current Report on Form 8-K, dated February 18, 2014, File No. 1-16247).

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Exhibit	
No	Name of Exhibit
10.7	Receivables Loan, Security and Servicing Agreement, dated as of July 17, 2013, by and among Flowers Finance II, LLC, Flowers Foods, Inc., as servicer, Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Rabobank Nederland, New York Branch, as administrative agent and facility agent, and certain financial institutions party thereto (Incorporated by reference to Exhibit 10.1 to Flowers Foods Current Report on Form 8-K, dated July 22, 2013, File No. 1-16247).
10.8	First Amendment to Receivables Loan, Security and Servicing Agreement, dated as of August 7, 2014, by and among Flowers Finance II, LLC, Flowers Foods, Inc., as servicer, Nieuw Amsterdam Receivables Corporation and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Rabobank Nederland, New York Branch, as administrative agent and facility agent (Incorporated by reference to Exhibit 10.1 to Flowers Foods Current Report on Form 8-K, dated August 12, 2014, File No. 1-16247).
*10.9	Second Amendment to Receivables Loan, Security and Servicing Agreement, dated as of December 17, 2014, by and among Flowers Finance II, LLC, Flowers Foods, Inc., as servicer, Nieuw Amsterdam Receivables Corporation and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., Rabobank, New York Branch, as administrative agent and facility agent.
10.10+	Flowers Foods, Inc. Retirement Plan No. 1, as amended and restated effective as of March 26, 2001 (Incorporated by reference to Exhibit 10.3 to Flowers Foods Annual Report on Form 10-K, dated March 30, 2001, File No. 1-16247).
10.11+	Flowers Foods, Inc. 2001 Equity and Performance Incentive Plan, as amended and restated effective as of April 1, 2009 (Incorporated by reference to Annex A to Flowers Foods Proxy Statement on Schedule 14A, dated April 24, 2009, File No. 1-16247).
10.12+	Flowers Foods, Inc. Stock Appreciation Rights Plan (Incorporated by reference to Exhibit 10.8 to Flowers Foods Annual Report on Form 10-K, dated March 29, 2002, File No. 1-16247).
10.13+	Flowers Foods, Inc. Annual Executive Bonus Plan (Incorporated by reference to Annex B to Flowers Foods Proxy Statement on Schedule 14A, dated April 24, 2009, File No. 1-16247).
10.14+	Flowers Foods, Inc. 2014 Omnibus Equity and Incentive Compensation Plan (Incorporated by reference to Exhibit 10.1 to Flowers Foods Current Report on Form 8-K, dated May 27, 2014, File No. 1-16247).
10.15+	Flowers Foods, Inc. Supplemental Executive Retirement Plan (Incorporated by reference to Exhibit 10.10 to Flowers Foods Annual Report on Form 10-K, dated March 29, 2002, File No. 1-16247).
10.16+	Form of Indemnification Agreement, by and between Flowers Foods, Inc., certain executive officers and the directors of Flowers Foods, Inc. (Incorporated by reference to Exhibit 10.14 to Flowers Foods Annual Report on Form 10-K, dated March 28, 2003, File No. 1-16247).
10.17+	Ninth Amendment to the Flowers Foods, Inc. Retirement Plan No. 1, dated as of November 7, 2005 (Incorporated by reference to Exhibit 10.15 to Flowers Foods Quarterly Report on Form 10-Q, dated November 17, 2005, File No. 1-16247).
10.18+	Form of 2011 Nonqualified Stock Option Agreement by and between Flowers Foods, Inc. and certain executive officers of Flowers Foods, Inc. (Incorporated by reference to Exhibit 10.17 to Flowers Foods Annual Report on Form 10-K, dated February 23, 2011, File No. 1-16247).
10.19+	Flowers Foods, Inc. Change of Control Plan, dated as of February 23, 2012 (Incorporated by reference to Exhibit 10.1 to Flowers Foods Current Report on Form 8-K, dated February 29, 2012, File No. 1-16247).
10.20+	Form of 2012 Restricted Stock Agreement by and between Flowers Foods, Inc. and certain executive officers of Flowers Foods, Inc. (Incorporated by reference to Exhibit 10.16 to Flowers Foods Annual Report on Form 10-K, dated February 20, 2013, File No. 1-16247).

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Exhibit	
No	Name of Exhibit
10.21+	Form of 2013 Restricted Stock Agreement by and between Flowers Foods, Inc. and certain executive officers of Flowers Foods, Inc. (Incorporated by reference to Exhibit 10.17 to Flowers Foods Annual Report on Form 10-K, dated February 20, 2013, File No. 1-16247).
10.22+	Form of 2014 Restricted Stock Agreement by and between Flowers Foods, Inc. and certain executive officers of Flowers Foods, Inc. (Incorporated by reference to Exhibit 10.19 to Flowers Foods Annual Report on Form 10-K, dated February 19, 2014, File No. 1-16247).
10.23+	Form of 2014 Restricted Stock Agreement by and between Flowers Foods, Inc. and a certain executive officer of Flowers Foods, Inc. (Incorporated by reference to Exhibit 10.20 to Flowers Foods Annual Report on Form 10-K, dated February 19, 2014, File No. 1-16247).
*10.24+	Form of 2015 Restricted Stock Agreement by and between Flowers Foods, Inc. and certain executive officers of Flowers Foods, Inc.
*12.1	Computation of Ratio of Earnings to Fixed Charges.
*21	Subsidiaries of Flowers Foods, Inc.
*23	Consent of Independent Registered Public Accounting Firm, PricewaterhouseCoopers LLP.
*31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.3	Certification of Chief Accounting Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*32	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Allen L. Shiver, Chief Executive Officer, R. Steve Kinsey, Chief Financial Officer and Karyl H. Lauder, Chief Accounting Officer for the Year Ended January 3, 2015.
*101.INS	XBRL Instance Document.
*101.SCH	XBRL Taxonomy Extension Schema Linkbase.
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
*101.DEF	XBRL Taxonomy Extension Definition Linkbase.
*101.LAB	XBRL Taxonomy Extension Label Linkbase.
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase.

* Filed herewith

+ Management contract or compensatory plan or arrangement

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Flowers Foods, Inc. has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized on this 25th day of February, 2015.

FLOWERS FOODS, INC.

/s/ ALLEN L. SHIVER
Allen L. Shiver
*President and
Chief Executive Officer*

/s/ R. STEVE KINSEY
R. Steve Kinsey
*Executive Vice President and
Chief Financial Officer*

/s/ KARYL H. LAUDER
Karyl H. Lauder
Senior Vice President and Chief Accounting Officer

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Pursuant to the requirements of the Securities Exchange Act of 1934, this Form 10-K has been signed below by the following persons on behalf of Flowers Foods, Inc. and in the capacities and on the dates indicated.

Signature	Title	Date
/s/ ALLEN L. SHIVER Allen L. Shiver	President and Chief Executive Officer and Director	February 25, 2015
/s/ R. STEVE KINSEY R. Steve Kinsey	Executive Vice President and Chief Financial Officer	February 25, 2015
/s/ KARYL H. LAUDER Karyl H. Lauder	Senior Vice President and Chief Accounting Officer	February 25, 2015
/s/ GEORGE E. DEESE George E. Deese	Chairman	February 25, 2015
/s/ JOE E. BEVERLY Joe E. Beverly	Director	February 25, 2015
/s/ FRANKLIN L. BURKE Franklin L. Burke	Director	February 25, 2015
/s/ BENJAMIN H. GRISWOLD, IV Benjamin H. Griswold, IV	Director	February 25, 2015
/s/ MARGARET G. LEWIS Margaret G. Lewis	Director	February 25, 2015
/s/ AMOS R. MCMULLIAN Amos R. McMullian	Director	February 25, 2015
/s/ J.V. SHIELDS, JR. J.V. Shields, Jr.	Director	February 25, 2015
/s/ DAVID V. SINGER David V. Singer	Director	February 25, 2015

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/s/ JAMES T. SPEAR

Director

February 25, 2015

James T. Spear

/s/ MELVIN T. STITH, PH.D.

Director

February 25, 2015

Melvin T. Stith, Ph.D.

/s/ C. MARTIN WOOD III

Director

February 25, 2015

C. Martin Wood III

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FLOWERS FOODS, INC. AND SUBSIDIARIES

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Flowers Foods, Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, comprehensive income, changes in stockholders' equity and of cash flows present fairly, in all material respects, the financial position of Flowers Foods Inc. and its subsidiaries at January 3, 2015 and December 28, 2013, and the results of their operations and their cash flows for each of the three years in the period ended January 3, 2015 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 3, 2015, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these financial statements, for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in Management's Report on Internal Control over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on these financial statements and on the Company's internal control over financial reporting based on our integrated 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 audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the financial statements included 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, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ PricewaterhouseCoopers LLP

Atlanta, Georgia

February 25, 2015

Table of Contents**Index to Financial Statements****FLOWERS FOODS, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

	January 3, 2015	December 28, 2013
	(Amounts in thousands, except share data)	
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 7,523	\$ 8,530
Accounts and notes receivable, net of allowances of \$2,723 and \$1,598, respectively	235,911	253,967
Inventories:		
Raw materials	33,579	37,071
Packaging materials	19,591	21,188
Finished goods	39,930	42,592
	93,100	100,851
Spare parts and supplies	54,058	47,956
Deferred taxes	26,823	31,790
Other	43,148	44,311
Total current assets	460,563	487,405
Property, Plant and Equipment:		
Land	93,314	99,201
Buildings	441,444	444,357
Machinery and equipment	1,115,129	1,075,467
Furniture, fixtures and transportation equipment	124,173	107,866
Construction in progress	18,566	41,117
	1,792,626	1,768,008
Less: accumulated depreciation	(985,168)	(901,004)
	807,458	867,004
Notes Receivable	161,905	142,845
Assets Held for Sale	39,108	54,752
Other Assets	12,011	12,894
Goodwill	282,960	282,404