FLOWERS FOODS INC
Form 10-K
February 24, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended January 2, 2016

OR

o 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)

Georgia	58-2582379
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)
1919 Flowers Circle	
Thomasville, Georgia	31757
(Address of principal executive offices)	(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 x No o

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 o No x

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

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 x No o

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

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

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

Based on the closing sales price on the New York Stock Exchange on July 18, 2015 the aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant was $4,212,236,667.

On February 18, 2016, the number of shares outstanding of the registrant's Common Stock, $0.01 par value, was 212,296,832.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2016 Annual Meeting of Shareholders to be held May 26, 2016, which will be filed with the Securities and Exchange Commission on or about April 12, 2016, have been incorporated by reference into Part III, Items 10, 11, 12, 13 and 14 of this Annual Report on Form 10-K.

FORM 10-K REPORT

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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," "wil 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 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;
- disruptions in our direct-store-delivery distribution model, including litigation or an adverse ruling by a court or regulatory or governmental body that could affect the independent contractor classifications of the independent distributors;
- increases in employee and employee-related costs, including funding of pension plans;
- the credit, business, and legal risks associated with independent distributors and 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 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.

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 2015, 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 85%.

As used herein, references to "we," "our," "us," the "company," "Flowers" or "Flowers Foods" include the historical operating results and activities of the business operations that comprised Flowers Foods, Inc., as of January 2, 2016.

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 39 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 direct-store-delivery model to retail and foodservice customers in the Southeast, Mid-Atlantic, New England, Southwest, California and select markets in Nevada, the Midwest and the Pacific Northwest. The Warehouse Segment (16% of total sales) operates 10 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 2015, the DSD Segment's fresh bakery foods were available to approximately 85% of the U.S. population. Our DSD Segment is comprised of approximately 5,100 independent distributors who own the rights to distribute certain brands of our fresh packaged bakery foods in their geographic markets. The company has approximately 600 company-owned territories with the distribution rights for those territories available for sale and an additional 230 company owned and operated territories with the distribution rights that are not 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.

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

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. We believe our growth strategy has proven successful, evidenced by our sales and net income compound average annual growth rate of 8.1% and 6.7%, 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. Over the last ten years we have completed fourteen acquisitions that, at the time of each acquisition, added approximately $2.0 billion in annual revenue in the aggregate. 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.

Alpine Valley Bread acquisition (2015)

On October 13, 2015, the company completed the acquisition of Alpine Valley Bread Company ("Alpine"), a family-owned producer of certified organic and all natural breads in the U.S. The acquisition is intended to expand our penetration into the fast growing organic market and provide additional organic production capacity.

Dave’s Killer Bread acquisition (2015)

On September 12, 2015, the company completed the acquisition of Dave’s Killer Bread (“DKB”), the nation’s best-selling organic bread. We believe the acquisition of DKB strengthens our position as the second-largest baker in the U.S. by giving us access to the fast growing organic bread category and expanding our geographic reach into the Pacific Northwest.

Modesto, California acquisition (2013)

On July 27, 2013, the company completed the acquisition of a bun line in Modesto, California from ARYZTA that now serves the California market.

Hostess bread 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 began re-introducing the brands associated with the Acquired Hostess Bread Assets to the marketplace near the end of the third quarter of fiscal 2013.

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 that we have since sold to a third party. 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.

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 DSD distribution. At the end of 2015, we had expanded our population reach to approximately 85%, adding an additional 16 states for a total of 41. We exceeded our goal by expanding the reach of our existing bakeries into new territories and 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 markets adjacent to their current service areas. They accomplish this by partnering with retail and foodservice customers to serve new locations, adding our direct-store-delivery model, 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 2015 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.

From 2010 through 2015, we invested $420.2 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 2015, we opened the bread line at our Lenexa bakery which was acquired as part of the Acquired Hostess Bread Assets in July 2013. We opened the bun line during the third quarter of fiscal 2015. The bakery produces products for the Kansas, eastern Oklahoma, Missouri, and Nebraska markets under the Nature's Own, Wonder, and Home Pride brands. During fiscal 2015, we closed a DSD Segment production facility located in Morristown, Tennessee and relocated the production to one of our other DSD Segment bakeries located in Knoxville, Tennessee. The purpose was to take advantage of more efficient production capacity available at the Knoxville, Tennessee bakery.

On July 27, 2013, we completed the acquisition of 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. This bakery produces products for markets in southern Nevada and parts of California.

During the second quarter of fiscal 2014, we opened our Knoxville, Tennessee bakery that was acquired as a part of the Acquired Hostess Bread Assets. This bakery operates bread and bun lines and increased our production capacity for markets in Tennessee, Kentucky, and Ohio. We also opened a bun line at the Henderson, Nevada bakery and added a bread line to the Modesto, California bakery during fiscal 2014. These bakeries increased our production capacity for the California and Nevada markets.

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 fiscal 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 fiscal 2015, we had installed this automated shipping system in 36 of our bakeries. We intend to install this system in six to eight additional locations during fiscal 2016.

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.

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:

- Fair and equitable compensation and a balanced program of benefits;
- Working conditions that promote employees’ health and safety;
- 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 10,900 people. Approximately 1,150 of these employees are covered by collective bargaining agreements. We believe that we have good relations with our employees.

Brands & Products

Nature’s Own, including Whitewheat, is the best-selling loaf bread in the U.S., and its compound annual growth rate in retail sales since 2000 has been 10.1%. The Nature’s Own sales, at retail, were $1.1 billion for fiscal 2015.

Our DSD Segment brand activities during fiscal 2015 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 fiscal 2015 (source: IRI Total US MultiOutlet).
- Wonder brand Classic White Loaf returned to the market in 2013, and is continuing to be introduced into new markets in fiscal 2016, 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 (source: IRI Total US MultiOutlet).
- Home Pride brand Wheat Loaf returned to the market in 2013, and is continuing to be introduced into new markets in fiscal 2016, 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 (source: IRI Total US MultiOutlet).
- We launched Cobblestone Bread Co. ("CBC") brand of premium specialty bread, buns and rolls in 2014. CBC gets its inspiration from the restaurant and sandwich shop industry. CBC grew to $97.7 million in sales, at retail, for fiscal 2015 (source: IRI Total US MultiOutlet).
- We acquired DKB, the largest organic bread brand in North America, in September 2015. Its products have no artificial ingredients and are certified USDA organic, Non-GMO Project verified and are rich with protein, fiber and whole grains, and are seeded all the way around and through. DKB products are distributed in our DSD Segment. This acquisition adds a new category, products, and customers. We intend to expand our geographic reach into the Pacific Northwest as we implement our strategy.
- We acquired Alpine, a U.S. family-owned producer of certified organic all natural breads, in October 2015. This acquisition provides an organic brand for distribution in our Warehouse Segment. In addition, we will utilize excess production capacity to produce organic all natural breads for western markets.
- Tastykake brought a variety of new products to the market in fiscal 2015, including four flavors of Danish, Multi Pack Honey Buns, and three flavors of Mini Cupcakes which give consumers a delicious, portable and sharable new treat. New this year, the brand also introduced a seasonal calendar which included seasonal inspired flavors of Mini Donuts and Kandy Kakes. Flavors included Salted Caramel, Red Velvet, Blueberry, Orange Crème, Key Lime, Caramel Apple, Pumpkin Spice, Karrot Kake and Gingerbread.
- Seasonal products received several national features. The most notable features and awards include: (1) the featuring of Caramel Apple Mini Donuts, Salted Caramel Kandy Kakes and Gingerbread Kandy Kakes on delish.com's seasonal round ups, (2) a digital feature for fall mini donuts on Women's Day Magazine Instagram, and (3) best new product award for Salted Caramel Minis donuts by Progressive Grocer Editors.

Our Warehouse Segment markets a line of organic and specialty breads and rolls under the Alpine Valley Bread, 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.

In fiscal 2015, we had the following initiatives for the Mrs. Freshley's brand:

Mrs. Freshley's brought several innovative new products to market. These new product introductions included Red Velvet Cupcakes, Cinnamon Twirls and Cinnamon Mini Donuts both made with Cinnabon Cinnamon Vanilla and Chocolate Icers (iced crème filled layer cakes).

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 2015 accounted for 43.5% of sales. During fiscal 2015, our largest customer, Walmart/Sam's Club, represented 19.3% 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 years 2015, 2014 and 2013.

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 276 such stores, and reported sales of $82.2 million during fiscal 2015 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 direct-store-delivery model 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. The independent distributors are responsible for ordering products, stocking shelves, maintaining special displays, and visiting customers frequently to ensure adequate inventory and removing unsold goods.

To get fresh bakery foods to market, we use a network of approximately 5,930 territories to distribute Flowers DSD Segment brands in specified geographic markets. The company has sold the majority of the distribution rights for these territories to independent distributors under long-term financing arrangements. The independent distributor model is designed to provide retail and foodservice customers with superior service. Independent distributors, highly motivated by financial incentives from their distribution rights 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 distribution rights 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 $6.8 million in fiscal 2015, $6.6 million in fiscal 2014, and $5.2 million in fiscal 2013. 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 trends. These orders are electronically transmitted to the appropriate bakery on a nightly basis. This model is designed to provide distributors with 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 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 scan-based trading technology (referred to as “pay by scan” or “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 2015 approximately $1.2 billion 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, shortening, and water. 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.

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, but some organic ingredients do not offer the same hedging opportunities to reduce the impact of price volatility. Any decrease in the supply available under these agreements and instruments could increase the effective price of these raw materials to us and significantly impact 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, the Department of Commerce, and the Department of Labor. We also are subject to the regulations of various state agencies, with respect to production processes, product quality, packaging, labeling, storage, distribution, labor, and local regulations regarding the licensing of bakeries 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.

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 $35 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 November 2012, Hostess, which had been in bankruptcy for six of the last nine years, ceased production and announced it would liquidate. This event impacted the industry as Hostess sales shifted to other producers to meet marketplace needs. These producers 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 Apollo Global Management and C. Dean Metropoulous & Co.

The current competitive landscape for breads and rolls in the U.S. baking industry now consists of 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 retail fresh packaged bread accounts for approximately 26% of the dollar sales and approximately 39% of unit sales and has remained stable for the past five years.

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 fresh packaged bakery snack products include Hostess cake products, McKee Foods Corporation (Little Debbie and Drake's), ARYZTA (Cloverhill Bakery), and BBU.

Competitors for frozen bakery products include Alpha Baking Co., Inc., Rotella's Italian Bakery, Highland Baking Company, 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.

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, shortening, and water 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 or availability 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 or availability. Our failure to enter into 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. The independent distributors and third-party transportation 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 potential 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.

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

A material negative change in our relationship with the independent distributors, litigation or one or more adverse rulings by courts or regulatory or governmental bodies in various jurisdictions regarding our independent distributorship model, including actions or decisions that could affect the independent contractor classifications of the independent distributors, or an adverse judgment against the company for actions taken by the independent distributors could materially and negatively affect our financial condition, results of operations, and cash flows.

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.

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 43.5% of our sales during fiscal 2015. Our largest customer, Walmart/Sam's Club, accounted for 19.3% 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 2015, we acquired DKB and Alpine and in fiscal 2013 we acquired the Acquired Hostess Bread Assets, certain assets and the Sara Lee trademark licenses from BBU in California, and 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.

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.

We are subject to increasing legal complexity and could be party to litigation that may adversely affect our business.

Increasing legal complexity may negatively affect our operations and results in material ways. We could be subject to legal proceedings that may adversely affect our business, including class actions, administrative proceedings, government investigations, employment and personal injury claims, disputes with current or former suppliers, claims by current or former independent distributors, and intellectual property claims (including claims that we infringed another party's trademarks, copyrights, or patents). Inconsistent standards imposed by governmental authorities can adversely affect our business and increase our exposure to litigation. Litigation involving our independent distributor model and the independent contractor classification of the independent distributors, if determined adversely, could increase costs, negatively impact the business prospects of the independent distributors and subject us to incremental liability. We are also subject to the legal and compliance risks associated with privacy, data collection, protection and management, in particular as it relates to information we collect when we provide products to customers.

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 trusteed, noncontributory defined benefit pension plans covering certain employees maintained under the U.S. Employee Retirement Income Security Act of 1974 ("ERISA"). The funding obligations for our pension plans are impacted by the performance of the financial markets, including the performance of our common stock, which comprised approximately 11.8% of all the pension plan assets as of January 2, 2016.

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.

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, security breaches or intrusions (including theft of customer, consumer or other confidential data), and viruses. If we are unable to prevent physical and electronic break-ins, cyber-attacks and other information security breaches, we may suffer financial and reputational damage, be subject to litigation or incur remediation costs or penalties because of the unauthorized disclosure of confidential information belonging to us or to our partners, customers, suppliers or employees.

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. In addition, the marketing and labeling 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 and labeling under federal, state or local laws or regulations. Uncertainty regarding labeling standards has led to customer confusions and legal challenges.

Compliance with federal, state and local regulations is costly and time consuming. Failure to comply with, or violations of, applicable laws and the regulatory requirements of one or more of these agencies could subject us to civil remedies, including fines, injunctions, recalls or seizures, as well as potential criminal sanctions, any of which could result in increased operating costs and adversely affect our results of operations and financial condition. Legal proceedings or claims related to our marketing could damage our reputation and/or adversely affect our business or financial results.

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.

EXECUTIVE OFFICERS

Name, Age and Office	Business Experience
Allen L. Shiver Age 60 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 55 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.
Bradley K. Alexander Age 57 Executive Vice President and Chief Operating	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.

Officer	
Stephen R. Avera Age 59 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.
D. Keith Wheeler Age 52 President, Flowers Bakeries	Mr. Wheeler 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.
Robert B. Hysell Age 57 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.

Name, Age and Office	Business Experience
Marta Jones Turner Age 62 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.
Robert L. Benton, Jr. Age 58 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.
H. Mark Courtney Age 55 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.
David A. Hubbard Age 46 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 time, Mr. Hubbard was the IT Director, SAP Technology and eBusiness from 2003 through early 2011.
Karyl H. Lauder	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

Age 59 Senior Vice President and Chief Accounting Officer	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 time, 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 bakery locations since 1978.
Craig Parr Age 46 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.
Dan W. Stone Age 59 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 bakery locations since joining the company in 1979.
Tonja Taylor Age 56 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.

Item 1B. Unresolved Staff Comments.
None

Item 2. Properties
The company currently operates 49 bakeries, of which 46 are owned and three are leased, and one mix plant. We believe our properties are in good condition, well maintained, and sufficient for our present operations. During fiscal 2015, 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

State	City	State	City
Alabama	Birmingham	Louisiana	New Orleans
Alabama	Opelika	Maine	Lewiston (2 locations)
Alabama	Tuscaloosa	Nevada	Henderson
Arizona	Phoenix	North Carolina	Goldsboro
Arizona	Tolleson	North Carolina	Jamestown
Arkansas	Batesville	North Carolina	Newton
California	Modesto (Leased)	Oregon	Milwaukie (Leased)
Florida	Bradenton	Pennsylvania	Oxford
Florida	Jacksonville	Pennsylvania	Philadelphia (Leased)
Florida	Lakeland	Tennessee	Knoxville
Florida	Miami	Texas	Denton
Georgia	Atlanta	Texas	El Paso
Georgia	Savannah	Texas	Houston (2 locations)
Georgia	Thomasville	Texas	San Antonio
Georgia	Villa Rica	Texas	Tyler
Kansas	Lenexa	Vermont	Brattleboro
Kentucky	Bardstown	Virginia	Lynchburg
Louisiana	Baton Rouge	Virginia	Norfolk
Louisiana	Lafayette		

Warehouse Segment

State	City	State	City
Alabama	Montgomery	Iowa	Cedar Rapids (mix plant)
Arizona	Mesa (2 locations)	Kentucky	London
Arkansas	Texarkana	North Carolina	Winston-Salem
Georgia	Suwanee	Tennessee	Cleveland
Georgia	Tucker	Tennessee	Crossville

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.

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 believes it is currently in substantial compliance with all material environmental regulations affecting the company and its properties.

On September 12, 2012, a complaint was filed in the U.S. District Court for the Western District of North Carolina (Charlotte Division) by Scott Rehberg, Willard Allen Riley and Mario Ronchetti against the company and its subsidiary, Flowers Baking Company of Jamestown, LLC. Plaintiffs are or were distributors of our Jamestown subsidiary who contend they were misclassified as independent contractors. The action sought class certification on behalf of a class comprised of independent distributors of our Jamestown subsidiary who are classified as independent contractors. In March 2013, the court conditionally certified the class action for claims under the Fair Labor Standards Act (“FLSA”). On March 23, 2015, the court re-affirmed its FLSA certification decision and also certified claims under state law. On February 12, 2016, the court dismissed the parties’ respective motions for summary judgement with the exception of the plaintiffs’ motions related to a waiver of state wage statute claims and waiver of the right to seek liquidated damages.

At this time, the company is also aware of seventeen other complaints alleging misclassification claims that have been filed. The company and/or its respective subsidiaries are vigorously defending these lawsuits. Given the stage of the complaints and the claims and issues presented, the company cannot reasonably estimate at this time the possible loss or range of loss, if any, that may arise from the unresolved lawsuits.

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.

	Fiscal 2015			Fiscal 2014		
	Market Price		Dividend	Market Price		Dividend
Quarter	High	Low		High	Low	
First	$23.62	$18.66	$0.1325	$22.22	$18.70	$0.1125
Second	$23.56	$20.33	$0.1450	$21.42	$19.71	$0.1200
Third	$26.27	$20.51	$0.1450	$21.28	$17.83	$0.1200
Fourth	$27.31	$21.34	$0.1450	$20.25	$17.46	$0.1325

Holders

As of February 18, 2016, there were approximately 3,674 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.

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 2, 2016.

Plan Category	Number of Securities to be Issued Upon Exercise of	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column(a))

	Outstanding Options, Warrants and Rights (a)	(b)	(c)
	(Amounts in thousands, except per share data)		
Equity compensation plans approved by security holders	4,353	$ 10.97	7,081
Equity compensation plans not approved by security holders	—	—	—
Total	4,353	$ 10.97	7,081

Under the company's 2014 Omnibus Equity and Incentive Compensation Plan (the "Omnibus Plan"), 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 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 Annual Executive Bonus Plan. As a result, no additional shares will be issued under the EPIP. 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 approved a plan that authorized share repurchases of up to 67.5 million shares of the company's common stock. 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 2, 2016, 13.7 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 or under an accelerated repurchase program 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 2015 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 25, 2015	318,399	$ 6,858
During the quarter ended July 18, 2015	—	$ —
During the quarter ended October 10, 2015	—	$ —
During the quarter ended January 2, 2016	—	$ —
Total	318,399	$ 6,858

From the inception of the plan through January 2, 2016, 60.9 million shares, at a cost of $504.1 million, have been purchased.

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 1, 2011 through December 31, 2015, the last trading day of our 2015 fiscal year.

	January 1, 2011	December 31, 2011	December 29, 2012	December 28, 2013	January 3, 2015	January 2, 2016
FLOWERS FOODS INC	100.00	109.03	135.67	193.29	177.71	204.69
S&P 500 INDEX	100.00	102.11	116.48	156.23	178.27	180.78
S&P 500 PACKAGED FOODS & MEAT INDEX	100.00	117.19	127.85	168.27	188.79	221.58
S&P MIDCAP 400 INDEX	100.00	98.27	114.01	153.92	169.65	166.09

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 1, 2011. Flowers Foods’ share price is also indexed to $100 at January 1, 2011. These prices have been adjusted for stock splits.

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Item 6. Selected Financial Data

The selected consolidated historical financial data presented below as of and for the fiscal years 2015, 2014, 2013, 2012, and 2011 have been derived from the audited Consolidated Financial Statements of the company. 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.

	For Fiscal Year				
	Fiscal 2015 52 Weeks	Fiscal 2014 53 Weeks	Fiscal 2013 52 Weeks	Fiscal 2012 52 Weeks	Fiscal 2011 52 Weeks
	(Amounts in thousands, except per share data)				
Statement of Income Data:					
Sales	$3,778,505	$3,748,973	$3,732,616	$3,031,124	$2,759,367
Net income	$189,191	$175,739	$230,894	$136,121	$123,428
Net income attributable to Flowers Foods, Inc. common shareholders per basic share	$0.90	$0.84	$1.11	$0.66	$0.61
Net income attributable to Flowers Foods, Inc. common shareholders per diluted share	$0.89	$0.82	$1.09	$0.66	$0.60
Cash dividends per common share	$0.5675	$0.4850	$0.4440	$0.4200	$0.3890
Balance Sheet Data:					
Total assets	$2,885,168	$2,408,974	$2,504,014	$1,995,849	$1,553,998
Long-term debt and capital lease obligations	$933,932	$728,940	$892,478	$535,016	$283,406

Notes to the Selected Financial Data table for additional context

1. Fiscal 2015 includes the results of DKB and Alpine as of and from the date of each acquisition.
2. 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 were made for all periods presented in the fiscal 2014 Form 10-K.
3. Fiscal 2014 includes the impact of a $15.4 million pension settlement loss.
4. Fiscal 2013 includes the recording of a bargain purchase gain of $50.1 million at the time of the Sara Lee California acquisition.
5. Fiscal 2013 includes the results of Modesto, Sara Lee California, and the Acquired Hostess Bread Assets as of and from the date of each acquisition.
6. Fiscal 2012 includes the results of Lepage as of and from the date of the acquisition.
7. Fiscal 2012 includes the issuance of our $400.0 million senior notes due 2022.
8. Fiscal 2011 includes the results of Tasty Baking Company as of and from the date of the 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.
- 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 significant events that will provide additional context while reading this discussion. Fiscal 2014 was a 53 week year while fiscal 2015 and fiscal 2013 were 52 week years. These events include:

- Further expansion into the organic bread market — As discussed below, we have recently completed two strategic acquisitions, Dave's Killer Bread and Alpine Valley Bread Company, which we believe strengthen our position in the fast growing organic bread market.
- Alpine Valley Bread Company acquisition — On October 13, 2015, we completed the acquisition of Alpine Valley Bread Company ("Alpine"), a family-owned producer of certified organic and all-natural breads in the U.S., for approximately $121.9 million in cash and stock. Alpine has two production facilities in Mesa, Arizona and is included in our Warehouse Segment. The acquisition expands our penetration into the organic market and provides additional organic production capacity. We funded the cash portion of the purchase price for the Alpine acquisition with our existing credit facilities and also issued 481,540 shares of our common stock to fund the equity portion of the purchase price.
- Dave's Killer Bread acquisition — On September 12, 2015, we completed the acquisition of Dave's Killer Bread ("DKB") for total cash payments of approximately $282.1 million inclusive of payments for certain tax benefits. The acquisition has been accounted for as a business combination and is included in our DSD Segment. We believe the acquisition strengthens our position as the second-largest baker in the U.S. by giving us greater access to the fast growing organic bread category and expanding our geographic reach into the Pacific Northwest. DKB operates one production facility in Milwaukie, Oregon. We funded the purchase price of the DKB acquisition with cash on hand and borrowings from our existing credit facilities.
- Amendment to accounts receivable securitization facility — On August 20, 2015, we amended our accounts receivable securitization facility (the "facility") to extend the term to August 11, 2017 and to add a leverage pricing grid. The amendment was accounted for as a modification. We drew down on the facility to fund the purchase price of the DKB acquisition.
- Plant closing — During the third quarter of fiscal 2015, we closed our DSD Segment production facility located in Morristown, Tennessee and relocated this production to one of our other DSD Segment facilities located in Knoxville, Tennessee. Costs associated with the closure were $0.7 million and are included in our fiscal 2015 results of operations.
- Impairment of assets — During fiscal 2015 and 2014, we recorded impairment charges of $2.3 million and $5.8 million, respectively, on certain properties that are currently held for sale. Additionally, during fiscal 2015, we decided to close a production line at one of our DSD Segment bakeries and transition this production to another

facility, recording an impairment loss of $1.5 million on the equipment we no longer intend to use. During the second quarter of 2014, we decided to sell certain assets at our Ft. Worth, Texas tortilla facility and recognized an impairment loss on goodwill of $2.6 million and an impairment loss of $1.9 million on assets to be scrapped. The sale was completed in the third quarter of fiscal 2014.

- Amendment to the credit facility — On April 21, 2015, we amended our existing senior unsecured revolving loan facility (the "credit facility"). The amendment to the credit facility extended the term to April 21, 2020, reduced the applicable margin on base rate and Eurodollar loans and reduced the facility fees.

- Opening of Lenexa, Kansas bakery — During the second quarter of fiscal 2015, we opened the bread line at our Lenexa bakery which was acquired as part of the Acquired Hostess Bread Assets (defined below) in July 2013. We opened the bun line during the third quarter of fiscal 2015. The bakery produces products for the Kansas, eastern Oklahoma, and Missouri markets under the Nature's Own, Wonder, and Home Pride brands.
- Roman Meal trademark acquisition — On February 25, 2015, we announced that we acquired the Roman Meal trademark from the Roman Meal Company in Tacoma, Washington. This trademark acquisition for breads and buns in the United States and its territories, and in Mexico, Canada, Bermuda, and the Bahamas is being accounted for as an asset purchase and is being amortized over 20 years.
- 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 were made for all periods presented in the fiscal 2014 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 acquired assets — 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"). Subsequent to the acquisition of the Acquired Hostess Bread Assets, we determined that certain of these plants and depots do not fit into our long-term operating strategy, and we are actively marketing them for sale. Several of these plants and depots have already been sold and the remainder are classified as held for sale in our Consolidated Balance Sheets included in this Form 10-K. We expect these sales to continue into fiscal 2016. We received a total of $9.1 million during fiscal 2015 from the sale of these assets classified as held for sale. During fiscal 2015 and fiscal 2014, we recognized impairments of $2.0 million and $5.8 million, respectively, on certain of the plants and depots acquired as part of the Acquired Hostess Bread Assets. Also, we recorded carrying costs associated with all the Acquired Hostess Bread Asset plants and depots not currently in operation of approximately $12.8 million, $19.5 million and $10.6 million during fiscal 2015, fiscal 2014 and fiscal 2013, respectively. Carrying costs include workforce-related costs, property taxes, utilities and depreciation, among other costs. The carrying costs and impairment charges are included in our Consolidated Statements of Income.

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 49 operating bakeries in 18 states that produce a wide range of breads, buns, rolls, snack cakes, and tortillas.

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 sold and 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 85% 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 the independent distributor to provide to retail and foodservice customers.

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 2015, 2014, and 2013, the company had capital expenditures of $90.8 million, $83.8 million, and $99.2 million, respectively.

Consumers and our product portfolio

Flowers 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 help ensure our bakery products remain on trend with consumers' changing taste, texture, and flavor trends. 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 emerging trend of consumers demanding baked foods with a healthier profile. Nature's Own, from inception, has offered baked foods with no artificial flavors, colors, or preservatives.

On October 13, 2015, we completed the acquisition of Alpine and their product line of super premium organic and all-natural bread products. These products, which are warehouse delivered, are marketed under the Alpine Valley Bread brand and further extend our organic product line.

On September 12, 2015, we completed the DKB acquisition, which includes a full product line of super premium whole-grain 100% organic and non-GMO bakery products sold under the Dave's Killer Bread label, the leading organic bread brand in the U.S.

On July 19, 2013, we completed the acquisition of the Acquired Hostess Bread Assets, which included the Wonder, Merita, Home Pride and Butternut brands. These brands were taken off the market when Hostess ceased operations in November 2012. Late in the third quarter of fiscal 2013, we began re-introducing these brands to the marketplace within our DSD Segment. We plan to continue to re-introduce these brands as we expand into new markets.

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. In 2011, the company acquired Tasty Baking Co. ("Tasty") and its extensive line of Tastykake branded snack cakes. Since the acquisition of Tasty, we have expanded the distribution of the Tastykake products throughout our territories and expect to continue this expansion.

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 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 delivered to the retailer. In addition, PBS permits the manufacturer to more accurately track trends in product sales and manage inventory. In fiscal years 2015, 2014, and 2013, the company recorded \$1.2 billion, \$1.2 billion, and \$1.1 billion, 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 short and 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, Hostess Brands, LLC (“Hostess LLC”), formed by the outside investment group of Apollo Global Management and C. Dean Metropoulous & Co.

Sales are principally affected by pricing, quality, brand recognition, new product introductions, product line extensions, marketing, and service. Sales for fiscal 2015 increased 0.8% as compared to fiscal 2014. This change was due to both volume increases and the DKB and Alpine acquisition contribution, partially offset by the lack of a 53rd week in fiscal 2015 as compared to fiscal 2014.

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, 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, in no particular order of importance, 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;
- stock-based compensation; and
- commitments and contingencies.

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 2015, the company recorded $1.2 billion in sales through PBS. The company will continue to implement PBS technology for current PBS customers as they open new retail stores during 2016. In addition, new PBS customers will begin implementation during 2016. 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 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.

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. As discussed above, during fiscal 2015, we decided to close a production line at one of our bakeries and transition this production to another facility. We recognized an impairment loss of $1.5 million on the equipment we no longer intend to use. Based on management's evaluation, no impairment charges relating to long-lived held and used assets were recorded for fiscal years 2014 or 2013.

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 in excess of $700 million in each reporting unit in fiscal 2015. Based on management's evaluation, other than the $2.6 million impairment loss related to our Ft. Worth, Texas tortilla facility discussed above, no other impairment charges relating to goodwill were recorded for the fiscal years 2015, 2014, or 2013.

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 2015, 2014, or 2013.

The company also owns $414.0 million of trademarks acquired in acquisitions that are indefinite-lived intangible assets not subject to amortization. A total of $144.0 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 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. During fiscal 2015, in conjunction with the DKB and Alpine acquisitions, we determined that the Barowsky's trademark acquired in the Lepage acquisition would be used on a more regional basis as an organic brand rather than distributed nationally, and therefore is deemed to have a finite life. We began amortizing this trademark in fiscal 2015.

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. There were no impairments recorded on intangible assets not subject to amortization for the fiscal years 2015, 2014 and 2013.

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 current or 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 fiscal 2012 and is currently under audit for fiscal years 2012 through 2014.

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.

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 income of $6.0 million on our qualified defined benefit plans for fiscal 2015. We 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 $6.2 million on our qualified defined benefit plans for fiscal 2016.

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 supported 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.

On January 1, 2016, the company began providing pension plan participants who have not yet started their payments the option to receive their benefit as a single lump sum payment. Participants can elect this option when they retire or when they leave the company. This change supports our long-term pension risk management strategy. The amount of the lump sum payments may trigger a settlement charge in fiscal 2016 but at this time we are not able to estimate the possible impact, if any.

In 2016, we will refine the method used to estimate service cost and interest cost components of net periodic benefit costs. Historically, we estimated the service cost and interest cost components using a single weighted average discount rate derived from the yield curve used to measure the benefit obligation at the beginning of the period. Going forward, we will use a spot rate approach to estimate these components of benefit cost by applying the specific spot rates along the yield curve to the relevant projected cash flows, as we believe this provides a better estimate of service and interest costs. We consider this a change in estimate and accordingly, will account for it prospectively starting in 2016. This change does not affect the measurement of our total benefit obligation.

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 2015, as compared with the average annual return on the plans' assets over the past 15 years of approximately 6.9% (net of expenses). The plan has an average annual rate of return since inception in 1987 of 9.1% (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. In October 2014, the SOA published final reports on their "standard" mortality table ("RP-2014") and mortality improvement scale ("MP-2014"). In October 2015, the SOA published a revised mortality improvement scale ("MP-2015"). Based on an evaluation of the information released in 2015, the Company updated the mortality assumptions for purposes of measuring pension benefit obligations at year-end 2015. The Company will continue to use the standard mortality tables and mortality improvement scale with adjustments to the base table as applicable: 15% adjustment for Plan No. 1 and blue collar adjustment for Plan No. 2. The change to the mortality assumption decreased the year-end pension benefit obligations by $6.3 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' 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, 2015 for the pension plans the company sponsors is $144.1 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 2016 is expected to be approximately $6.2 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 2015 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"):

	0.25%	(0.25%)	0.25%	(0.25%)
Percentage increase (decrease)	Discount Rate	Discount Rate	EROA	EROA
Estimated change in FY 2015 pension costs	$ (121)	$ 116	$ (927)	$ 927
Estimated change in FY 2015 year-end benefit obligations	$ (11,651)	$ 12,215	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 2013, 2014, and 2015, 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. The payouts for the TSR and ROIC shares to be issued in fiscal 2016 (on the 2014 awards) are estimated to be 27% and 96%, respectively.

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.

Commitments and contingencies. The company and its subsidiaries from time to time are parties to, or targets of, lawsuits, claims, investigations and proceedings, including personal injury, commercial, contract, environmental, antitrust, product liability, health and safety and employment matters, including lawsuits related to the independent distributors, 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.

Results of Operations

Matters Affecting Analysis

Fiscal 2014 Week 53. The sales impact in our Consolidated Statements of Income for fiscal 2014 week 53 was $63.2 million. The DSD Segment and Warehouse Segment impact was $53.4 million and $9.8 million, respectively. The impact to fiscal 2014 earnings per share was $0.01 per share.

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 2015 and 2013 consisted of 52 weeks.

Revision of prior period sales and Impairment of Assets. Refer to the “Overview” section above for a description of each of these items. Acquisitions are described below.

Alpine Valley Bread acquisition (2015)

On October 13, 2015, the company completed the acquisition of Alpine Valley Bread Company, a family-owned producer of certified organic and all natural breads in the U.S. The acquisition expands our penetration into the organic market and provides additional organic production capacity.

Dave’s Killer Bread acquisition (2015)

On September 12, 2015, the company completed the acquisition of Dave’s Killer Bread, the nation’s best-selling organic bread. We believe the acquisition of DKB strengthens our position as the second-largest baker in the U.S. by giving us access to the fast growing organic bread category and expanding our geographic reach into the Pacific Northwest.

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 Bread assets acquisition (2013)

On July 19, 2013, the company completed the Acquired Hostess Bread Assets acquisition for a total cash payment of $355.3 million. We continue to incur carrying costs on the acquired properties and depots not currently in operation and in fiscal 2015, fiscal 2014 and fiscal 2013, these costs were $12.8 million, $19.5 million and $10.6 million, respectively. These costs include workforce-related costs, property taxes, utilities, and depreciation, among other costs and 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 began re-introducing the brands associated with the Acquired Hostess Bread Assets to the marketplace in the third quarter of fiscal 2013.

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.

The company's results of operations, expressed as a percentage of sales, are set forth below for fiscal 2015 and 2014 (by segment):

	Fiscal 2015 52 weeks	Fiscal 2014 53 weeks	Percentage of Sales Fiscal 2015 52 weeks	Percentage of Sales Fiscal 2014 53 weeks	Increase (Decrease) Dollars	Increase (Decrease) %
	(Amounts in thousands)				(Amounts in thousands)	
Sales						
DSD Segment	$3,179,348	$3,155,607	84.1	84.2	$23,741	0.8
Warehouse Segment	599,157	593,366	15.9	15.8	5,791	1.0
Total	$3,778,505	$3,748,973	100.0	100.0	$29,532	0.8
Materials, supplies, labor and other production costs (exclusive of depreciation and amortization shown separately below)						
DSD Segment(1)	$1,532,738	$1,515,536	48.2	48.0	$17,202	1.1
Warehouse Segment(1)	430,415	435,097	71.8	73.3	(4,682)	(1.1)
Total	$1,963,153	$1,950,633	52.0	52.0	$12,520	0.6
Selling, distribution and administrative expenses						
DSD Segment(1)	$1,224,677	$1,231,651	38.5	39.0	$(6,974)	(0.6)
Warehouse Segment(1)	96,742	91,652	16.1	15.4	5,090	5.6
Corporate(2)	60,108	44,986	—	—	15,122	33.6
Total	$1,381,527	$1,368,289	36.6	36.5	$13,238	1.0
Depreciation and amortization						
DSD Segment(1)	$115,801	$113,881	3.6	3.6	$1,920	1.7
Warehouse Segment(1)	16,734	15,166	2.8	2.6	1,568	10.3
Corporate(2)	(360)	(86)	—	—	(274)	NM
Total	$132,175	$128,961	3.5	3.4	$3,214	2.5
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)	$3,771	$10,308	0.1	0.3	$(6,537)	NM
Warehouse Segment(1)	—	—	—	—	—	—
Corporate(2)	—	—	—	—	—	—
Total	$3,771	$10,308	0.1	0.3	$(6,537)	NM
Income from operations						
DSD Segment(1)	$302,361	$284,231	9.5	9.0	$18,130	6.4

Warehouse Segment(1)	55,266	51,451	9.2	8.7	3,815	7.4
Corporate(2)	(59,748)	(60,287)	—	—	539	0.9
Total	$297,879	$275,395	7.9	7.3	$22,484	8.2
Interest expense, net	$4,848	$7,341	0.1	0.2	$(2,493)	(34.0)
Income taxes	$103,840	$92,315	2.7	2.5	$11,525	12.5
Net income	$189,191	$175,739	5.0	4.7	$13,452	7.7

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 2014 and 2013 (by segment):

	Fiscal 2014	Fiscal 2013	Percentage of Sales		Increase (Decrease)	
			Fiscal 2014	Fiscal 2013	Dollars	%
	53 weeks	52 weeks	53 weeks	52 weeks		
	(Amounts in thousands)				(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	0.0	$15,387	NM
Impairment of Assets						
DSD Segment(1)	$10,308	$—	0.3	0.0	$10,308	NM
Warehouse Segment(1)	—	—	—	—	—	—
Corporate(2)	—	—	—	—	—	—
Total	$10,308	$—	0.3	0.0	$10,308	NM
Gain on acquisition						
DSD Segment(1)	$—	$50,071	0.0	1.6	$(50,071)	NM

Warehouse Segment(1)	—	—	0.0	0.0	—	—
Corporate(2)	—	—	—	—	—	—
Total	$—	$50,071	0.0	1.3	$(50,071)	NM
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)

1. As a percentage of revenue within the reporting segment.
2. The corporate segment has no revenues.

NM – the computation is not meaningful

CONSOLIDATED AND SEGMENT RESULTS

Fiscal 2015 compared to Fiscal 2014

Consolidated Sales

	Fiscal 2015 52 weeks $ (Amounts in thousands)	%	Fiscal 2014 53 weeks $ (Amounts in thousands)	%	% Increase (Decrease)
Branded Retail	$2,150,624	56.9	$2,102,028	56.1	2.3
Store Branded Retail	571,594	15.1	608,617	16.2	(6.1)
Non-retail and Other	1,056,287	28.0	1,038,328	27.7	1.7
Total	$3,778,505	100.0	$3,748,973	100.0	0.8

The 0.8% increase in sales was attributable to the following:

Percentage Point Change in Sales Attributed to:	Favorable (Unfavorable)
Pricing/Mix	0.2
Volume	1.0
Acquisitions	1.3
Week 53 impact from Fiscal 2014	(1.7)
Total Percentage Change in Sales	0.8

Sales category discussion

Overall, sales increased in fiscal 2015 due primarily to the DKB and Alpine acquisitions and volume growth in both the branded retail and non-retail categories. These increases were partially offset by the impact of the additional week in fiscal 2014 which affected all categories, and volume declines in the store branded retail category. The increase in branded retail sales was due primarily to the DKB and Alpine acquisition contribution, volume increases from the re-introduction of the brands we acquired as part of the Acquired Hostess Bread Assets and growth in our expansion markets (defined as new markets we entered into in the last five years), partially offset by the impact of the additional week in fiscal 2014. The decrease in store branded retail sales was due primarily to volume decreases from certain exited business, a shift to branded products and the impact of the additional week in fiscal 2014. The increase in non-retail and other sales, which include contract manufacturing, vending and foodservice, was largely due to significant volume increases in foodservice. The increase was partially offset by volume declines in contract manufacturing due to exiting the non-retail tortilla business in the second half of fiscal 2014, as well as declines in pricing/mix and the impact of the additional week in fiscal 2014.

DSD Segment Sales

	Fiscal 2015 52 weeks $ (Amounts in thousands)	%	Fiscal 2014 53 weeks $ (Amounts in thousands)	%	% Increase (Decrease)
Branded Retail	$2,010,792	63.2	$1,971,851	62.5	2.0
Store Branded Retail	457,234	14.4	486,886	15.4	(6.1)
Non-retail and Other	711,322	22.4	696,870	22.1	2.1
Total	$3,179,348	100.0	$3,155,607	100.0	0.8

The 0.8% increase in sales was attributable to the following:

Percentage Point Change in Sales Attributed to:	Favorable (Unfavorable)
Pricing/Mix	0.3
Volume	1.0
Acquisition	1.2
Week 53 impact from Fiscal 2014	(1.7)
Total Percentage Change in Sales	0.8

Sales category discussion

The increase in branded retail sales was due primarily to the DKB acquisition contribution and volume increases driven by the re-introduction of the brands we acquired as part of the Acquired Hostess Bread Assets and in our expansion markets, partially offset by the impact of the additional week in fiscal 2014. The decrease in store branded retail sales was due primarily to volume decreases from certain exited business, the impact of the additional week in fiscal 2014 and a shift to branded products. The increase in non-retail and other sales, which include contract manufacturing, vending and foodservice, was largely due to volume increases in foodservice, partially offset by the impact of the additional week in fiscal 2014.

Warehouse Segment Sales

	Fiscal 2015 52 weeks $ (Amounts in thousands)	%	Fiscal 2014 53 weeks $ (Amounts in thousands)	%	% Increase (Decrease)
Branded Retail	$139,832	23.3	$130,177	21.9	7.4
Store Branded Retail	114,360	19.1	121,731	20.5	(6.1)
Non-retail and Other	344,965	57.6	341,458	57.6	1.0
Total	$599,157	100.0	$593,366	100.0	1.0

The 1.0% increase in sales was attributable to the following:

Percentage Point Change in Sales Attributed to:	Favorable (Unfavorable)
Pricing/Mix	(0.1)

Volume	0.7
Acquisition	2.0
Week 53 impact from Fiscal 2014	(1.6)
Total Percentage Change in Sales	1.0

Sales category discussion

Branded retail sales increased due to the Alpine acquisition contribution, partially offset by the impact of the additional week in fiscal 2014. Store branded retail sales decreased due to significant volume declines in store branded cake and the impact of the additional week in the prior year. The increase in non-retail and other sales, which include contract manufacturing, vending and foodservice (including tortillas), was due primarily to significant volume increases in foodservice sales, partially offset by declines in contract manufacturing due to exiting the non-retail tortilla business in the second half of fiscal 2014, lower mix sales and the impact of the additional week in the prior year.

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	Fiscal 2015 % of sales	Fiscal 2014 % of sales	Increase (Decrease) as a % of sales
Ingredients	25.3	25.9	(0.6)
Workforce-related costs	14.1	13.7	0.4
Packaging	4.7	4.6	0.1
Utilities	1.6	1.7	(0.1)
Other	6.3	6.1	0.2
Total	52.0	52.0	—

Lower ingredient costs as a percent of sales, decreases in carrying costs, excluding depreciation, associated with the acquired Hostess facilities acquired as part of the Acquired Hostess Bread Assets, as well as, improved manufacturing efficiencies were offset by higher costs as a percent of sales for the acquired companies and higher workforce-related costs as a percent of sales. Ingredient costs decreased as a percent of sales largely due to lower prices for flour, sweeteners and oils and increases in outside purchases of product (sales with no associated ingredient costs), partially offset by higher egg prices and higher costs for the organic ingredients. This outside purchased product is included in the other line item above and largely relates to purchases of DKB products from co-manufacturers due to capacity constraints and higher outside purchases of product for the Warehouse Segment. Increases in workforce-related costs as a percent of sales primarily resulted from higher employee incentive costs and the incremental costs of adding productions lines, partially offset by increases 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	Fiscal 2015 % of sales	Fiscal 2014 % of sales	Increase (Decrease) as a % of sales
Ingredients	22.7	23.4	(0.7)

Workforce-related costs	12.3	12.0	0.3
Packaging	3.3	3.4	(0.1)
Utilities	1.5	1.6	(0.1)
Other	8.4	7.6	0.8
Total	48.2	48.0	0.2

The DSD Segment's decrease in ingredient costs as a percent of sales was attributable to lower pricing on flour, sweeteners and oils for core bakeries, decreases in sales of product to the Warehouse Segment (ingredient costs with no associated sales), increases in outside purchases of product (sales with no associated ingredient cost) and lower stales. Higher costs for DKB's organic ingredients and higher egg prices partially offset the ingredient decrease. Workforce-related costs increased as a percent of sales primarily due to additional production lines and higher employee incentive costs, partially offset by decreased sales of product to the Warehouse Segment (workforce-related costs with no associated sales). The increase in the other line item is mainly due to decreases in sales of product to the Warehouse Segment, mainly the non-retail tortilla products, and increases in outside purchases of product, largely certain DKB products due to capacity constraints.

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	Fiscal 2015 % of sales	Fiscal 2014 % of sales	Increase (Decrease) as a % of sales
Ingredients	38.8	39.0	(0.2)
Workforce-related costs	23.7	22.8	0.9
Packaging	11.6	11.0	0.6
Utilities	1.8	1.9	(0.1)
Other	(4.1)	(1.4)	(2.7)
Total	71.8	73.3	(1.5)

The Warehouse Segment's decrease in ingredient costs as a percent of sales was primarily attributed to lower prices for flour, sweeteners, oils and cocoa for core bakeries and increases in outside purchases of product (sales with no associated ingredient costs). Higher egg prices, decreased product purchases from the DSD Segment (sales with no associated ingredient costs) and higher ingredient costs for Alpine partially offset the ingredient decrease. Workforce-related costs increased as a percent of sales mainly due to increased headcount, decreased purchases of product from the DSD Segment (sales with no associated workforce-related costs) and higher employee incentive costs. The increase in packaging was due primarily to price increases. The decrease in the other line item is primarily due to decreased purchases of product from the DSD Segment, largely the tortilla products for the non-retail tortilla business we exited in fiscal 2014, partially offset by increases in outside purchases of product.

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	Fiscal 2015 % of sales	Fiscal 2014 % of sales	Increase (Decrease) as a % of sales
Workforce-related costs	17.1	17.4	(0.3)
Distributor distribution fees	13.4	13.4	—
Other	6.1	5.7	0.4
Total	36.6	36.5	0.1

Workforce-related costs decreased as a percent of sales due to lower costs for the acquired companies, improvements at Lepage and cost saving initiatives we have implemented, partially offset by higher employee incentive costs and lower pension income. The majority of the acquisition sales were distributed via warehouse delivery which carries a lower cost structure than direct-store-delivery and we anticipate this to continue into fiscal 2016 while we are converting the DKB sales to the direct-store-delivery distribution method. Acquisition-related costs of $6.2 million, as well as higher legal and consulting costs in fiscal 2015 as compared to fiscal 2014 caused the majority of the increase 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	Fiscal 2015 % of sales	Fiscal 2014 % of sales	Increase (Decrease) as a % of sales
Workforce-related costs	17.1	17.5	(0.4)
Distributor distribution fees	15.9	15.9	—
Other	5.5	5.6	(0.1)
Total	38.5	39.0	(0.5)

The decrease in workforce-related costs as a percent of sales was attributable to lower costs for DKB as a percent of sales, conversions to independent distributors in newer markets, improvements at Lepage and implementing cost saving initiatives, partially offset by higher employee incentive costs. The majority of the DKB products were distributed via warehouse delivery and we anticipate this to continue into fiscal 2016 while we are converting these sales to the direct-store-delivery method. This resulted in distributor distribution fees remaining consistent with the prior fiscal year as a percent of sales.

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

Line item component	Fiscal 2015 % of sales	Fiscal 2014 % of sales	Increase (Decrease) as a % of sales
Workforce-related costs	7.9	7.7	0.2
Freezer storage/rent	2.1	2.0	0.1
Distribution costs (includes freight and shipping and hauling)	2.1	2.0	0.1
Other	4.0	3.7	0.3
Total	16.1	15.4	0.7

Workforce-related costs increased primarily due to higher employee incentive costs as compared to the prior year on smaller sales increases. Additionally, higher marketing costs as a percent of sales drove the increase in the other line item, mainly attributable to marketing initiatives for the Alpine products.

Depreciation and Amortization. Depreciation and amortization expense increased in dollars and as a percent of sales due primarily to the DKB and Alpine acquisitions. We preliminarily recorded $240.9 million of amortizing intangible assets related to the DKB and Alpine acquisitions and we expect amortization expense to continue to be higher in fiscal 2016 as a result of this.

The DSD Segment's depreciation and amortization expense increased in dollars primarily due to the amortization of the acquired DKB intangible assets, partially offset by lower depreciation expense.

The Warehouse Segment's depreciation and amortization expense increase in dollars and as a percent of sales was mostly the result of the amortization of the acquired Alpine intangible assets.

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 discussion in Pension Obligations in the "Critical Accounting Estimates" section above for additional details.

Impairment of Assets. We recorded impairments of assets of $3.8 million and $10.3 million during fiscal 2015 and 2014, respectively. 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:

	Favorable (Unfavorable)
Operating income (loss)	Percentage

DSD Segment	6.4
Warehouse Segment	7.4
Unallocated corporate	0.9
Consolidated	8.2

The favorable increase in the DSD Segment income from operations was largely attributable to sales increases, lower ingredient costs and lower asset impairment charges in the current year as compared to the prior year. The Warehouse Segment's favorable increase was largely attributable to exiting the lower margin non-retail tortilla business in the second half of fiscal 2014, partially offset by higher selling, distribution and administrative costs as a percent of sales. The favorable decrease in the unallocated corporate expense was largely due to the $15.4 million pension plan settlement loss recorded in fiscal 2014, mostly offset by $6.2 million of acquisition-related costs, higher legal and consulting costs and lower pension income recorded in the current fiscal year as compared to the prior fiscal year.

Net Interest Expense. The decrease resulted from lower average debt outstanding during the current fiscal year and lower average interest rates on debt outstanding, as well as, higher interest income in fiscal 2015 due to higher average distributor notes receivable outstanding during the current fiscal year. We expect net interest expense to be elevated in fiscal 2016 due to the drawdowns to fund the acquisitions completed in fiscal 2015.

Income Taxes. The effective tax rate for fiscal 2015 and fiscal 2014 was 35.4% and 34.4%, respectively. The increase in the rate was primarily related to a reduction in the Section 199 qualifying production activities deduction and certain nondeductible acquisition-related costs. The most significant differences in the effective rate and the statutory rate were related to additions for state income taxes, partially offset by reductions for the Section 199 qualifying production activities deduction.

Fiscal 2014 compared to Fiscal 2013

Consolidated Sales

	Fiscal 2014 53 weeks $ (Amounts in thousands)	%	Fiscal 2013 52 weeks $ (Amounts in thousands)	%	% Increase (Decrease)
Branded Retail	$2,102,028	56.1	$2,038,726	54.6	3.1
Store Branded Retail	608,617	16.2	645,858	17.3	(5.8)
Non-retail and Other	1,038,328	27.7	1,048,032	28.1	(0.9)
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
	$ (Amounts in thousands)	%	$ (Amounts in thousands)	%	(Decrease)
Branded Retail	$1,971,851	62.5	$1,898,016	61.6	3.9
Store Branded Retail	486,886	15.4	504,707	16.4	(3.5)
Non-retail and Other	696,870	22.1	677,532	22.0	2.9
Total	$3,155,607	100.0	$3,080,255	100.0	2.4

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 $ (Amounts in thousands)	%	Fiscal 2013 52 weeks $ (Amounts in thousands)	%	% Increase (Decrease)
Branded Retail	$130,177	21.9	$140,710	21.6	(7.5)
Store Branded Retail	121,731	20.5	141,151	21.6	(13.8)
Non-retail and Other	341,458	57.6	370,500	56.8	(7.8)
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

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.

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 purchases of 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.

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)
Total	39.0	38.9	0.1

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 fiscal 2014 as compared to the prior year.

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 (includes freight and shipping and hauling)	2.0	2.1	(0.1)
Other	3.7	3.3	0.4
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 a bun line in Modesto, California and their bread line added in fiscal 2014, and certain capital leases entered into during fiscal 2014.

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 Henderson, Nevada bakery placed into operation, the acquisition of certain assets related to a bun line in Modesto, California and their bread line added in fiscal 2014, and certain capital leases entered into during fiscal 2014.

The Warehouse Segment's depreciation and amortization expense increase as a percent of sales was the result of significantly lower sales in fiscal 2014 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 discussion in Pension Obligations in the "Critical Accounting Estimates" 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 Bread 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 above.

Net Interest Expense. The decrease resulted from higher interest income in fiscal 2014 due to an increase in distributor notes receivables outstanding as compared to the prior fiscal 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.

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. We believe we have access to available funds to meet our short and long-term capital requirements.

As discussed in the Overview section above, we completed the DKB acquisition on September 12, 2015 which required $282.1 million of cash and the Alpine acquisition on October 13, 2015 which required $109.3 million of cash and the issuance of 481,540 shares of our common stock. We funded the cash paid for the acquisitions and acquisition-related costs with cash on hand and funds available under the accounts receivable securitization and the credit facilities.

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 2015 (52 Weeks) compared to Fiscal 2014 (53 Weeks)

Flowers Foods' cash and cash equivalents were $14.4 million at January 2, 2016 as compared to $7.5 million at January 3, 2015. The cash and cash equivalents were derived from the activities presented in the table below (amounts in thousands):

Cash flow component	Fiscal 2015	Fiscal 2014	Change
Cash flows provided by operating activities	$324,233	$313,970	$10,263
Cash disbursed for investing activities	(467,508)	(33,313)	(434,195)
Cash provided by (disbursed for) financing activities	150,130	(281,664)	431,794
Total change in cash	$6,855	$(1,007)	$7,862

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 2015	Fiscal 2014	Change
Depreciation and amortization	$132,175	$128,961	$3,214
Stock-based compensation	15,692	18,662	(2,970)
Impairment of assets	3,771	10,308	(6,537)
Loss (gain) reclassified from accumulated other comprehensive income to net income	8,551	5,218	3,333
Deferred income taxes	18,293	9,241	9,052
Provision for inventory obsolescence	776	1,074	(298)
Allowances for accounts receivable	2,395	4,956	(2,561)
Pension and postretirement plans expense (includes settlement loss in fiscal 2014)	(5,878)	5,341	(11,219)
Other non-cash	(3,425)	(6,215)	2,790
Net non-cash adjustment to net income	$172,350	$177,546	$(5,196)

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

	Fiscal 2015	Fiscal 2014	Change
Changes in accounts receivable, net	$(16,873)	$7,181	$(24,054)
Changes in inventories, net	(9,717)	6,977	(16,694)
Changes in hedging activities, net	(12,818)	22	(12,840)
Changes in other assets	(7,133)	(23,993)	16,860
Changes in accounts payable	14,563	(9,951)	24,514
Changes in other accrued liabilities	4,670	(6,552)	11,222
Qualified pension plan contributions	(10,000)	(12,999)	2,999
Net changes in working capital and pension contributions	$(37,308)	$(39,315)	$2,007

The change in depreciation and amortization was primarily due to the acquisition of the DKB and Alpine intangible assets which have finite lives. Depreciation and amortization expense increased primarily as a result of these activities. The decrease in stock-based compensation was primarily due to the lower expected vesting percentage of the ROIC shares awarded 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 of our award types. The change in deferred income taxes was primarily due to an increase in favorable temporary differences. The pension and postretirement plan expense decreased primarily because of the settlement loss of $15.4 million in fiscal 2014. 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.

We contributed $10.0 million in cash to our qualified pension plans in fiscal 2015. These contributions were discretionary. Additionally, we contributed $0.4 million from other corporate assets to our non-qualified pension plan. 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 2016, the company does not anticipate making any contributions to our qualified pension plans, but does expect 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 the first quarter of fiscal 2016, we anticipate making payments of approximately $25.8 million, including our share of employment taxes, in performance-based cash awards under our bonus plan. During fiscal 2015, the company paid $16.4 million, including our share of employment taxes, in performance-based cash awards under the company's bonus plan. An additional $1.5 million for our share of employment taxes on the vesting of the performance-contingent restricted stock award was also paid during fiscal 2015. 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.

Cash Flows Disbursed for Investing Activities. The table below presents net cash disbursed for investing activities for fiscal 2015 and fiscal 2014 (amounts in thousands):

	Fiscal 2015	Fiscal 2014	Change
Purchase of property, plant, and equipment	$(90,773)	$(83,778)	$(6,995)
Repurchase of independent distributor territories	(21,866)	(17,056)	(4,810)
Principal payments from notes receivable	26,028	23,718	2,310
Acquisition of businesses, net of cash acquired	(390,221)	—	(390,221)
Contingently refundable consideration	—	7,500	(7,500)
Proceeds from sale of property, plant and equipment	14,324	36,303	(21,979)
Acquisition of intangible assets	(5,000)	—	(5,000)
Net cash disbursed for investing activities	$(467,508)	$(33,313)	$(434,195)

Net cash disbursed for investing activities included cash paid for the DKB acquisition of $282.1 million in the third quarter of fiscal 2015 and for the Alpine acquisition of $109.3 million in the fourth quarter of fiscal 2015. The acquisitions were funded from cash on hand and drawdowns from our existing credit facilities. Additionally, we acquired the Roman Meal trademark for $5.0 million in the first quarter of fiscal 2015. There were no acquisitions during fiscal 2014. In fiscal 2014, the company received $7.5 million for the cancelation 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. In fiscal 2015, we received proceeds of $9.1 million on the sale of the Acquired Hostess Bread Assets plants and depots as compared to $24.2 million received in fiscal 2014. Additionally, in fiscal 2014, we received proceeds of $8.4 million from the sale of our Ft. Worth, Texas tortilla facility.

Capital expenditures for the DSD Segment and Warehouse Segment were $72.1 million and $9.6 million, respectively, in fiscal 2015. The company currently estimates capital expenditures of approximately $90.0 million to $100.0 million on a consolidated basis during fiscal 2016. The change in the distributor territories repurchased and the principal payments on notes receivable are due to the sale of territories in newer markets in the current year and the implementation of the independent distributor model at Lepage during fiscal 2014.

Cash Flows Provided by (Disbursed for) Financing Activities. The table below presents net cash provided by (disbursed for) financing activities for fiscal 2015 and fiscal 2014 (amounts in thousands):

	Fiscal 2015	Fiscal 2014	Change
Dividends paid, including dividends on share-based payment awards	$(120,442)	$(102,302)	$(18,140)
Exercise of stock options, including windfall tax benefit	28,751	28,893	(142)
Payment of debt issuance costs	(646)	(773)	127
Stock repurchases	(6,858)	(38,916)	32,058
Change in bank overdrafts	2,325	(679)	3,004
Net debt and capital lease obligation changes	247,000	(167,887)	414,887
Net cash provided by (disbursed for) financing activities	$150,130	$(281,664)	$431,794

Our annual dividend payout rate increased 17.0% from fiscal 2014 to fiscal 2015. 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 cash needs to meet these expected payouts. As of January 2, 2016, there were nonqualified stock option grants of 4.4 million shares that were exercisable. These have a remaining contractual life of approximately 1.42 years and a weighted average exercise price of $10.97 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. The change in bank overdraft was a function of our cash receipts since the end of our fiscal 2014. Our cash objective is to minimize cash on hand by using the credit facility described below. The net debt obligations increased primarily from the drawdowns used to fund the acquisitions in fiscal 2015, net of repayments we made during the year.

The credit facility, securitization facility and new term loan 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. 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 funds more expensive. Considering our current debt obligations, an environment of rising rates could materially affect our Consolidated Statements of Income.

Liquidity discussion Fiscal 2014 (53 Weeks) compared to Fiscal 2013 (52 Weeks)

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

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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

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	(23,993)	(22,151)	(1,842)
Changes in accounts payable	(9,951)	(702)	(9,249)
Changes in other accrued liabilities	(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 of 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. 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.

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.

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 Bread 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 cancelation 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 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. 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 (disbursed for) 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	(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 obligation changes	(167,887)	310,856	(478,743)

Other	—	(52)	52
Net cash (disbursed for) provided by financing activities	$(281,664)	$227,656	$(509,320)

Our annual dividend payout rate increased 9.2% from fiscal 2013 to fiscal 2014. 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 6.2 million 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.

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 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. The net debt obligations decreased primarily from the payments used to decrease our debt obligations.

The credit facility, the securitization facility and the new term loan 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.

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 an amendment to 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 a second amendment to 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. On August 20, 2015, the company executed a third amendment to the facility to extend the term to August 11, 2017 and to add a leverage pricing grid. This amendment was accounted for as a modification. 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 Condensed Consolidated Financial Statements. The facility contains certain customary representations and warranties, affirmative and negative covenants, and events of default. As of January 2, 2016, there was $170.0 million outstanding under the facility compared to no amounts outstanding as of January 3, 2015. As of January 2, 2016 and January 3, 2015, the company was in compliance with all restrictive covenants under the facility. On January 2, 2016, the company had $2.1 million available under its facility for working capital and general corporate purposes. Amounts available for withdrawal under the facility are determined as the lesser of the total commitments and a formula derived amount based on qualifying trade receivables.

Optional principal repayments may be made at any time 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. An additional $0.2 million in financing costs was paid during fiscal 2015 for the second and third 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. The company drew down the full amount of the new term loan on July 18, 2013 (the “borrowing date”).

The new term loan amortizes in quarterly installments based on an increasing annual percentage. The first payment was due and payable on 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 remaining under the new term loan as of January 2, 2016 (amounts in thousands):

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

On February 14, 2014, we entered into an amendment to the new term loan which was accounted for as a modification of the debt and 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 acquisition of certain Hostess Brands, Inc. bread assets. 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 is being amortized over the remaining term. As of January 2, 2016 and January 3, 2015, 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 indenture governing the notes), 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 $0.6 million. The company paid issuance costs (including underwriting fees and legal fees) for issuing the notes of $3.9 million. The issuance costs and the debt discount are being amortized to interest expense over the term of the notes. As of January 2, 2016 and January 3, 2015, the company was in compliance with all restrictive covenants under the indenture governing the notes.

Credit Facility. On April 21, 2015, the company amended its senior unsecured credit facility (the "credit facility") to extend the term to April 21, 2020, reduce the applicable margin on base rate and Eurodollar loans and reduce the facility fees, described below. 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 2, 2016 and January 3, 2015, the company was in compliance with all restrictive 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 0.50%, with a floor rate defined by the one-month interbank Eurodollar market rate plus 1.00%. The applicable margin ranges from 0.0% to 0.50% for base rate loans and from 0.70% to 1.50% for Eurodollar loans. In addition, a facility fee ranging from 0.05% to 0.25% 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 $0.4 million in connection with the April 21, 2015 amendment of the credit facility, which, in addition to the remaining balance of the original $1.3 million in financing costs, is being amortized over the life of the credit facility. The company recognized $0.1 million in financing costs for the modification at the time of the April 21, 2015 amendment.

At January 2, 2016, there was $160.0 million outstanding under the credit facility. There were $53.0 million in outstanding borrowings under the credit facility at January 3, 2015. The highest outstanding daily balance during fiscal 2015 was $160.0 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. During fiscal 2015, the company borrowed $820.0 million in revolving borrowings under the credit facility and repaid $713.0 million in revolving borrowings. The amount available under the credit facility is reduced by $16.9 million for letters of credit. On January 2, 2016, the company had $323.1 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. Standard & Poor's upgraded the company from a BBB- credit rating on September 16, 2015. 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.

Aggregate maturities of debt outstanding, including capital leases and the associated interest, as of January 2, 2016, are as follows (excluding unamortized debt discount and issuance costs) (amounts in thousands):

2016	$74,685
2017	292,194
2018	69,960
2019	8,443
2020	163,118
2021 and thereafter	401,828
Total	$1,010,228

Stock Repurchase Plan. Our Board of Directors approved a plan that authorized share repurchases of up to 67.5 million shares of the company's common stock. 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 2, 2016, 13.7 million shares remained under the existing authorization. Under the plan, the company may repurchase its common stock in open market or privately negotiated transactions or under an accelerated repurchase program 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 2, 2016, 60.9 million shares at a cost of $504.1 million have been purchased under this plan. Included in these amounts are 0.3 million shares at a cost of $6.9 million purchased during fiscal 2015.

Income Taxes. Federal and state tax payments totaled $87.6 million, $82.8 million, and $83.8 million during fiscal years 2015, 2014, and 2013, 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 distribution rights, and a vast majority of the independent distributors elect to use this financing alternative and a liability is established. These notes generally have terms of up to ten years and the independent distributor pays principal and interest weekly. A majority of the independent distributors have the right to require the company to repurchase the distribution rights and trucks, if applicable, at the original price paid by the independent distributor on the long-term financing arrangement in the six-month period following the sale of a distribution right to the independent distributor. If the truck is leased, the company will assume the lease payment (but not the lease) if the distribution rights are repurchased during the first six-month period. After the six-month period expires, the company retains a right of first refusal to repurchase these distribution rights. Additionally, in the event the company exits a geographic market or ceases to utilize the independent distribution form of doing business, the company is contractually required to purchase the distribution rights from the independent distributor. If the company acquires a distribution right from an independent distributor that is to be resold, the company operates the territory until it can be resold. If the distribution rights are not to be resold, the value of the distribution rights is charged to earnings. The company held an aggregate of $174.9 million and $182.2 million as of January 2, 2016 and January 3, 2015, respectively, of distribution rights notes receivable. The company does not view this aggregate amount as a concentrated credit risk, as each note relates to an individual independent distributor. The company has approximately

$28.3 million and $20.5 million as of January 2, 2016 and January 3, 2015, respectively, of distribution rights held for sale.

In the ordinary course of business, when an independent distributor terminates the relationship with the company, the company, although not legally obligated, generally purchases and operates that territory utilizing the leased truck of the former independent distributor. To accomplish this, the company operates the leased truck for the independent 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 independent distributor. Once the territory is resold to an independent distributor, the truck lease is assumed by the new independent distributor. At January 2, 2016 and January 3, 2016, the company operated approximately 600 and 420 trucks as held for sale distributorships, respectively. Assuming the company does not resell these territories to a new independent distributor, at January 2, 2016 and January 3, 2015, the maximum contractual obligation associated with these truck leases was approximately $6.2 million and $8.1 million, respectively. There is no liability recorded in the Consolidated Balance Sheet with respect to such leases, as the obligation for each lease is retained by the former independent distributor until the distribution rights to the territory are sold to a new independent distributor. The company does not anticipate operating these territories over the life of the lease as it intends to resell these territories to a new independent distributor.

Special Purpose Entities. At January 2, 2016 and January 3, 2015, 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 through December 31, 2015. Effective January 1, 2016, employees may elect to defer up to 75% of their base salaries, 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 2, 2016 and January 3, 2015 was $14.8 million and $14.5 million, respectively.

Contractual Obligations and Commitments. The following table summarizes the company's contractual obligations and commitments at January 2, 2016 and the effect such obligations are expected to have on its liquidity and cash flow in the indicated future periods:

	Payments Due by Fiscal Year (Amounts in thousands)				
	Total	2016	2017-2018	2019-2020	2021 and Beyond
Contractual Obligations:					
Long-term debt	$990,000	$70,000	$352,500	$167,500	$400,000
Interest payments(1)	136,576	23,415	38,786	35,000	39,375
Capital leases	20,228	4,685	9,654	4,061	1,828
Interest on capital leases	1,568	537	660	240	131
Non-cancelable operating lease obligations(2)	530,846	60,550	104,335	77,966	287,995
Pension and postretirement contributions and payments(3)	8,816	730	1,871	1,849	4,366
Deferred compensation plan obligations(4)	14,812	2,204	4,472	1,413	6,723
Purchase obligations(5)	369,617	369,617	—	—	—
Total contractual cash obligations	$2,072,463	$531,738	$512,278	$288,029	$740,418

	Amounts Expiring by Fiscal Year (Amounts in thousands)				
	Total	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years
Commitments:					
Standby letters of credit(6)	$16,880	$16,880	$—	$—	$—
Truck lease guarantees	6,230	87	244	4,599	1,300

Total commitments	$23,110	$16,967	$ 244	$4,599	$1,300

(1) The $160.0 million outstanding under our credit facility at January 2, 2016 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 $0.6 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 2, 2016.

(2) Does not include lease payments expected to be incurred in fiscal year 2016 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 expected benefit payments for postretirement plans from fiscal 2016 through fiscal 2025. 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. The company does not expect to make any contributions to our qualified pension plans during fiscal 2016.

(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 as either a current or long-term liability.

(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 2, 2016 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 $0.6 million related to uncertain tax positions as of January 2, 2016. Details regarding this liability are presented in Note 20, Income Taxes, of Notes to Consolidated Financial Statements of this Form 10-K.

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

See Note 4, New Accounting Pronouncements Not Yet Adopted, of Notes to Consolidated Financial Statements of this Form 10-K regarding this information.

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 2, 2016, the company's hedge portfolio contained commodity derivatives with a fair value of $14.9 million. Of this fair value, $11.9 million is based on quoted market prices and $2.9 million is based on models and other valuation methods; Nearly all of this fair value relates to instruments that will be utilized in fiscal 2016.

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 2, 2016, a hypothetical ten percent change in commodity prices would increase or decrease the fair value of the derivative portfolio by $14.5 million. 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.

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 2, 2016.

In making its assessment of internal control over financial reporting as of January 2, 2016, management has excluded DKB and Alpine because they were acquired by the company in purchase business combination transactions on September 12, 2015 and October 13, 2015, respectively. DKB contributed revenues to the company for fiscal 2015 of $37.6 million, representing approximately 1.0% of our consolidated revenues for the fiscal year. DKB's assets represented approximately 1.2% of our consolidated assets at January 2, 2016. We will include DKB in our fiscal 2016 assessment of internal control over financial reporting. Alpine contributed revenues to the company for fiscal 2015 of $11.9 million, representing approximately 0.3% of our consolidated revenues. Alpine's assets represented approximately 0.9% of our consolidated assets at January 2, 2016. We will include Alpine in our fiscal 2016 assessment of internal control over financial reporting.

The effectiveness of our internal control over financial reporting as of January 2, 2016 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.

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 2016 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 July 1, 2015 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 2015 and Fiscal 2014 Audit Firm Fee Summary" in the proxy.

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 2, 2016 and January 3, 2015.

Consolidated Statements of Income for Fiscal 2015, Fiscal 2014, and Fiscal 2013.

Consolidated Statements of Comprehensive Income for Fiscal 2015, Fiscal 2014, and Fiscal 2013.

Consolidated Statements of Changes in Stockholders' Equity for Fiscal 2015, Fiscal 2014, and Fiscal 2013.

Consolidated Statements of Cash Flows for Fiscal 2015, Fiscal 2014, and Fiscal 2013.

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).
2.6	—	Stock Purchase Agreement, dated as of August 12, 2015, by and among Flowers Foods, Inc., AVB, Inc., Goode Seed Holdings, LLC, Goode Seed Co-Invest, LLC, Glenn Dahl, trustee of the Glenn Dahl Family Trust, U/A/D November 28, 2012, David J. Dahl, trustee of the David Dahl Family Trust, U/A/D May 1, 2012, Shobi L. Dahl, trustee of the Shobi Dahl Family Trust, U/A/D, December 16, 2011, and Flowers Bakeries, LLC. (Incorporated by reference to Exhibit 2.6 to Flowers Foods' Quarterly Report on Form 10-Q, dated November 12, 2015, File No. 1-16247).**
3.1	—	Restated Articles of Incorporation of Flowers Foods, Inc., as amended through June 5, 2015 (Incorporated by reference to Exhibit 3.1 to Flowers Foods' Current Report on Form 8-K, dated June 10, 2015, File No. 1-16247).
3.2	—	Amended and Restated Bylaws of Flowers Foods, Inc., as amended through June 5, 2015 (Incorporated by reference to Exhibit 3.2 to Flowers Foods' Current Report on Form 8-K, dated June 10, 2015, 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).
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, File No. 333-196125).
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	—	Fourth Amendment to Amended and Restated Credit Agreement, dated as of April 21, 2015, 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 10.5 to Flowers Foods' Quarterly Report on Form 10-Q, dated May 28, 2015, File No. 1-16247)
10.6	—	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).
10.7	—	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).
10.8	—	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).
10.9	—	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).
10.10	—	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. (Incorporated by reference to Exhibit 10.9 to Flowers Foods' Annual Report on Form 10-K, dated February 25, 2015, File No. 1-16247).
10.11	—	Third Amendment to Receivables Loan, Security and Servicing Agreement, dated as of August 20, 2015, 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 (Incorporated by reference to Exhibit 10.11 to Flowers Foods' Quarterly Report on Form 10-Q, dated November 12, 2015, File No. 1-16247).
10.12 +	—	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).

10.13	+—	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).
10.14	+—	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).
10.15	+—	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).
10.16	+—	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).
10.17	+—	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).

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10.18	+ —	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).
10.19	+ —	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).
10.20	+ —	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).
10.21	+ —	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. (Incorporated by reference to Exhibit 10.24 to Flowers Foods' Annual Report on Form 10-K, dated February 25, 2015, File No. 1-16247).
10.25	* —	Form of 2016 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 Quarter Ended January 2, 2016.
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

** Portions of this exhibit have been omitted and filed separately with the Securities and Exchange Commission as part of an application for confidential treatment pursuant to Rule 24b-2 promulgated under the Securities Exchange Act of 1934, which application has been granted. Schedules to this exhibit have been omitted pursuant to Item 601(b)(2) of Regulation S-K and will be furnished supplementally to the Securities and Exchange Commission upon request.

+ Management contract or compensatory plan or arrangement

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 24th day of February, 2016.

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

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 24, 2016
/s/ R. STEVE KINSEY R. Steve Kinsey	Executive Vice President and Chief Financial Officer	February 24, 2016
/s/ KARYL H. LAUDER Karyl H. Lauder	Senior Vice President and Chief Accounting Officer	February 24, 2016
/s/ GEORGE E. DEESE George E. Deese	Chairman	February 24, 2016
/s/ JOE E. BEVERLY Joe E. Beverly	Director	February 24, 2016
/s/ FRANKLIN L. BURKE Franklin L. Burke	Director	February 24, 2016
/s/ RHONDA O. GASS Rhonda O. Gass	Director	February 24, 2016
/s/ BENJAMIN H. GRISWOLD, IV Benjamin H. Griswold, IV	Director	February 24, 2016
/s/ RICHARD LAN Richard Lan	Director	February 24, 2016
/s/ MARGARET G. LEWIS Margaret G. Lewis	Director	February 24, 2016
/s/ AMOS R. MCMULLIAN Amos R. McMullian	Director	February 24, 2016
/s/ J.V. SHIELDS, JR. J.V. Shields, Jr.	Director	February 24, 2016
/s/ DAVID V. SINGER David V. Singer	Director	February 24, 2016

/s/ JAMES T. SPEAR James T. Spear	Director	February 24, 2016
/s/ MELVIN T. STITH, PH.D. Melvin T. Stith, Ph.D.	Director	February 24, 2016
/s/ C. MARTIN WOOD III C. Martin Wood III	Director	February 24, 2016

FLOWERS FOODS, INC. AND SUBSIDIARIES

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

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 cash flows present fairly, in all material respects, the financial position of Flowers Foods, Inc. and its subsidiaries at January 2, 2016 and January 3, 2015, and the results of their operations and their cash flows for each of the three years in the period ended January 2, 2016 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 2, 2016, 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.

As described in Management's Report on Internal Control over Financial Reporting appearing under Item 9A, management has excluded Dave's Killer Bread ("DKB") and Alpine Valley Bread Company ("Alpine") from its assessment of internal control over financial reporting as of January 2, 2016 because they were acquired by the Company in a purchase business combination during 2015. We have also excluded DKB and Alpine from our audit of internal control over financial reporting. DKB and Alpine are wholly-owned subsidiaries whose total assets and total revenues represent 2.1% and 1.3%, respectively, of the related consolidated financial statement amounts as of and for the year ended January 2, 2016.

/s/ PricewaterhouseCoopers LLP

Atlanta, Georgia

February 24, 2016

FLOWERS FOODS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	January 2, 2016	January 3, 2015
	(Amounts in thousands, except share data)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$14,378	$7,523
Accounts and notes receivable, net of allowances of $1,341 and $2,723, respectively	269,683	235,911
Inventories:		
Raw materials	42,336	33,579
Packaging materials	21,853	19,591
Finished goods	46,988	39,930
	111,177	93,100
Spare parts and supplies	57,288	54,058
Deferred taxes	37,207	26,823
Other	47,782	43,148
Total current assets	537,515	460,563
Property, Plant and Equipment:		
Land	93,115	93,314
Buildings	455,626	441,444
Machinery and equipment	1,162,314	1,115,129
Furniture, fixtures and transportation equipment	131,875	124,173
Construction in progress	38,334	18,566
	1,881,264	1,792,626
Less: accumulated depreciation	(1,076,296)	(985,168)
	804,968	807,458
Notes Receivable	154,311	161,905
Assets Held for Sale	36,191	39,108
Other Assets	11,791	12,011
Goodwill	464,926	282,960
Other Intangible Assets, net	875,466	644,969
Total assets	$2,885,168	$2,408,974
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current maturities of long-term debt and capital lease obligations	$74,685	$34,496
Accounts payable	171,923	142,643
Other accrued liabilities	157,130	138,414
Total current liabilities	403,738	315,553
Long-term debt:		
Total long-term debt and capital lease obligations	933,932	728,940
Other Liabilities:		
Post-retirement/post-employment obligations	76,541	93,589

Deferred taxes	183,669	94,153
Other long-term liabilities	44,206	53,695
Total other long-term liabilities	304,416	241,437
Stockholders' Equity:		
Preferred stock — $100 stated par value, 200,000 authorized and none issued	—	—
Preferred stock — $.01 stated par value, 800,000 authorized and none issued	—	—
Common stock — $.01 stated par value and $.001 current par value; 500,000,000 authorized shares; 228,729,585 issued shares	199	199
Treasury stock — 16,463,137 and 19,382,272 shares, respectively	(174,635)	(202,062)
Capital in excess of par value	636,501	613,859
Retained earnings	877,817	809,068
Accumulated other comprehensive loss	(96,800)	(98,020)
Total stockholders' equity	1,243,082	1,123,044
Total liabilities and stockholders' equity	$2,885,168	$2,408,974

See Accompanying Notes to Consolidated Financial Statements

FLOWERS FOODS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Fiscal 2015 52 weeks	Fiscal 2014 53 weeks	Fiscal 2013 52 weeks
	(Amounts in thousands, except per share data)		
Sales	$3,778,505	$3,748,973	$3,732,616
Materials, supplies, labor and other production costs (exclusive of depreciation and amortization shown separately below)	1,963,153	1,950,633	1,972,221
Selling, distribution and administrative expenses	1,381,527	1,368,289	1,356,742
Depreciation and amortization	132,175	128,961	118,491
Pension plan settlement loss	—	15,387	—
Impairment of assets	3,771	10,308	—
Gain on acquisition	—	—	(50,071)
Income from operations	297,879	275,395	335,233
Interest expense	26,815	28,288	28,875
Interest income	(21,967)	(20,947)	(16,015)
Income before income taxes	293,031	268,054	322,373
Income tax expense	103,840	92,315	91,479
Net income	$189,191	$175,739	$230,894
Net Income Per Common Share:			
Basic:			
Net income per common share	$0.90	$0.84	$1.11
Weighted average shares outstanding	210,793	209,683	207,935
Diluted:			
Net income per common share	$0.89	$0.82	$1.09
Weighted average shares outstanding	213,356	213,092	211,927
Cash dividends paid per common share	$0.5675		