UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended December 31, 2011

OR

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

For the transition period from to

Commission file number 1-16247

FLOWERS FOODS, INC.

(Exact name of registrant as specified in its charter)

Georgia	**58-2582379**

(State or other jurisdiction of	*(I.R.S. Employer*
incorporation or organization)	*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 þ No ¨

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

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 þ No ¨

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 232.405 of this chapter) 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. þ

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

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

Based on the closing sales price on the New York Stock Exchange on July 16, 2011 the aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant was $2,952,301,153.

On February 17, 2012, the number of shares outstanding of the registrant s Common Stock, $0.001 par value, was 136,004,016.

DOCUMENTS INCORPORATED BY REFERENCE:

Portions of the registrant s Proxy Statement for the 2012 Annual Meeting of Shareholders to be held June 1, 2012, which will be filed with the Securities and Exchange Commission on or prior to April 22, 2012, have been incorporated by reference into Part III, Items 10, 11, 12, 13 and 14 of this Annual Report on Form 10-K.

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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, shoul to, is expected to or will continue, or the negative of these terms or other comparable terminology. These forward-looking statements are based upon assumptions we believe are reasonable.

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

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

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

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;

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

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

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

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

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

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

consolidation within the baking industry and related 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; 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. Please 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.

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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 copyrights, trademarks and trade names.

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PART I

Item 1. ***Business***
Historical Information

Flowers Foods beginning dates back to 1919. That year, 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 acquisition 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, 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 were spun off into a new company called Flowers Foods, which was incorporated in Georgia in 2000. In April 2003, Flowers sold its Mrs. Smith s frozen dessert business to The Schwan Food Company, retaining its core fresh bakery and frozen bread and roll businesses.

As used herein, references to we, our, us, the company or Flowers Foods include the historical operating results and activities of the business operations that comprised Flowers Foods as of December 31, 2011.

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 operates 32 bakeries that market a wide variety of fresh bakery foods, including fresh breads, buns, rolls, tortillas, and snack cakes. These products are sold through its DSD route delivery system to retail and foodservice customers in the Southeast, Mid-Atlantic, and Southwest as well as in select markets in the Northeast, California, and Nevada. The warehouse segment operates 10 bakeries and produces snack cakes and breads and rolls that are shipped both fresh and frozen to national retail, foodservice, vending, and co-pack customers through their warehouse channels.

In 2011, the DSD segment s fresh bakery foods were available to approximately 61% of the U.S. population in 32 states and the District of Columbia. Our DSD system is comprised of approximately 4,000 independent distributors who own the rights to distribute certain brands of our fresh packaged bakery foods in their geographic territories. In addition, the company has approximately 560 company-owned distributorships and distributorships available for sale.

The warehouse segment s fresh snack cakes and frozen breads and rolls are sold nationally direct to customers warehouses by frozen and non-frozen contract carriers.

See Note 21, *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 most well known in the baking industry. Many of our DSD 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 our core Southern markets. Our brands include the following:

DSD Segment Brands/Company Owned	DSD Segment Brands/Franchised	Warehouse Segment Brands
Nature s Own	*Sunbeam*	*Mrs. Freshley s*
Whitewheat	*Roman Meal*	*European Bakers*
Cobblestone Mill	*Bunny*	*Broad Street Bakery*
Tastykake	*Holsum*	*Leo s Foods*
Blue Bird	*Aunt Hattie s*	*Juarez*
ButterKrust		
Dandee		
Mary Jane		
Mary Jane and Friends		
Evangeline Maid		
Captain John Derst		
Country Hearth		
Natural Grain		
Flowers Foods		
Mi Casa		
Frestillas		

Strategies

Our mission is to drive sustainable growth that, over time, enhances value for our shareholders, team members, associates, independent distributors, customers, consumers, and communities. We achieve this mission through our operating strategies. These strategies, based on the production, distribution, and marketing requirements of the food channels we serve, are to:

Grow Sales. We grow sales by developing new and core markets through new customers, new products, strong brands, and acquisitions.

Invest Wisely. We use technology and efficiencies to be the low-cost producer of quality bakery foods.

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 and their in-store deli/bakeries, foodservice distributors, convenience stores, mass merchandisers, club stores, wholesalers, casual dining and quick-serve restaurants, schools, hospitals, dollar stores, and vending machines. 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 continually invest capital to automate and expand our production and distribution capabilities, improve our information systems, and increase our efficiency. We believe these investments allow us to produce and distribute quality bakery foods at the lowest cost.

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 strong customer service. In addition to growing business in our core markets, we grow through acquisitions of bakery operations that are generally within or contiguous to our existing DSD market territory and that can be served with our extensive DSD system. We also evaluate opportunities to expand our DSD service into new markets.

Traditionally, our long-term growth objectives have excluded growth through acquisitions. In 2011, we reset our long-term growth objectives to include acquisitions, to support our goal of sales growth of 5% to 10% annually. Of that, we expect organic growth (growth in core and new markets) to contribute 3% to 5%, and acquisitions and mergers to contribute 2% to 5%.

Organic Growth in Core and New Markets

In 2011, we announced a specific market expansion goal: To serve a geographical area that includes at least 75% of the U.S. population by 2016 with our *Nature s Own* brand and other fresh DSD brands.

We have successfully met similar growth goals in the past. In early 2004, we began implementing a growth strategy to increase the geographic reach of our fresh bakery foods through our DSD system from 38% of the U.S. population to at least 50% of the population in about six years. By 2010, we had expanded our population reach to 53%, moving into 10 states and adding $104.0 million in annual sales in these expansion markets. We accomplished this by stretching into new territories from our existing bakeries, building new bakeries, and by merging with or acquiring independent bakers in strategic locations.

We intend to accomplish our new goal using a similar strategy of market expansion, new bakeries, and merging with or acquiring independent bakeries.

Acquisitions

As part of our strategy to strengthen our position in the branded snack cake category and extend our DSD distribution into the Northeast, a wholly owned subsidiary of Flowers Foods acquired Tasty Baking Company (Tasty) in May 2011. Tasty operates two bakeries in Pennsylvania and serves customers primarily in the northeastern United States with an extensive line of *Tastykake* branded snacks. This acquisition facilitated our expansion into new geographic markets and increased our manufacturing capacity. In addition, the *Tastykake* brand increased our position in the branded snack cake category. Following the acquisition, we began to roll out *Tastykake* products in our existing DSD system. As a result of the Tasty acquisition, we expanded our DSD reach to more than 61% of the U.S. population.

Over the past five years, Flowers Foods also has made the following acquisitions:

In October 2009, the company acquired Leo s Foods, Inc. in Ft. Worth, Texas (Leo s). With one tortilla facility in Ft. Worth, Leo s makes an extensive line of flour and corn tortillas and tortilla chips for foodservice and institutional customers nationwide under *Leo s*, *Juarez*, and customer brands.

In May 2009, the company acquired substantially all the assets of a bakery mix operation in Cedar Rapids, Iowa from General Mills, Inc. This mix plant produces bakery mixes for the company and for retail and foodservice customers. This acquisition strengthened Flowers control over the *Country Hearth* trademark, which it licenses to various bakers in certain parts of the country, and markets in our existing DSD system.

In August 2008, a wholly owned subsidiary of the company merged with Holsum Holdings, LLC (Holsum). Holsum operates two bakeries in the Phoenix, Arizona area and serves customers in Arizona, New Mexico, southern Nevada and southern California with fresh breads and rolls under the *Holsum*, *Aunt Hattie s*, and *Roman Meal* brands. This merger allowed us to expand our *Nature s Own* brand into new geographic markets in the West.

Also in August 2008, Flowers acquired 100% of the outstanding shares of capital stock of the parent company of ButterKrust Bakery (ButterKrust) in Lakeland, Florida. ButterKrust manufactures fresh breads and rolls, and its products are available throughout Florida under the *Country Hearth*, *Rich Harvest*, and *Sunbeam* brands, as well as store brands. This acquisition provided needed production capacity for the Florida market.

Invest Wisely & 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 major producers of packaged bakery products in the United States. Our capital investment yields valuable long-term benefits such as more consistent product quality, highly sanitary processes, and greater production volume at a lower cost per unit.

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From 2007 through 2011, we invested $425.2 million in capital projects. We believe this consistent, yearly investment in our bakeries has given us an edge in production efficiency, and we believe it has made us one of the most efficient producers in our industry.

In 2011, our focus was adding production capacity to existing bakeries to ensure that we continue to meet the needs of our trade customers and our consumers in the most efficient and cost-effective way. Our capital investment projects included:

- The installation of a new bun line at one of our Houston, Texas bakeries
- The installation of a new sandwich round line at our Denton, Texas bakery

Our investment decisions also include assessing current production capacity and, from time to time, it is necessary for us to close older, less efficient facilities. In March 2011, we closed our Bluefield, West Virginia, bakery and shifted production to more efficient bakeries in the region.

In 2009, we opened a new, state-of-the-art, bakery in Bardstown, Kentucky, to meet the growing need for our products in Tennessee, Kentucky, Ohio, and Indiana. The bakery opened with one bread line and a bun line was added in 2010.

Because of our long-term capital improvements and careful planning, our company has 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 the most efficient movement of our products from bakery to market.

Other ways we believe our company invests wisely and bakes smart include:

- Engaging in research and development activities that involve developing new products, improving the quality of existing products, and improving and automating production processes.
- Developing and evaluating new processing techniques for both current and proposed product lines.
- Improving our shipping and logistics. In 2009, we began to roll out a paperless, user-directed automated shipping system at our bakeries that uses barcode labels, displays, and door scanners. The system streamlines the finished goods product flow, provides for greater accountability of finished goods received and shipped, improves ordering, and minimizes shortage costs. At the end of 2011, we had installed this automated shipping system in 13 of our bakeries. We intend to install this system in three additional bakeries during 2012.
- Conserving resources. In November 2011, we published our 2010 Sustainability Report, in which we reported sustainability data for our non-manufacturing facilities (warehouses, distribution centers, offices, and retail outlets) for the first time. In 2010, we saved 324,475 transport miles and diverted 12.5 million pounds of trash from landfills to recycling.

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.

We have a national accounts team for key trade customers, bakery teams that build trade relationships on a local level, and a business analysis and insights team that provides our trade partners with objective ideas that can benefit their overall bakery category. We also work with trade customers in other ways from web-based ordering to scan-based trading or pay-by-scan (PBS). In foodservice, we partner with national chains to develop customized bakery items that meet their specific needs.

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Appreciate Team

We strive to maintain good communication and relationships with all 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 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
- Ways for team members to discuss problems or concerns through our open door policy and peer review program

We employ approximately 9,400 people. Approximately 960 of these employees are covered by collective bargaining agreements.

Brands & Products

Nature s Own is the bestselling brand of soft variety bread in the United States by volume, even though it is only available to approximately 61% of the population. It also is the number-two loaf bread in the U.S. in pounds. In 2011, retail sales of *Nature s Own* were approximately $935.0 million. The compound annual growth rate in sales for *Nature s Own* since 2000 has been 12.4%.

During the year, we introduced the following new products under this brand:

- *Nature s Own* Whitewheat Sandwich Rounds
- *Nature s Own* 100% Whole Grain Sandwich Rolls and Hot Dog Rolls
- *Nature s Own* Cinnamon Raisin Thin Sliced Bagels
- *Nature s Own* Soft Oatmeal Specialty Bread
- *Nature s Own* 100% Whole Grain Specialty Bread
- *Nature s Own* Honey Wheat Berry Specialty Bread

In addition to *Nature s Own*, our DSD segment also markets:

- A line of specialty breads and rolls under the company-owned *Cobblestone Mill* brand. In 2011, we introduced *Cobblestone Mill* Deli Style Gourmet Rolls, *Cobblestone Mill* 100% Whole Wheat Bread, and *Cobblestone Mill* French Baguettes.

White breads and buns under regional company-owned and franchised brands, such as *Sunbeam*, *Bunny*, *Aunt Hattie s*, *Holsum*, and *ButterKrust*.

Tastykake and *Blue Bird* branded snack cakes and pastries. In 2011, as a result of the Tasty acquisition we added new items from the *Tastykake* lineup, including *Tastykake* Black & White Pies, Brownie and Peanut Butter Brownie *Kandy Kakes*, *Tastykake* Red Velvet Cupcakes, and *Tastykake* Banana Split Pie.

Flour, white, and corn tortillas under the *Mi Casa* and *Frestillas* brands. *Frestillas* tortillas were introduced to select supermarkets in Southern California in 2011.

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

Our warehouse segment markets a line of specialty breads and rolls under the *European Bakers* brand, proprietary breads, buns, and rolls for specific foodservice customers, and tortillas and tortilla chips under *Leo s Foods* and *Juarez*. 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 2011, we introduced the following new items under the *Mrs. Freshley* s brand:

- Apple Danish and Strawberry Cheese Danish
- Chocolate Bells made with Hershey ®s cocoa and Chocolate Chip Muffins made with Hershey ®s chocolate chips. These items were also introduced under the DSD segment s *Blue Bird* brand.

During 2011, we spent $2.0 million in product development costs for new products and product enhancements.

Marketing

We support our key brands with a multi-million dollar 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 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 2011 accounted for 45.6% of sales. During 2011, our largest customer, Walmart/Sam s Club, represented 21.6% 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. No other customer accounted for 10.0% or more of our sales during 2011, 2010 or 2009.

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 241 such stores, and reported sales of $59.0 million during fiscal 2011 related to these outlets.

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

Distribution

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

To get fresh bakery foods to market, we use a network of approximately 4,600 routes (or territories) to distribute certain Flowers DSD brands in specified geographic territories. The company has sold the majority of these territories to independent distributors under long-term financing arrangements, most of which are managed and serviced by the company. Our independent distributor program is designed to provide retail and foodservice customers with superior service. Independent distributors, highly motivated by financial incentives from their territory ownership, strive to increase sales by offering outstanding service and merchandising. Independent distributors have the opportunity to benefit directly from the enhanced value of their territories resulting from higher branded sales volume.

The company has developed proprietary software on the hand-held computers that independent distributors use for daily ordering and transactions. The company leases 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 $4.6 million in 2011, $3.7 million in 2010, and $2.9 million

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in 2009. 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 system ensures that distributors have an adequate supply of the right mix of products to meet retail and foodservice customers immediate needs. We believe our system minimizes returns of unsold goods.

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

We also use PBS, to track and monitor sales and inventories more effectively. PBS allows our independent distributors to bypass the often lengthy product check-in at retail stores, which gives them more time to merchandise products. PBS also benefits retailers, who only pay suppliers for what they actually sell or what is scanned at checkout. During fiscal 2011 approximately $821.0 million of our DSD segment sales came through our PBS system.

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

Intellectual Property

We own a number of trademarks, trade names, and licenses. The company also sells products under franchised and licensed trademarks and trade names that it does not own. We consider all our trademarks and trade names important to our business since we use them to build strong brand awareness and consumer loyalty. On July 23, 2008, our wholly-owned subsidiary filed a lawsuit against Hostess Brands, Inc. (Hostess) (formerly Interstate Bakeries Corporation) in the United States District Court for the Northern District of Georgia. The complaint alleges that Hostess is infringing upon Flowers *Nature s Own* trademarks by using or intending to use the *Nature s Pride* trademark. Flowers asserts that Hostess sale or intended sale of baked goods under the *Nature s Pride* trademark is likely to cause confusion with, and likely to dilute the distinctiveness of, the *Nature s Own* mark and constitutes unfair competition and deceptive trade practices. Flowers is seeking actual damages, an accounting of Hostess profits from its sales of *Nature s Pride* products, and injunctive relief. Flowers sought summary judgment for our claims, which was denied by the court. On January 11, 2012, Hostess filed a voluntary petition for relief in the United States Bankruptcy Court for the Southern District of New York under Chapter 11, Title 11, United States Code. The bankruptcy filing automatically stayed the trademark lawsuit.

Raw Materials

Our primary baking ingredients are flour, sweeteners, and shortening. We also use paper products, such as corrugated cardboard, and 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 as fuel for firing ovens. Our independent distributors and third-party shipping companies use gasoline and diesel as fuel for their trucks.

As commodities, many of our baking ingredients are subject to periodic price fluctuations. Over the past five years, the commodities market has been extremely volatile. Agricultural commodity prices reached all time highs in 2007 and the first half of 2008 before declining in 2009 and the first half of 2010. Commodity prices began to rise again in the second half of 2010 and continued to rise during 2011. We expect our commodity costs to increase in 2012. These costs fluctuate widely due to government policy and regulation, weather conditions, domestic and international demand, or other unforeseen circumstances. Our company enters into forward purchase agreements and derivative financial instruments to manage the impact of such volatility in raw material prices. Any decrease in the availability of these agreements and instruments could increase the price of these raw materials and significantly affect our earnings.

Regulations

As a producer and marketer of food items, our operations are subject to regulation by various federal governmental agencies, including the Food and Drug Administration, the Department of Agriculture, the Federal Trade Commission, the Environmental Protection Agency, and the Department of Commerce. We also are subject to the regulations of various state agencies, with respect to production processes, product quality, packaging, labeling, storage, distribution and local regulations regarding the licensing of plants and the enforcement of state standards and facility inspections. Under various statutes and regulations, these federal and state agencies prescribe requirements and establish standards for quality, purity, and labeling. Failure to comply with one or more regulatory requirements can 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. retail market for fresh packaged bakery products is estimated at $20.0 billion. This category is intensely competitive. It is comprised of large food companies, large independent bakeries with national distribution, and smaller regional and local bakeries.

At the start of 2011, the primary national competitors in the fresh bakery category included Grupo Bimbo S.A. de C.V./Bimbo Bakeries (*Grupo Bimbo*) (*Arnold*, *Thomas*, *Entemann s*), Hostess Brands, Inc. (*Wonder Bread, Hostess*), Sara Lee Corporation *(Sara Lee)*, and Campbell Soup Company (*Pepperidge Farm*).

Consolidation in the U.S. fresh baking industry is significantly altering the competitive landscape. In 2000, there were eight major companies in the packaged bakery category. By the end of 2011, that number dropped to four, with an announcement in November that Sara Lee had sold its North American Fresh Bakery business to Grupo Bimbo. From a national standpoint, Flowers Foods is currently the number two company in the U.S. fresh baking industry based on market share.

While there are also a number of smaller regional bakers, larger companies have enjoyed several competitive advantages over smaller operations, including greater brand awareness and economies of scale in areas such as purchasing, distribution, production, information technology, advertising and marketing. However, size alone is not sufficient to ensure success in our industry.

Consolidation in the baking industry continues to be driven by a number of factors. These include capital constraints on smaller companies that make it difficult for them to invest in new technology and equipment to improve productivity and efficiency and develop new products, generational changes in family-owned businesses, and limited ability to serve consolidated and larger retail and foodservice customers. We believe consolidation in the baking, food retailing, and foodservice industries will continue to present opportunities for strategic acquisitions that complement our existing businesses.

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Competition 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. While we experience price pressure from time to time, primarily as a result of competitors promotional efforts, we believe our strong relationships with independent distributors and trade customers, our consumers brand loyalty, and the diversity of our products and sales channels, limit the effects of such competition. We believe we have significant competitive advantages over smaller regional bakeries due to greater brand awareness and economies of scale in purchasing, distribution, production, information technology, and marketing.

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 McKee Foods Corporation (*Little Debbie*), Cloverhill Bakery, and Hostess Brands, Inc. (*Hostess*). Hostess filed for bankruptcy in January of 2012.

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

According to the National Restaurant Association (NRA), restaurant industry sales are expected to reach $632.0 billion in 2012. The NRA projects overall restaurant industry sales will increase in current dollars by 3.5% over 2011.

Flowers 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. This accounts for roughly 25% of the dollars and 40% of the units sold in the overall category. 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 web site 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 web site at www.flowersfoods.com.

The SEC also maintains a web site 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

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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.

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 and/or limit our ability to increase or maintain prices. If either of these events occur, or if unfavorable economic conditions continue, our sales and profitability could be adversely affected.

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

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

In addition, we are dependent upon natural gas for firing ovens. Our independent distributors and third-party shipping companies are dependent upon gasoline and diesel for their vehicles. Substantial future increases in prices for, or shortages of, these fuels could have a material adverse effect on our profitability, financial condition or results of operations. There can be no assurance that we can cover these cost increases through future pricing actions. Also, as a result of these pricing actions, consumers could purchase less or move from purchasing high-margin branded products to lower-margin store brands.

Competition could adversely impact revenues and profitability.

The United States bakery industry is highly competitive. 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.

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 45.6%

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of our sales during fiscal 2011. Our largest customer, Walmart/Sam s Club, accounted for 21.6% 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. 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.

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 margins, and therefore 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. 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.

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 comprises approximately 11.6% of all the pension plan assets as of December 31, 2011.

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

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

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

Disruption in our supply chain or distribution capabilities 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. 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.

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. 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.

Inability to anticipate 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. If we fail to anticipate, identify, or react to changes in consumer preferences, we could experience reduced demand for our products, which could in turn cause our operating results to suffer.

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. 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.

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

As a producer and marketer of food items, our production processes, product quality, packaging, labeling, storage, and distribution are subject to regulation by various federal, state and local government entities and agencies. Failure to comply with, or violations of, the regulatory requirements of one or more of these agencies can result in a variety of sanctions, including monetary fines or compulsory withdrawal of products from store shelves, any of which could adversely affect our results of operations and financial condition.

Any business disruption due to political instability, armed hostilities, incidents of terrorism or natural disasters could adversely impact our financial performance.

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. In the event of such incidents, our business and financial performance could be adversely affected.

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

We use natural gas, diesel fuel, and electricity in the manufacturing and distribution of our products. Legislation or regulation affecting these inputs could materially affect our results of operations, liquidity and financial condition. Legislation designed to control emissions affecting climate change could affect our ability to procure our commodity needs at costs we currently experience and may require additional unplanned capital expenditures.

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 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. The success of any 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 require us to efficiently integrate the acquired business to achieve the expected returns. Divestitures have operational risks that may include impairment charges. Acquisitions or divestitures present unique financial and operational risks, including diversion of management attention from the existing core business, integrating or 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.

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

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

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

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

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

- A classified Board of Directors,
- The requirement that our shareholders may only remove directors for cause,
- Specified requirements for calling special meetings of shareholders, and
- The ability of the Board of Directors to consider the interests of various constituencies, including our employees, customers, creditors, and the local community.

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

Executive Offices

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

Executive Officers of Flowers Foods

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

EXECUTIVE OFFICERS

Name, age and Office	Business Experience
George E. Deese Age 66 Chairman of the Board and Chief Executive Officer	Mr. Deese has been Chairman of the Board and Chief Executive Officer of Flowers Foods since January 2010. Mr. Deese previously served as Chairman of the Board, President and Chief Executive Officer of Flowers Foods from January 2006 to January 2010. He previously served as President and Chief Executive Officer of Flowers Foods from January 2004 to January 2006. Prior to that he served as President and Chief Operating Officer of Flowers Foods from May 2002 until January 2004. Mr. Deese also served as President and Chief Operating Officer of Flowers Bakeries from January 1997 until May 2002, President and Chief Operating Officer, Baked Products Group of Flowers Industries from 1983 to January 1997, Regional Vice President, Baked Products Group of Flowers Industries from 1981 to 1983 and President of Atlanta Baking Company from 1980 to 1981.
Allen L. Shiver Age 56 President	Mr. Shiver has been President of Flowers Foods since January 2010. Mr. Shiver previously served as Executive Vice President and Chief Marketing Officer of Flowers Foods from May 2008 to January 2010. He previously served as President and Chief Operating Officer of the warehouse delivery 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 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.

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Name, age and Office	Business Experience
R. Steve Kinsey Age 51 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 2002 to 2007. Prior to that he served as Director of Tax of Flowers Foods from 2001 to 2002 and at Flowers Industries from 1998 to 2001. Mr. Kinsey served as Tax Manager of Flowers Industries from 1994 to 1998. Mr. Kinsey joined the company in 1989 as a Tax Associate.
Gene D. Lord Age 64 Executive Vice President and Chief Operating Officer	Mr. Lord has been Executive Vice President and Chief Operating Officer of Flowers Foods since May 2008. Mr. Lord previously served as President and Chief Operating Officer of the DSD segment from July 2002 to May 2008. Prior to that, he served as a Regional Vice President of Flowers Bakeries from January 1997 until July 2002. Prior to that, he served as Regional Vice President, Baked Products Group of Flowers Industries from May 1987 until January 1997 and as President of Atlanta Baking Company from February 1981 until May 1987. Prior to that time, Mr. Lord served in various sales positions at Flowers Bakeries.
Stephen R. Avera Age 55 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.
Michael A. Beaty Age 61 Executive Vice President of Supply Chain	Mr. Beaty has been Executive Vice President of Supply Chain of Flowers Foods since May 2008. Mr. Beaty previously served as Senior Vice President-Supply Chain of Flowers Foods from September 2002 to May 2008. Prior to that, he served as Senior Vice President of Bakery Operations of Flowers Bakeries from September 1994 until September 2002. He also served as Vice President of Manufacturing of Flowers Bakeries from February 1987 until September 1994. Prior to that time, Mr. Beaty served in management positions at various Flowers Bakeries operations, including Vice President of Manufacturing, Executive Vice President and President of various Flowers operations from 1974 until 1987.
Marta Jones Turner Age 58 Executive Vice President of Corporate Relations	Ms. Turner has been Executive Vice President of Corporate Relations of Flowers Foods since May 2008. Ms. Turner previously served as Senior Vice President of Corporate Relations of Flowers Foods from July 2004 to May 2008. Prior to that, she served as Vice President of Communications and Investor Relations from November 2000 until July 2004. She also served as Vice President of Public Affairs of Flowers Industries from September 1997 until January 2000 and Director of Public Relations of Flowers Industries from 1985 until 1997.

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Name, age and Office	Business Experience
Karyl H. Lauder Age 55 Senior Vice President and Chief Accounting Officer	Ms. Lauder has been Senior Vice President and Chief Accounting Officer of Flowers Foods since May 2008. Ms. Lauder previously served as Vice President and Chief Accounting Officer of Flowers Foods from September 2007 to May 2008. Ms. Lauder previously served as Vice President and Operations Controller of Flowers Foods from 2003 to 2007. Prior to that she served as Division Controller for Flowers Bakeries Group from 1997 to 2003. Prior to that, Ms. Lauder served as a Regional Controller for Flowers Bakeries after serving as Controller and in other accounting supervisory positions at various plant locations since 1978.
Bradley K. Alexander Age 53 President, Flowers Bakeries	Mr. Alexander has been President of Flowers Bakeries since May 2008. Mr. Alexander previously 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.
Donald A. Thriffiley, Jr. Age 58 Senior Vice President of Human Resources	Mr. Thriffiley has been Senior Vice President of Human Resources for Flowers Foods since May 2008. Mr. Thriffiley previously served as Vice President of Human Resources from 2002 to 2008. Prior to that, Mr. Thriffiley served as Director of Human Resources for Flowers Bakeries and in other human resources positions since joining the company in 1977.
H. Mark Courtney Age 51 Senior Vice President of Sales and Marketing	Mr. Courtney has been Senior Vice President of Sales and Marketing of Flowers Bakeries since January of 2010. He previously served as Senior Vice President of Sales from April 2008 until January 2010. Prior to that, 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 42 Vice President and Chief Information Officer	Mr. Hubbard has been Vice President and Chief Information Officer of Flowers Foods since October of 2011. He previously served as Vice President, IT Technology and Development in 2011. Prior to that Mr. Hubbard was the IT Director, SAP Technology and eBusiness from 2003 through early 2011.

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Item 1B. ***Unresolved Staff Comments.***

None

Item 2. ***Properties***

The company currently operates 42 bakeries, of which 41 are owned and one is leased. We believe our properties are in good condition, well maintained, and sufficient for our present operations. During fiscal 2011, DSD segment facilities taken as a whole, operated moderately above capacity and warehouse segment facilities operated moderately below capacity. Our production plant locations are:

DSD Segment	
Birmingham, Alabama	Lafayette, Louisiana
Opelika, Alabama	New Orleans, Louisiana
Tuscaloosa, Alabama	Goldsboro, North Carolina
Phoenix, Arizona	Jamestown, North Carolina
Tolleson, Arizona	Newton, North Carolina
Batesville, Arkansas	Philadelphia, Pennsylvania (Leased)
Bradenton, Florida	Oxford, Pennsylvania
Jacksonville, Florida	Morristown, Tennessee
Lakeland, Florida	Denton, Texas
Miami, Florida	El Paso, Texas
Atlanta, Georgia	Houston, Texas(2)
Savannah, Georgia	San Antonio, Texas
Thomasville, Georgia	Tyler, Texas
Villa Rica, Georgia	Lynchburg, Virginia
Bardstown, Kentucky	Norfolk, Virginia
Baton Rouge, Louisiana	

Warehouse Segment	
Montgomery, Alabama	London, Kentucky
Texarkana, Arkansas	Winston-Salem, North Carolina
Suwanee, Georgia	Cleveland, Tennessee
Tucker, Georgia	Crossville, Tennessee
Cedar Rapids, Iowa (mix plant)	Ft. Worth, Texas

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.

On July 23, 2008, a wholly-owned subsidiary of the company filed a lawsuit against Hostess Brands, Inc. (formerly Interstate Bakeries Corporation) in the United States District Court for the Northern District of Georgia. The complaint alleges that Hostess is infringing upon Flowers *Nature s Own* trademarks by using or

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intending to use the *Nature s Pride* trademark. Flowers asserts that Hostess sale or intended sale of baked goods under the *Nature s Pride* trademark is likely to cause confusion with, and likely to dilute the distinctiveness of, the *Nature s Own* mark and constitutes unfair competition and deceptive trade practices. Flowers is seeking actual damages, an accounting of Hostess profits from its sales of *Nature s Pride* products, and injunctive relief. Flowers sought summary judgment for its claims, which was denied by the court. On January 11, 2012, Hostess filed a voluntary petition for relief in the United States Bankruptcy Court for the Southern District of New York under Chapter 11, Title 11, United States Code. The bankruptcy filing automatically stayed the trademark lawsuit.

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

Item 4. ***Mine Safety Disclosures***
Not Applicable

PART II

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

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

	FY 2011			FY 2010		
	Market Price		Dividend	Market Price		Dividend
Quarter	High	Low		High	Low	
First	$ 19.79	$ 15.74	$ 0.133	$ 17.78	$ 15.83	$ 0.117
Second	$ 23.00	$ 18.83	$ 0.150	$ 18.39	$ 15.79	$ 0.133
Third	$ 23.13	$ 17.79	$ 0.150	$ 17.43	$ 15.31	$ 0.133
Fourth	$ 21.10	$ 18.68	$ 0.150	$ 18.23	$ 16.17	$ 0.133

Stock Split

On May 25, 2011, the board of directors declared a 3-for-2 stock split of the company s common stock. The record date for the split was June 10, 2011, and new shares were issued on June 24, 2011. All share and per share information has been restated for all prior periods presented giving retroactive effect to the stock split. The company revised certain historical amounts when it recorded the 3-for-2 stock split. The amounts were immaterial and reclassified within stockholders equity between par value and capital in excess of par.

Holders

As of February 17, 2012, there were approximately 3,940 holders of record of our common stock.

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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.

Plan Category	Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights (a)	Weighted Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column(a)) (c)
	(Amounts in thousands, except per share data)		
Equity compensation plans approved by security holders	7,423	$ 15.67	3,452
Equity compensation plans not approved by security holders			
Total	7,423	$ 15.67	3,452

Under the company s compensation plans, the Board of Directors is authorized to grant a variety of stock-based awards, including stock options, restricted stock awards and deferred stock, to its directors and certain of its employees. The number of securities set forth in column (c) above reflects securities available for issuance as stock options, restricted stock and deferred stock under the company s compensation plans. The number of shares available under the compensation plan is 27,937,500 shares as approved by shareholder vote in 2009. See Note 15, *Stock-Based Compensation,* of Notes to Consolidated Financial Statements of this Form 10-K for additional information on equity compensation plans.

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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 December 30, 2006 through December 30, 2011, the last trading day of our 2011 fiscal year.

Comparison of Cumulative Five Year Total Return

	December 30, 2006	December 29, 2007	January 3, 2009	January 2, 2010	January 1, 2011	December 31, 2011
FLOWERS FOODS INC	100.00	135.53	138.11	141.73	165.42	180.35
S&P 500 INDEX	100.00	106.22	68.56	84.06	96.73	98.77
S&P 500 PACKAGED FOODS & MEAT INDEX	100.00	102.98	91.17	105.42	122.67	143.75
S&P MIDCAP 400 INDEX	100.00	108.60	70.53	94.60	119.81	117.73

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 December 30, 2006. Flowers Foods share price is also indexed to $100 at December 30, 2006. These prices have been adjusted for stock splits.

Purchases of Equity Securities by the Issuer and Affiliated Purchases

Our Board of Directors has approved a plan that authorized stock repurchases of up to 45.0 million shares of the company s common stock. Under the plan, the company may repurchase its common stock in open market or privately negotiated transactions at such times and at such prices as determined to be in the company s best interest. These purchases may be commenced or suspended without prior notice depending on then-existing

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business or market conditions and other factors. The company has purchased 37.8 million shares under the plan through December 31, 2011. During 2011, the company acquired 1.5 million shares under the plan. The company did not acquire any shares under the plan during the fourth quarter of fiscal 2011.

Item 6. ***Selected Financial Data***

The selected consolidated historical financial data presented below as of and for the fiscal years 2011, 2010, 2009, 2008, and 2007 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 the 52 Weeks Ended			For the 53 Weeks Ended	For the 52 Weeks Ended
	December 31, 2011	**January 1, 2011**	**January 2, 2010**	**January 3, 2009**	**December 29, 2007**
	(Amounts in thousands, except per share data)				
Statement of Income Data:					
Sales	$ 2,773,356	$ 2,573,769	$ 2,600,849	$ 2,414,892	$ 2,036,674
Net income	123,428	137,047	133,712	122,307	98,115
Net income attributable to noncontrolling interest			(3,415)	(3,074)	(3,500)
Net income attributable to Flowers Foods, Inc.	$ 123,428	$ 137,047	$ 130,297	$ 119,233	$ 94,615
Net income attributable to Flowers Foods, Inc. common shareholders per diluted share	$ 0.90	$ 0.99	$ 0.94	$ 0.85	$ 0.68
Cash dividends per common share	$ 0.583	$ 0.517	$ 0.450	$ 0.383	$ 0.305
Balance Sheet Data:					
Total assets	$ 1,553,998	$ 1,325,489	$ 1,351,442	$ 1,353,244	$ 987,535
Long-term debt and capital leases	$ 283,406	$ 98,870	$ 225,905	$ 263,879	$ 22,508

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

The following discussion should be read in conjunction with Selected Financial Data included herein and our Consolidated Financial Statements and the 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.

Overview

Flowers Foods currently operates two business segments: a direct-store-delivery segment (DSD segment) and a warehouse delivery segment (warehouse segment). The DSD segment operates 32 bakeries that market a wide variety of fresh bakery foods, including fresh breads, buns, rolls, tortillas, and snack cakes. These products are sold through its DSD route delivery system to retail and foodservice customers in the Southeast, Mid-Atlantic, and Southwest as well as in select markets in the Northeast, California, and Nevada. The warehouse segment operates 10 bakeries and produces snack cakes and breads and rolls that are shipped both fresh and frozen to national retail, foodservice, vending, and co-pack customers through their warehouse channels.

We aim to achieve consistent and sustainable growth in sales and earnings by focusing on improvement in the operating results of our existing businesses and, after detailed analysis, acquiring businesses and properties that add value to the company. We believe this strategy will result in consistent and sustainable growth that will build value for our shareholders. In May 2011, the company acquired, through a wholly owned subsidiary, Tasty. Tasty operates two bakeries in Pennsylvania and serves customers primarily in the northeastern United States with an extensive line of *Tastykake* branded snacks. This acquisition strengthened our position in the branded snack cake category, facilitated our expansion into new geographic markets and increased our manufacturing capacity.

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Sales are principally affected by pricing, quality, brand recognition, new product introductions, product line extensions, marketing and service. We manage these factors to achieve a sales mix favoring our higher-margin branded products, while using store branded products to absorb overhead costs and maximize use of production capacity. Sales for fiscal 2011 increased 7.8% from fiscal 2010. This increase was primarily due to the Tasty acquisition and increased pricing/mix partially offset by lower volume. During fiscal 2011, we believe our sales were negatively impacted by the weakened economy, the competitive landscape and higher promotional activity within the baking industry. While we expect sales to grow, we cannot guarantee at what level considering the current economic environment and competitive landscape in the baking industry.

Commodities, such as our baking ingredients, periodically experience price fluctuations, and, for that reason, we continually monitor the market for these commodities. The cost of these inputs may fluctuate widely due to government policy and regulation, weather conditions, domestic and international demand or other unforeseen circumstances. Agricultural commodity prices reached all time high levels during 2007 and the first half of 2008 before declining during 2009. Commodity prices began to rise in the second half of 2010 and continued rising during 2011. We anticipate our commodity costs to rise during 2012. 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 and expenses 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 is a review of the critical assumptions and estimates, and the accounting policies and methods listed below which are used in the preparation of its 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; and
- pension obligations.

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. Coupon expense estimates are calculated and recorded as a reduction to gross sales using the number of coupons dropped to consumers and the estimated redemption percentage. Estimates for customer rebates assume that customers will meet the required quantities to qualify for payment and are recorded as a reduction to gross sales. Cooperative advertising expense is recorded as a reduction to gross sales based on our portion of the estimated advertising cost of the underlying program. Product returns are recorded as a reduction to gross sales based on the actual returns in the week following the quarter end. 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. The company believes it is a baked foods industry leader in PBS and utilizes this technology with a majority of its larger retail customers such as Walmart, Kroger, Food Lion and Winn-Dixie. In fiscal 2011 the company recorded $821.0 million in sales through PBS. The company will continue to implement PBS technology for current PBS customers as they open new retail stores during 2012. In addition, new PBS customers will begin implementation during 2012.

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 the 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. Based on management s evaluation, no impairment charges relating to long-lived assets were recorded for fiscal years 2011, 2010 or 2009.

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. 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. This fair value is compared to the carrying value of the reporting unit, and if less than the carrying value, the goodwill is measured for potential impairment under step

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two. Under step two of this calculation, goodwill is measured for potential impairment by comparing the implied fair value of the reporting unit 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. The market approach assumes growth rates for projected EBITDA and revenue applied to market participant estimates of our enterprise value to EBITDA and revenue. The income approach estimates include our projected results of operations and our weighted-average cost of capital as computed each quarter. 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 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 segments exceeded our carrying values by over $325.0 million in each segment. Based on management s evaluation, no impairment charges relating to goodwill were recorded for the fiscal years 2011, 2010, or 2009.

In connection with acquisitions, the company has acquired trademarks, customer lists and non-compete agreements, which are intangible assets subject to amortization. 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. Based on management s evaluation, no impairment charges relating to amortizable intangible assets were recorded for the fiscal years 2011, 2010, or 2009.

The company also owns trademarks acquired in acquisitions that are intangible assets not subject to amortization of $1.5 million. The company evaluates the recoverability of 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. The fair value is computed using the same approach described above for goodwill and includes the same risks and estimates. Based on management s evaluation, no impairment charges relating to intangible assets not subject to amortization were recorded for the fiscal years 2011, 2010, or 2009.

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

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company records a valuation allowance to reduce its deferred tax assets if it is more likely than not that some or all of the deferred assets will not be realized. While the company has considered future taxable income and ongoing prudent and feasible tax strategies in assessing the need for the 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 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 insure that they have been appropriately adjusted for events, including audit settlements that may impact the ultimate payment of such potential exposures. While the ultimate outcome of audits cannot be predicted with certainty, we do not currently believe that future audits will have a material adverse effect on our consolidated financial condition or results of operations. During fiscal 2010, the IRS completed the audit of fiscal years 2007 and 2008. The results of the audit were immaterial, and the company is no longer subject to federal examination for years prior to 2009.

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 and expected long-term rate of return on plan assets. The expected long-term rate of return assumption considers the asset mix of the plans portfolios, past performance of these assets, the anticipated future economic environment and long-term performance of individual asset classes, and other factors. Material changes in pension costs and in benefit obligations may occur in the future due to experience different than assumed and changes in these assumptions. Future benefit obligations and annual pension costs could be impacted by changes in the discount rate, changes in the expected long-term rate of return, changes in the level of contributions to the plans and other factors. Effective January 1, 2006, the company curtailed its largest defined benefit plan that covered the majority of its workforce. Benefits under this plan were frozen, and no future benefits will accrue under this plan. The company continues to maintain another defined benefit plan that covers a small number of union employees. Effective August 4, 2008, the company assumed sponsorship of two defined benefit plans as part of the ButterKrust acquisition. Benefits under these plans are frozen, and no future benefits will accrue under these plans. These plans were merged into the company s largest defined benefit plan at December 31, 2011. Effective May 20, 2011, the company assumed sponsorship of three defined benefit plans as part of the Tasty acquisition. Benefits under these plans are frozen, and no future benefits will accrue under these plans. Two of the Tasty defined benefit plans are nonqualified plans covering former employees. One of these nonqualified plans was terminated and all benefit obligations of the plan were settled effective December 31, 2011. The company recorded pension income of $0.4 million for fiscal 2011.

A quarter percentage point change in the discount rate would impact the company s fiscal 2011 pension cost by approximately $0.1 million on a pre-tax basis. A quarter percentage point change in the long-term expected rate of return assumption would impact the company s fiscal 2011 pension cost by approximately $0.8 million on a pre-tax basis. A quarter percentage point decrease in the discount rate would increase the company s fiscal year-end 2011 pension obligations by approximately $15.0 million. A quarter percentage point increase in the discount rate would decrease the company s fiscal year-end 2011 pension obligations by approximately $14.3 million. The company expects pension cost of approximately $1.1 million for fiscal 2012.

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

In developing the expected long-term rate of return on plan assets at each measurement date, the company considers the plan assets historical actual returns, targeted asset allocations, and the anticipated future economic environment and long-term performance of individual asset classes, based on the company s investment strategy. While appropriate consideration is given to recent and historical investment performance, the assumption represents management s best estimate of the long-term prospective return. Based on these factors the long-term rate of return assumption for the plans was set at 8.0% for fiscal 2011, as compared with the average annual return on the plans assets over the past 15 years of approximately 7.3% (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 18, *Postretirement Plans*, of Notes to Consolidated Financial Statements of this Form 10-K.

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 the fiscal 2011 measurement date of December 31, 2010 for the pension plans the company sponsors was $96.6 million. The total unrecognized loss as of the fiscal 2012 measurement date of December 31, 2011 for the pension plans the company sponsors was $160.8 million. The company uses a calendar year end for the measurement date since the plans are based on a calendar year and because it approximates the company s fiscal year end. Amortization of this unrecognized loss during fiscal 2012 is expected to be approximately $5.1 million. To the extent that this unrecognized loss is subsequently recognized, the loss will increase the company s pension costs in the future.

Matters Affecting Analysis

Reporting Periods. The company operates on a 52-53 week fiscal year ending the Saturday nearest December 31. Fiscal 2011, 2010 and 2009 consisted of 52 weeks. Fiscal 2012 will consist of 52 weeks.

Acquisitions. On May 20, 2011, a wholly owned subsidiary of the company acquired Tasty. Tasty operates two bakeries in Pennsylvania and serves customers primarily in the northeastern United States under the *Tastykake* snack brand. The results of Tasty s operations are included in the company s consolidated financial statements as of May 20, 2011 and are included in the company s DSD segment. The acquisition facilitated our expansion into new geographic markets and increased our manufacturing capacity. In addition, the *Tastykake* brand increased our position in the branded snack cake category. During 2011, Tasty contributed sales of $127.2 million and income from operations of $3.0 million. Tasty is included in our DSD segment primarily because of the delivery method for *Tastykake* products. The DSD model will allow us to expand the *Tastykake* brand and the *Nature s Own* brand throughout our respective networks.

On October 17, 2009, the company acquired Leo s Foods, Inc. (Leo s). Leo s operates one tortilla facility in Ft. Worth, Texas that makes an extensive line of flour and corn tortillas and tortilla chips that are sold to foodservice and institutional customers nationwide. As a result of the acquisition, the company added capacity in the growing tortilla market. This acquisition is reported in the warehouse delivery segment.

On May 15, 2009, the company acquired substantially all the assets of a bakery mix operation in Cedar Rapids, Iowa that is reported in the warehouse segment.

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Results of Operations

The company s results of operations, expressed as a percentage of sales, are set forth below for the fifty-two weeks ended December 31, 2011 and the fifty-two weeks ended January 1, 2011:

	For the Fifty-Two Weeks Ended December 31, 2011	For the Fifty-Two Weeks Ended January 1, 2011	Percentage of Sales For the Fifty-Two Weeks Ended December 31, 2011	Percentage of Sales For the Fifty-Two Weeks Ended January 1, 2011	Increase (Decrease) Dollars	Increase (Decrease) %
	(Amounts in thousands)				(Amounts in thousands)	
Sales						
DSD	$ 2,265,244	$ 2,071,356	81.7	80.5	$ 193,888	9.4
Warehouse delivery	508,112	502,413	18.3	19.5	5,699	1.1
Total	$ 2,773,356	$ 2,573,769	100.0	100.0	$ 199,587	7.8
Materials, supplies, labor and other production costs (exclusive of depreciation and amortization shown separately below)						
DSD(1)	$ 1,090,941	$ 986,610	48.2	47.6	$ 104,331	10.6
Warehouse delivery(1)	382,260	360,180	75.2	71.7	22,080	6.1
Total	$ 1,473,201	$ 1,346,790	53.1	52.3	$ 126,411	9.4
Selling, distribution and administrative expenses						
DSD(1)	$ 896,677	$ 823,797	39.6	39.8	$ 72,880	8.8
Warehouse delivery(1)	78,733	75,323	15.5	15.0	3,410	4.5
Corporate(2)	41,081	36,879			4,202	11.4
Total	$ 1,016,491	$ 935,999	36.7	36.4	$ 80,492	8.6
Depreciation and amortization						
DSD(1)	$ 74,378	$ 65,977	3.3	3.2	$ 8,401	12.7
Warehouse delivery(1)	19,768	18,985	3.9	3.8	783	4.1
Corporate(2)	492	156			336	215.4
Total	$ 94,638	$ 85,118	3.4	3.3	$ 9,520	11.2
Income from operations						
DSD(1)	$ 203,248	$ 194,972	9.0	9.4	$ 8,276	4.2
Warehouse delivery(1)	27,351	47,925	5.4	9.5	(20,574)	(42.9)
Corporate(2)	(41,573)	(37,035)			(4,538)	(12.3)
Total	$ 189,026	$ 205,862	6.8	8.0	$ (16,836)	(8.2)
Interest income, net	$ 2,940	$ 4,518	0.1	0.2	$ (1,578)	(34.9)
Income taxes	$ 68,538	$ 73,333	2.5	2.8	$ (4,795)	(6.5)
Net income	$ 123,428	$ 137,047	4.5	5.3	$ (13,619)	(9.9)

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

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The company s results of operations, expressed as a percentage of sales, are set forth below for the fifty-two weeks ended January 1, 2011 and the fifty-two weeks ended January 2, 2010:

			Percentage of Sales		Increase (Decrease)	
	For the Fifty-Two Weeks Ended January 1, 2011	For the Fifty-Two Weeks Ended January 2, 2010	For the Fifty-Two Weeks Ended January 1, 2011	For the Fifty-Two Weeks Ended January 2, 2010	Dollars	%
	(Amounts in thousands)				(Amounts in thousands)	
Sales						
DSD	$ 2,071,356	$ 2,135,128	80.5	82.1	$ (63,772)	(3.0)
Warehouse delivery	502,413	465,721	19.5	17.9	36,692	7.9
Total	$ 2,573,769	$ 2,600,849	100.0	100.0	$ (27,080)	(1.0)
Materials, supplies, labor and other production costs (exclusive of depreciation and amortization shown separately below)						
DSD(1)	$ 986,610	$ 1,060,398	47.6	49.7	$ (73,788)	(7.0)
Warehouse delivery(1)	360,180	329,785	71.7	70.8	30,395	9.2
Total	$ 1,346,790	$ 1,390,183	52.3	53.5	$ (43,393)	(3.1)
Selling, distribution and administrative expenses						
DSD(1)	$ 823,797	$ 817,613	39.8	38.3	$ 6,184	0.8
Warehouse delivery(1)	75,323	71,561	15.0	15.4	3,762	5.3
Corporate(2)	36,879	37,244			(365)	(1.0)
Total	$ 935,999	$ 926,418	36.4	35.6	$ 9,581	1.0
Depreciation and amortization						
DSD(1)	$ 65,977	$ 64,578	3.2	3.0	$ 1,399	2.2
Warehouse delivery(1)	18,985	16,062	3.8	3.4	2,923	18.2
Corporate(2)	156	288			(132)	(45.8)
Total	$ 85,118	$ 80,928	3.3	3.1	$ 4,190	5.2
Gain on acquisition						
DSD(1)	$	$			$	
Warehouse delivery(1)		(3,013)		(0.6)	(3,013)	NM
Corporate(2)						
Total	$	$ (3,013)		(0.1)	$ (3,013)	
Income from operations						
DSD(1)	$ 194,972	$ 192,539	9.4	9.0	$ 2,433	1.3
Warehouse delivery(1)	47,925	51,326	9.5	11.0	(3,401)	(6.6)
Corporate(2)	(37,035)	(37,532)			497	1.3
Total	$ 205,862	$ 206,333	8.0	7.9	$ (471)	(0.2)
Interest income, net	$ 4,518	$ 1,426	0.2	0.1	$ 3,092	216.8
Income taxes	$ 73,333	$ 74,047	2.8	2.8	$ (714)	(1.0)
Net income	$ 137,047	$ 133,712	5.3	5.1	$ 3,335	2.5
Net income attributable to noncontrolling interest	$	$ (3,415)		(0.1)	$ 3,415	NM

Net income attributable to Flowers Foods, Inc.	$ 137,047	$ 130,297	5.3	5.0	$ 6,750	5.2

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

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Fifty-Two Weeks Ended December 31, 2011 Compared to Fifty-Two Weeks Ended January 1, 2011

Consolidated Sales

	For the 52 Weeks Ended December 31, 2011		For the 52 Weeks Ended January 1, 2011		%
	$ (Amounts in thousands)	%	$ (Amounts in thousands)	%	Increase (Decrease)
Branded Retail	$ 1,419,191	51.2%	$ 1,305,415	50.7%	8.7%
Store Branded Retail	501,354	18.1	432,406	16.8	15.9%
Non-retail and Other	852,811	30.7	835,948	32.5	2.0%
Total	$ 2,773,356	100.0%	$ 2,573,769	100.0%	7.8%

The 7.8% increase in sales was attributable to the following:

Percentage Point Change in Sales Attributed to:	Favorable (Unfavorable)
Pricing/Mix	3.7%
Volume	(0.9)%
Acquisitions	5.0%
Total Percentage Change in Sales	7.8%

Sales category discussion

Branded retail sales increased primarily due to the Tasty acquisition. Competitive pricing and heavy promotional activity continued to impact the channel. The increase in store branded retail was primarily due to increases in store branded cake as some of the company s customers introduced store branded cake programs in mid-2010 and the contribution from the Tasty acquisition. Increases in store branded white bread also contributed to the growth. The increase in non-retail and other sales was primarily due to increases in foodservice, partially offset by declines in institutional and mix sales.

DSD Segment Sales

	For the 52 Weeks Ended December 31, 2011		For the 52 Weeks Ended January 1, 2011		%
	$ (Amounts in thousands)	%	$ (Amounts in thousands)	%	Increase (Decrease)
Branded Retail	$ 1,324,309	58.5%	$ 1,194,568	57.7%	10.9%
Store Branded Retail	375,732	16.6	327,233	15.8	14.8%
Non-retail and Other	565,203	24.9	549,555	26.5	2.8%
Total	$ 2,265,244	100.0%	$ 2,071,356	100.0%	9.4%

The 9.4% increase in sales was attributable to the following:

Percentage Point Change in Sales Attributed to:	Favorable (Unfavorable)
Pricing/Mix	3.3%
Volume	(0.1)%
Acquisition	6.2%
Total Percentage Change in Sales	9.4%

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Sales category discussion

Branded retail sales increased primarily due to the Tasty acquisition, and to a lesser extent, growth in branded soft variety. Competitive pricing and heavy promotional activity continued to impact the channel. Store branded retail increased primarily due to volume growth in store branded white bread and store branded buns/rolls/tortillas, as well as the acquisition contribution. Non-retail and other increased primarily due to increases in foodservice, partially offset by declines in institutional.

Warehouse Segment Sales

	For the 52 Weeks Ended December 31, 2011		For the 52 Weeks Ended January 1, 2011		% Increase (Decrease)
	$ (Amounts in thousands)	%	$ (Amounts in thousands)	%	
Branded Retail	$ 94,882	18.7%	$ 110,847	22.1%	(14.4)%
Store Branded Retail	125,622	24.7	105,173	20.9	19.4%
Non-retail and Other	287,608	56.6	286,393	57.0	0.4%
Total	$ 508,112	100.0%	$ 502,413	100.0%	1.1%

The 1.1% increase in sales was attributable to the following:

Percentage Point Change in Sales Attributed to:	Favorable (Unfavorable)
Pricing/Mix	4.0%
Volume	(2.9)%
Total Percentage Change in Sales	1.1%

Sales category discussion

The decrease in branded retail sales and the increase in store branded retail sales was primarily the result of a shift from branded multi-pak cake to store branded cake as a result of store branded cake programs introduced in mid-2010 by some of the company s customers. The slight increase in non-retail and other sales, which include contract production and vending, was due to volume increases, partially offset by pricing/mix declines.

Materials, Supplies, Labor and Other Production Costs (exclusive of depreciation and amortization shown separately). The increase as a percent of sales was primarily due to significant increases in ingredient costs. The increase in ingredient costs was from flour, shortening/oil, cocoa and sugar. These were partially offset by sales increases and lower workforce-related costs as a percent of sales.

Commodities, such as our baking ingredients, periodically experience price fluctuations, and, for that reason, we continually monitor the market for these commodities. The commodities market continues to be volatile. Commodity prices increased in the second half of 2010 and continued to rise in 2011. 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 to manage the impact of such volatility in raw material prices. Any decrease in the availability of these agreements and instruments could increase the price of these raw materials and significantly affect our earnings.

The DSD segment cost increase as a percent of sales was primarily the result of significant increases in ingredient costs and higher costs as a percent of sales for the Tasty acquisition, partially offset by sales increases and lower workforce-related costs as a percent of sales. The increase in ingredient costs was primarily from higher flour costs.

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The warehouse segment costs increased as a percent of sales primarily as a result of higher ingredient costs as a percent of sales. Ingredient costs increased from higher shortening, cocoa, flour and sweetener costs. These were partially offset by lower packaging costs primarily attributable to lower volume.

Selling, Distribution and Administrative Expenses. The increase as a percent of sales was due to one-time acquisition related costs of $6.2 million for the Tasty acquisition, plant closure costs and higher distribution expense as a percent of sales, partially offset by sales increases.

The DSD segment selling, distribution and administrative expenses were lower due to sales increases and higher scrap dough income, partially offset by higher distribution expenses as a percent of sales.

The warehouse segment selling, distribution and administrative expenses increased as a percent of sales primarily due to higher distribution costs as a percent of sales.

Depreciation and Amortization. Depreciation and amortization expense increased primarily due to the Tasty acquisition.

The DSD segment depreciation and amortization expense increased primarily as the result of the Tasty acquisition.

The warehouse segment depreciation and amortization expense did not change materially.

Income from operations. The increase in the DSD segment income from operations was attributable to the Tasty acquisition and sales increases, partially offset by higher ingredient costs and $0.8 million of costs associated with the Tasty acquisition. The decrease in the warehouse segment income from operations was primarily due to significantly higher ingredient costs and higher distribution costs, partially offset by lower packaging costs as a percent of sales. The increase in unallocated corporate expenses was primarily due to $5.4 million of acquisition costs associated with the Tasty acquisition.

Net Interest Income. The decrease resulted from higher interest expense on the credit facility due to borrowings made by the company during fiscal 2011 primarily for the Tasty acquisition.

Income Taxes. The effective tax rate for fiscal 2011 and fiscal 2010 was 35.7% and 34.9%, respectively. This increase is primarily due to non-deductible transaction costs associated with the Tasty acquisition. The difference in the effective rate and the statutory rate is primarily due to state income taxes and the Section 199 qualifying production activities deduction.

Fifty-Two Weeks Ended January 1, 2011 Compared to Fifty-Two Weeks Ended January 2, 2010

Consolidated Sales

	For the 52 Weeks Ended January 1, 2011		For the 52 Weeks Ended January 2, 2010		% Increase (Decrease)
	$ (Amounts in thousands)	%	$ (Amounts in thousands)	%	
Branded Retail	$ 1,305,415	50.7%	$ 1,333,479	51.3%	(2.1)%
Store Branded Retail	432,406	16.8	415,125	16.0	4.2%
Non-retail and Other	835,948	32.5	852,245	32.7	(1.9)%
Total	$ 2,573,769	100.0%	$ 2,600,849	100.0%	(1.0)%

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

Percentage Point Change in Sales Attributed to:	**Favorable (Unfavorable)**
Pricing/Mix	(1.7)%
Volume	0.2%
VIE deconsolidation	(0.5)%
Acquisitions	1.0%
Total Percentage Change in Sales	(1.0)%

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Sales category discussion

Branded retail sales declined due to volume decreases, partially offset by pricing/mix increases. Declines in branded white bread and branded multi-pak cake were partially offset by increases in branded soft variety and branded sandwich rounds introduced early in fiscal 2010. Competitive pricing and heavy promotional activity continued to impact the channel. The increase in store branded retail was primarily due to volume increases in store branded cake as some of the company s customers introduced store branded cake programs in mid-2010. Decreases in store branded white bread and store branded variety bread partially offset the increase. The decrease in non-retail and other sales was due to declines in foodservice and the deconsolidation of a variable interest entity (VIE) during fiscal 2010, partially offset by the 2009 acquisitions.

DSD Segment Sales

	For the 52 Weeks Ended January 1, 2011		For the 52 Weeks Ended January 2, 2010		% Increase (Decrease)
	$ (Amounts in thousands)	%	$ (Amounts in thousands)	%	
Branded Retail	$ 1,194,568	57.7%	$ 1,197,690	56.1%	(0.3)%
Store Branded Retail	327,233	15.8	355,800	16.7	(8.0)%
Non-retail and Other	549,555	26.5	581,638	27.2	(5.5)%
Total	$ 2,071,356	100.0%	$ 2,135,128	100.0%	(3.0)%

The 3.0% decrease in sales was attributable to the following:

Percentage Point Change in Sales Attributed to:	(Unfavorable)
Pricing/Mix	(2.0)%
Volume	(0.4)%
VIE deconsolidation	(0.6)%
Total Percentage Change in Sales	(3.0)%

Sales category discussion

Branded retail sales decreased due to pricing/mix declines, partially offset by volume increases. Decreases in branded white bread were partially offset by increases in branded soft variety and branded sandwich rounds. Competitive pricing and heavy promotional activity continued to impact the category. Store branded retail declined due to decreases in pricing/mix, and to a lesser extent, volume declines. Non-retail and other declined primarily due to the deconsolidation of the VIE, pricing/mix decreases and, to a lesser extent, volume decreases.

Warehouse Segment Sales

	For the 52 Weeks Ended January 1, 2011		For the 52 Weeks Ended January 2, 2010		% Increase (Decrease)
	$ (Amounts in thousands)	%	$ (Amounts in thousands)	%	

Branded Retail	$ 110,847	22.1%	$ 135,789	29.2%	(18.4)%
Store Branded Retail	105,173	20.9	59,325	12.7	77.3%
Non-retail and Other	286,393	57.0	270,607	58.1	5.8%
Total	$ 502,413	100.0%	$ 465,721	100.0%	7.9%

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The 7.9% increase in sales was attributable to the following:

Percentage Point Change in Sales Attributed to:	Favorable
Pricing/Mix	0.9%
Volume	1.2%
Acquisitions	5.8%
Total Percentage Change in Sales	7.9%

Sales category discussion

The decrease in branded retail sales was primarily the result of lower multi-pak cake volume as a result of store branded cake programs introduced in mid-2010 by some of the company s customers, which resulted in the increase in store branded retail sales. The increase in non-retail and other sales, which include contract production and vending, was due primarily to the acquisitions, partially offset by decreases in vending.

Materials, Supplies, Labor and Other Production Costs (exclusive of depreciation and amortization shown separately). The decrease as a percent of sales was primarily due to significant decreases in ingredient costs. These were partially offset by sales declines, higher workforce-related costs as a percent of sales, start-up costs for new production lines and higher costs as a percent of sales for the companies acquired in 2009.

Commodities, such as our baking ingredients, periodically experience price fluctuations, and, for that reason, we continually monitor the market for these commodities. The commodities market continues to be volatile. Agricultural commodity prices reached all time high levels during 2007 and the first half of 2008 before declining during 2009 and the first half of 2010. Commodity prices increased in the second half of 2010. The cost of these inputs may fluctuate widely due to government policy and regulation, weather conditions, domestic and international demand or other unforeseen circumstances. We enter into forward purchase agreements and other derivative financial instruments qualifying for hedge accounting to manage the impact of such volatility in raw materials prices. Any decrease in the availability of these agreements and instruments could increase the price of these raw materials and significantly affect our earnings.

The DSD segment cost decrease as a percent of sales was primarily the result of significant decreases in ingredient costs and lower energy costs, partially offset by softer sales and higher workforce-related costs as a percent of sales. The decreases in ingredient costs were primarily from lower flour and salad oil costs.

The warehouse segment cost increased as a percent of sales primarily as a result of higher workforce-related costs and ingredient costs as a percent of sales. Ingredient costs increased from higher cocoa and sweetener costs and higher costs related to the acquisitions which were partially offset by lower flour and salad oil costs.

Selling, Distribution and Administrative Expenses. The increase in expenses as a percent of sales was due to softer sales and higher workforce-related costs as a percent of sales, partially offset by lower costs as a percent of sales for the companies acquired in 2009.

The DSD segment selling, distribution and administrative expenses increased as a percent of sales. The increase was primarily due to sales declines and higher workforce-related and rent expenses as a percent of sales.

The warehouse segment selling, distribution and administrative expenses decreased as a percent of sales primarily due to higher sales and lower distribution costs as a percent of sales.

Depreciation and Amortization. Depreciation and amortization expense increased primarily due to acquisitions and the deconsolidation of the VIE. As a result of the deconsolidation, the company recorded $11.9 million in right-to-use assets for certain trucks and trailers used for distributing our products from the manufacturing facilities to the distribution centers. Prior to fiscal 2010 and the deconsolidation of the VIE, depreciation expense included only those assets not used in the distribution of the company s products. As a result, depreciation of these assets increased over the prior year.

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The DSD segment depreciation and amortization expense increased primarily as the result of the VIE deconsolidation and the recording of the right-to-use assets.

The warehouse segment depreciation and amortization expense increased primarily as the result of increased depreciation expense due to the acquisitions that occurred during fiscal 2009.

Gain on acquisition. On May 15, 2009, the company acquired substantially all the assets of a bakery mix operation in Cedar Rapids, Iowa. Based on the purchase price allocation, the fair value of the identifiable assets acquired and liabilities assumed exceeded the fair value of the consideration paid. As a result, we recognized a gain of $3.0 million which is included in the line item Gain on acquisition to derive income from operations in the consolidated statement of income. We believe the gain on acquisition resulted from the seller s strategic intent to exit a non-core business operation.

Income from operations. The increase in the DSD segment income from operations was attributable to significantly lower ingredient costs, partially offset by sales declines and higher workforce-related expenses. The decrease in the warehouse segment income from operations was primarily due to the gain on acquisition in the prior year discussed above, partially offset by higher store-branded retail sales, lower distribution costs as a percent of sales, and the acquisitions. The decrease in unallocated corporate expenses was primarily due to lower pension and postretirement plan costs.

Net Interest Income. The increase resulted from lower interest expense on the credit facility and term loans due to repayments made by the company.

Income Taxes. The effective tax rate for fiscal 2010 and fiscal 2009 was 34.9% and 35.6%, respectively. This decrease is primarily due to the increase in Section 199 qualifying production activities deduction and favorable discrete items recognized during the year, partially offset by the absence of non-taxable earnings from the previously consolidated VIE. The difference in the effective rate and the statutory rate is primarily due to state income taxes and the Section 199 qualifying production activities deduction.

Net Income Attributable to Noncontrolling Interest. The company maintains a transportation agreement with an entity that transports a significant portion of the company s fresh bakery products from the company s production facilities to outlying distribution centers. The company represents a significant portion of the entity s revenue. This entity qualifies as a VIE for reporting periods prior to January 3, 2010 under previous accounting guidance, and all the earnings of the VIE were eliminated through noncontrolling interest because the company did not have an equity ownership interest in the VIE. In 2009, the FASB amended the consolidation principles associated with VIE accounting by replacing the quantitative-based risks and rewards calculation for determining which enterprise, if any, has a controlling financial interest in the VIE with a qualitative approach. The qualitative approach is focused on identifying which company has both the power to direct the activities of a VIE that most significantly impact the entity s economic performance and the obligation to absorb losses of the entity or the right to receive benefits from the entity. As a result of this qualitative analysis, the company was no longer required to consolidate the VIE beginning on January 3, 2010 at adoption. See Note 12, *Variable Interest Entity*, of Notes to Consolidated Financial Statements of this Form 10-K for additional disclosure.

Liquidity and Capital Resources

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

The company leases certain property and equipment under various operating and capital lease arrangements. Most of the operating leases provide the company with the option, after the initial lease term, either to purchase the property at the then fair value or renew its lease at the then fair value. The capital leases provide the company with the option to purchase the property at a fixed price at the end of the lease term. The company believes the use of leases as a financing alternative places the company in a more favorable position to fulfill its long-term strategy for the use of its cash flow. See Note 11, *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.

Flowers Foods cash and cash equivalents were $7.8 million at December 31, 2011 as compared to $6.8 million at January 1, 2011. The cash and cash equivalents were derived from the net of $134.3 million provided by operating activities, $237.9 million disbursed for investing activities and $104.7 million provided by financing activities.

Cash Flows Provided by Operating Activities. Net cash of $134.3 million provided by operating activities consisted primarily of $123.4 million in net income adjusted for the following non-cash items (amounts in thousands):

Depreciation and amortization	$ 94,638
Stock-based compensation	13,638
Gain reclassified from accumulated other comprehensive income to net income	(38,038)
Deferred income taxes	(1,700)
Pension and postretirement plans expense	222
Provision for inventory obsolescence	765
Allowances for accounts receivable	414
Other	(162)
Total	$ 69,777

Cash disbursed for working capital and other activities was $58.9 million. As of December 31, 2011, the company had $11.8 million recorded in other current assets representing collateral for hedged positions. As of January 1, 2011, the company had $11.5 million recorded in other accrued liabilities representing collateral for hedged positions. The change in cash associated with these positions is included in working capital and other activities.

In fiscal 2011, 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 $6.9 million and discretionary contributions of $5.3 million. In addition, there were $1.1 million in nonqualified pension benefits paid from corporate assets during fiscal 2011. Despite an average annual return on plan assets of 7.3% (net of expenses) over the last fifteen years, contributions in future years are expected to increase because of the significantly lower than expected asset returns during 2008 which have not fully recovered. During 2012, the company expects to contribute $18.2 million to our qualified pension plans and expects to pay $0.4 million in nonqualified pension benefits from corporate assets. The expected contributions to qualified pension plans represent the estimated minimum pension contributions required under ERISA and the PPA as well as discretionary contributions to avoid benefit restrictions. The company believes its cash flow and balance sheet will allow it to fund future pension needs without adversely affecting the business strategy of the company.

During the first quarter of fiscal 2012, the company estimates payments totaling $13.4 million, including our share of employment taxes and deferred compensation contributions, relating to its formula driven, performance-based cash bonus program. We paid $18.8 million during the first quarter of 2011 for the performance-based cash bonus program earned during fiscal 2010.

Cash Flows Disbursed for Investing Activities. Net cash disbursed for investing activities for fiscal 2011 of $237.9 million included the Tasty acquisition of $164.5 million and capital expenditures of $79.2 million. Capital expenditures for the DSD and warehouse segments were $61.0 million and $14.4 million, respectively. The company estimates capital expenditures of approximately $65.0 million to $75.0 million during fiscal 2012.

Cash Flows Provided by Financing Activities. Net cash provided by financing activities of $104.7 million during fiscal 2011 consisted primarily of net debt issuances of $196.0 million. Payments for financing activities include dividend payments of $79.1 million, stock repurchases of $26.6 million, and payments for debt financing costs of $2.1 million, partially offset by proceeds of $12.9 million from the exercise of stock options.

Credit Facility. On May 20, 2011, the company amended and restated its credit facility (the new credit facility), which was previously amended on October 5, 2007 (the former credit facility). The new credit facility is a five-year, $500.0 million senior unsecured revolving loan facility with two, one-year extension options. Further, the company may request to increase its borrowings under the new credit facility up to an aggregate of $700.0 million upon the satisfaction of certain conditions. Proceeds from the new 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 new 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 new credit facility and can meet presently foreseeable financial requirements. As of December 31, 2011 and January 1, 2011, the company was in compliance with all restrictive financial covenants under the credit facility.

Interest is due quarterly in arrears on any outstanding borrowings at a customary Eurodollar rate or the base rate plus applicable margin. The underlying rate is defined as rates offered in the interbank Eurodollar market, or the higher of the prime lending rate or the federal funds rate plus 0.50%, with a floor rate defined by the one-month interbank Eurodollar market rate plus 1.00%. The applicable margin ranges from 0.30% to 1.25% for base rate loans and from 1.30% to 2.25% for Eurodollar loans. In addition, a facility fee ranging from 0.20% to 0.50% 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. There were $225.0 million in outstanding borrowings under the credit facility at December 31, 2011. There were no outstanding borrowings under the former credit facility at December 31, 2011. The highest outstanding daily balance during 2011 was $241.0 million with a low amount of zero outstanding. The company paid additional financing costs of $2.0 million in connection with the amendment of the new credit facility, which, in addition to the remaining balance of the original $1.0 million in financing costs, is being amortized over the life of the new credit facility. The company recognized financing costs of $0.1 million related to the former credit facility at the time of the amendment for the new credit facility.

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 8, *Derivative Financial Instruments*, of Notes to Consolidated Financial Statements of this Form 10-K. For fiscal 2011, the company borrowed $1,071.1 million in revolving borrowings under the credit facility and repaid $846.1 million in revolving borrowings. On December 31, 2011, the company had $260.3 million available under its credit facilities for working capital and general corporate purposes. The amount available under the credit facility is reduced by $14.7 million for letters of credit.

Term Loan. On May 20, 2011, the company amended its credit agreement entered on August 1, 2008 (the term loan), to conform the terms to the new credit facility. The term loan provides for an amortizing $150.0 million of borrowings through the maturity date of August 1, 2013. Principal payments are due quarterly under the term loan beginning on December 31, 2008 at an annual amortization of 10% of the principal balance for each of the first two years, 15% during the third year, 20% during the fourth year, and 45% during the fifth year. The term loan 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 term loan and meet financial requirements for the next twelve months. As of December 31, 2011 and January 1, 2011, the company was in compliance with all restrictive financial covenants under the term loan. As of December 31, 2011 and January 1, 2011, the amounts outstanding under the term loan were $90.0 million and $114.4 million, respectively.

Interest on the term loan is due quarterly in arrears on outstanding borrowings at a customary Eurodollar rate or the base rate plus applicable margin. The underlying rate is defined as the rate offered in the interbank Eurodollar market or the higher of the prime lending rate or federal funds rate plus 0.5%. The applicable margin ranges from 0.0% to 1.375% for base rate loans and from 0.875% to 2.375% for Eurodollar loans and is based on the company s leverage ratio. The company paid additional financing costs of $0.1 million in connection with the amendment of the term loan, which, in addition to the remaining balance of the original $0.8 million in financing costs, is being amortized over the remaining life of the term loan.

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

Shelf Registration. On February 8, 2011, the company filed a universal shelf registration statement on Form S-3 with the Securities and Exchange Commission (SEC), which will allow the company to sell, from time to time, certain securities, including common stock, preferred stock, debt securities and/or warrants, either individually or in units, in one or more offerings. The company has no specific plans to offer the securities covered by the registration statement, and is not required to offer the securities in the future pursuant to the registration statement. The terms of any offering under the registration statement will be established at the time of the offering. Proceeds from the sale of any securities will be used for general corporate purposes, which may include, share repurchases, refinancing existing indebtedness, capital expenditures, and possible acquisitions. The company has not allocated a specific portion of the net proceeds for any particular use at this time. The universal shelf registration statement is intended to provide the company with flexibility to raise funds through one or more offerings of its securities, subject to market conditions and the company s capital needs.

Stock Repurchase Plan. Our Board of Directors has approved a plan that authorized stock repurchases of up to 45.0 million shares of the company s common stock. Under the plan, the company may repurchase its common stock in open market or privately negotiated transactions at such times and at such prices as determined to be in the company s best interest. The company repurchases its common stock primarily for issuance under the company s stock compensation plans and to fund possible future acquisitions. These purchases may be commenced or suspended without prior notice depending on then-existing business or market conditions and other factors. As of December 31, 2011, 37.8 million shares at a cost of $430.8 million have been purchased under this plan. Included in these amounts are 1.5 million shares at a cost of $26.6 million purchased during fiscal 2011. There were no stock repurchases during our fourth quarter.

Income Taxes. Federal and state tax payments totaled $70.6 million, $73.2 million, and $76.5 million during fiscal years 2011, 2010 and 2009, respectively, and were funded with cash flows from operations.

Distributor Arrangements. The company offers long-term financing to independent distributors for the purchase of their territories, and a vast majority of the independent distributors elect to use this financing alternative. The distributor notes generally have terms of up to ten years, and the distributors pay principal and interest weekly. A majority of the independent distributors have the right to require the company to repurchase the territories and trucks, if applicable, at the original price paid by the distributor on the long-term financing arrangement in the six-month period following the sale of a territory to the independent distributor. If the truck is leased, the company will assume the lease payment if the territory is repurchased during the first six-month period. If the company had been required to repurchase these territories, the company would have been obligated to pay $0.8 million and $0.8 million as of December 31, 2011 and January 1, 2011, respectively. After the six-month period expires, the company retains a right of first refusal to repurchase these territories. Additionally, in the event the company exits a territory or ceases to utilize the independent distribution form of doing business, the company is contractually required to purchase the territory from the independent distributor for ten times average weekly branded sales. If the company acquires a territory from an independent distributor that is to be resold, the company operates the territory until it can be resold. If the territory is not to be resold, the value of the territory is charged to earnings. The company held an aggregate of $117.1 million and $105.4 million as of December 31, 2011 and January 1, 2011, respectively, of distributor notes. The company does not view this aggregate amount as a concentrated credit risk, as each note relates to an individual distributor. The company has approximately $12.7 million and $11.9 million as of December 31, 2011 and as of January 1, 2011, respectively, of territories held for sale. The increase was primarily the result of higher turnover for expansion market distributor territories, certain routes that were repurchased for route restructuring, and the territories held for sale from the Tasty acquisition.

A majority of the independent distributors lease trucks through a third-party. In the past we provided third party guarantees for certain truck leases. This is not the company s policy today. The company has guaranteed, through their respective terms in older arrangements, approximately $0.3 million and $0.6 million in leases at December 31, 2011 and January 1, 2011, respectively, that certain independent distributors have entered into with third party financial institutions related to distribution vehicle financing. In the ordinary course of business, when an independent distributor terminates its relationship with the company, the company, although not legally obligated, generally purchases and operates that territory utilizing the truck of the former distributor. To accomplish this, the company operates the truck for the distributor, who generally remains solely liable under the original truck lease to the third party lessor, and continues the payments on behalf of the former distributor. Once the territory is resold to an independent distributor, the truck lease is assumed by the new independent distributor. At December 31, 2011 and January 1, 2011, the company operated 217 and 256 territories with truck leases, respectively. Assuming the company does not resell these territories to new independent distributors, at December 31, 2011 and January 1, 2011, the maximum obligation associated with these truck leases was approximately $8.7 million and $8.0 million, respectively. There is no liability recorded in the consolidated financial statements with respect to such leases, as the obligation for each lease generally remains an obligation of the former distributor until the territory is sold to a new distributor. The company does not anticipate operating these territories over the life of the lease as it intends to resell these territories to new independent distributors.

Special Purpose Entities. At December 31, 2011 and January 1, 2011, 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. During fiscal 2008, participants in the company s Executive Deferred Compensation Plan (the EDCP) were offered a one-time option to convert all or a portion of their cash balance in their EDCP account to company common stock to be received at a time designated by the participant. Several employees and non-employee directors of the company converted the outstanding cash balances in their respective EDCP accounts to an account that tracks the company s common stock and that will be distributed in the future. As part of the arrangement, the company no longer has any future cash obligations to the individuals for the amount converted. The individuals will receive shares of our common stock equal to the dollar amount of their election divided by the company s common stock price on January 2, 2009. A total of approximately 47,500 deferred shares will be issued throughout the election dates chosen. As part of the election, the individuals can choose to receive the shares on either a specific date, in equal installments over up to 60 quarters, or upon separation from service from the company. A total of 11,672 shares were issued during 2011.

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Contractual Obligations and Commitments. The following table summarizes the company s contractual obligations and commitments at December 31, 2011 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	2012	2013-2014	2015-2016	2017 and beyond
Contractual Obligations:					
Long-term debt	$ 316,902	$ 39,843	$ 52,059	$ 225,000	$
Interest payments(1)	5,438	4,306	1,132		
Capital leases	9,272	2,925	5,304	1,043	
Interest on capital leases	710	362	319	29	
Non-cancelable operating lease obligations(2)	479,839	46,163	76,487	55,033	302,156
Pension and postretirement contributions and payments(3)	29,369	19,566	2,027	2,156	5,620
Deferred compensation plan obligations(4)	10,220	120	239	308	9,553
Purchase obligations(5)	192,854	192,854			
Total contractual cash obligations	$ 1,144,604	$ 306,139	$ 137,567	$ 283,569	$ 317,329

	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)	$ 14,718	$ 14,718	$	$	$
Truck lease guarantees	320	108	45	167	
Total commitments	$ 15,038	$ 14,826	$ 45	$ 167	$

(1) Interest payments on our variable rate term loan are based on the actual rate as of December 31, 2011. This includes interest swapped from a floating rate to a fixed rate based on our interest rate swaps under the term loan. The $225.0 million outstanding under our credit facility at December 31, 2011 is not included since payments into and out of the facility change daily.

(2) Does not include lease payments expected to be incurred in fiscal year 2012 related to distributor vehicles and other short-term operating leases. These are not recorded on the consolidated balance sheet but will be recorded as incurred.

(3) Includes the estimated company contributions to the pension plans during fiscal 2012 and the expected benefit payments for postretirement plans from fiscal 2012 through fiscal 2021. These future payments are not recorded on the consolidated balance sheet but will be recorded as incurred.

(4) These are unsecured general obligations to pay the deferred compensation of, and our contributions to, participants in the EDCP. This liability is recorded on the consolidated balance sheet.

(5) Represents the company s various ingredient and packaging purchasing agreements. 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 December 31, 2011. Such amounts are not recorded on the consolidated balance sheets, 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 $8.4 million related to uncertain tax positions. Details regarding this liability are presented in Note 19, *Income Taxes*, of Notes to Consolidated Financial Statements of this Form 10-K. We expect to sell repurchased distributor territories that we currently operate. If we determined that these territories would not be sold, an additional $8.7 million of future lease payments would become our responsibility. These are not included in the table and will be recorded if they are incurred.

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

New Accounting Pronouncements Not Yet Adopted

In May 2011, the FASB issued an accounting standard that creates consistency between GAAP and International Financial Reporting Standards on the definition of fair value and on the guidance on how to measure fair value and on what to disclose about fair value measurements. This guidance is effective to the company beginning with the first quarter of our fiscal 2012 and is to be applied prospectively. We do not expect the adoption of this guidance to have a material impact on our consolidated financial statements.

In September 2011, the FASB issued guidance on testing goodwill for impairment. The guidance provides companies with the option to first assess qualitative factors to determine whether the existence of events or circumstances leads to a determination that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. If, after assessing the totality of events or circumstances, an entity determines it is not more likely than not that the fair value of reporting units is less than its carrying amount, then performing the two-step impairment test is unnecessary. However, if an entity concludes otherwise, then it is required to perform the first step of the two-step impairment test by calculating the fair value of the reporting unit and comparing the fair value with the carrying amount of the reporting unit. If the carrying amount of a reporting unit exceeds its fair value, then the entity is required to perform the second step of the goodwill impairment test to measure the impairment loss. This guidance is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011. Early adoption is permitted. We do not expect the adoption of this guidance in our fiscal 2012 to have a material impact on our consolidated financial statements.

In December 2011, the FASB issued guidance for offsetting (netting) assets and liabilities. This guidance requires entities to disclose both gross information and net information about both instruments and transactions subject to an agreement similar to a master netting agreement. This includes derivatives, sale and repurchase agreements and reverse sale and repurchase agreements, and securities borrowing and securities lending arrangements. These disclosures allow users of the financial statements to understand the effect of those arrangements on its financial position. This guidance is effective for annual reporting periods beginning on or after January 1, 2013 and interim periods within those annual periods. These requirements are retrospective for all comparative periods. We are still analyzing the potential impact of this guidance on our consolidated financial statements.

In December 2011, the FASB issued guidance to delay the requirement to present reclassification adjustments for other comprehensive income and the effect of those reclassification adjustments on the face of the financial statements where net income is presented, by component of net income, and on the face of the financial statements where other comprehensive income is presented, and by component of other comprehensive income. The FASB did not delay the requirements for the presentation of reclassifications out of accumulated other comprehensive income that was in place before the original amendment was issued in June, 2011 and which we early adopted. The amendments are effective for public entities for fiscal years, and interim periods within those years, beginning after December 15, 2011. The adoption of this guidance will not have a material impact on our consolidated financial statements but it will change the presentation of our consolidated financial statements.

Information Regarding Non-GAAP Financial Measures

The company prepares its consolidated financial statements in accordance with GAAP. However, from time to time, the company may present in its public statements, press releases and SEC filings, non-gaap financial

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measures such as, EBITDA, gross margin excluding depreciation and amortization, and adjusted operating income to measure the performance of the company and its operating divisions.

EBITDA is used as the primary performance measure in the company s Annual Executive Bonus Plan. The company defines EBITDA as earnings from continuing operations before interest, income taxes, depreciation, amortization and income attributable to non-controlling interest. The company believes that EBITDA is a useful tool for managing the operations of its business and is an indicator of the company s ability to incur and service indebtedness and generate free cash flow. Furthermore, pursuant to the terms of our credit facility, EBITDA is used to determine the company s compliance with certain financial covenants. The company also believes that EBITDA measures are commonly reported and widely used by investors and other interested parties as measures of a company s operating performance and debt servicing ability because EBITDA measures assist in comparing performance on a consistent basis without regard to depreciation or amortization, which can vary significantly depending upon accounting methods and non-operating factors (such as historical cost). EBITDA is also a widely-accepted financial indicator of a company s ability to incur and service indebtedness.

Adjusted EBITDA and adjusted operating income includes costs that we consider important to present to investors. These include, but are not limited to, the costs of closing a plant or costs associated with merger-related activities. We believe that financial information excluding certain GAAP transactions not considered to be part of the ongoing business improves the comparability of earnings results. We believe investors will be able to better understand our earnings results if these transactions are excluded from the results. These non-gaap financial measures are measures of performance not defined by accounting principles generally accepted in the Unites States and should be considered in addition to, not in lieu of, GAAP reported measures.

EBITDA should not be considered an alternative to (a) income from operations or net income (loss) as a measure of operating performance; (b) cash flows provided by operating, investing and financing activities (as determined in accordance with GAAP) as a measure of the company s ability to meet its cash needs; or (c) any other indicator of performance or liquidity that has been determined in accordance with GAAP. Our method of calculating EBITDA and adjusted EBITDA may differ from the methods used by other companies, and, accordingly, our measure of EBITDA and adjusted EBITDA may not be comparable to similarly titled measures used by other companies.

Gross margin excluding depreciation and amortization is used as a performance measure to provide additional transparent information regarding our results of operations on a consolidated and segment basis. Changes in depreciation and amortization are separately discussed and include depreciation and amortization for materials, supplies, labor and other production costs and operating activities.

Presentation of gross margin includes depreciation and amortization in the materials, supplies, labor and other production costs according to GAAP. Our method of presenting gross margin excludes the depreciation and amortization components, as discussed above. This presentation may differ from the methods used by other companies and may not be comparable to similarly titled measures used by other companies.

Our website has the documents that provide a reconciliation of our net income, the most comparable GAAP financial measure to adjusted EBITDA from continuing operations, a reconciliation of our gross margin excluding depreciation and amortization to GAAP gross margin, a reconciliation of adjusted earnings per share to GAAP earnings per share, a reconciliation of free cash flow to GAAP operating cash flow, adjusted EBITDA to GAAP operating cash flow, and a reconciliation of GAAP operating income to adjusted operating income.

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 forward, futures, swap 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.

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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 December 31, 2011, the company s hedge portfolio contained commodity derivatives with a fair value of $(5.7) million. Of this fair value, $(2.5) million is based on quoted market prices and $(3.2) million is based on models and other valuation methods; $(5.5) million and $(0.2) million of this fair value relates to instruments that will be utilized in fiscal 2012 and fiscal 2013, respectively.

A sensitivity analysis has been prepared to quantify the company s potential exposure to commodity price risk with respect to its derivative portfolio. Based on the company s derivative portfolio as of December 31, 2011, a hypothetical ten percent change in commodity prices would increase or decrease the fair value of the derivative portfolio by $10.6 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.

Interest Rate Risk

The company has interest rate swaps with initial notional amounts of $85.0 million and $65.0 million, respectively, to fix the interest rate on the $150.0 million term loan entered into on August 1, 2008 to fund the acquisitions of ButterKrust and Holsum. The notional amounts match the quarterly principal payments on the $150.0 million term loan so that the remaining outstanding term loan balance at any reporting date is fully covered by the swap arrangements through the August 2013 maturity of the term loan. In addition, on October 27, 2008, the company entered an interest rate swap with a notional amount of $50.0 million to fix the interest rate through September 30, 2009 on $50.0 million of borrowings outstanding under the company s unsecured credit facility. As of December 31, 2011, the fair value of these interest rate swaps was $(3.4) million. All of this fair value is based on valuation models and $(2.6) million and $(0.8) million of this fair value is related to instruments expiring in fiscal 2012 and 2013, respectively.

A sensitivity analysis has been prepared to quantify the company s potential exposure to interest rate risk with respect to the interest rate swaps. As of December 31, 2011, a hypothetical ten percent change in interest rates would increase or decrease the fair value of the interest rate swap by $0.1 million. The analysis disregards changes in the exposures inherent in the underlying debt; however, the company expects that any increase or decrease in payments under the interest rate swap would be substantially offset by increases or decreases in interest expense.

The cash effects of the company s commodity derivatives are included in the consolidated statement of cash flows as cash flow from operating activities. Please see Note 8, *Derivative Financial Instruments*, of Notes to Consolidated Financial Statements of this Form 10-K for additional disclosures on derivative instruments.

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 issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on our evaluation under the framework in Internal Control Integrated Framework, our management concluded that our internal control over financial reporting was effective as of December 31, 2011.

In making its assessment of internal control over financial reporting as of December 31, 2011, management has excluded Tasty because it was acquired by the company in a purchase business combination in May 2011. Tasty s revenues for fiscal 2011 of $127.2 million represents approximately 4.6% of our consolidated revenue for fiscal 2011. Tasty s assets, including intangible assets, represent approximately 13.5% of our consolidated assets at December 31, 2011.

The effectiveness of our internal control over financial reporting as of December 31, 2011 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 Election of Directors , Corporate Governance The Board of Directors and committees of the Board of Directors , Corporate Governance-Relationships Among Certain Directors and Section 16(a) Beneficial Ownership Reporting Compliance in the company s definitive proxy statement for the 2012 Annual Meeting of Shareholders expected to be filed with the SEC on or prior to April 22, 2012 (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, 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 Chairman of the Board and Chief Executive Officer certified to the New York Stock Exchange (NYSE) on June 24, 2011 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 and Compensation Committee Report 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 2011 and Fiscal 2010 Audit Firm Fee Summary in the proxy.

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PART IV

Item 15. *Exhibits and Financial Statement Schedules*

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

1. *Financial Statements of the Registrant*

Report of Independent Registered Public Accounting Firm.

Consolidated Balance Sheets at December 31, 2011 and January 1, 2011.

Consolidated Statements of Income for the fifty-two weeks ended December 31, 2011, January 1, 2011 and January 2, 2010.

Consolidated Statements of Comprehensive Income for the fifty-two weeks ended December 31, 2011, January 1, 2011 and January 2, 2010.

Consolidated Statements of Changes in Stockholders Equity for the fifty-two weeks ended December 31, 2011, January 1, 2011 and January 2, 2010.

Consolidated Statements of Cash Flows for the fifty-two weeks ended December 31, 2011, January 1, 2011 and January 2, 2010.

Notes to Consolidated Financial Statements.

2. *Financial Statement Schedule of the Registrant*

Schedule II Valuation and Qualifying Accounts for the fifty-two weeks ended December 31, 2011, January 1, 2011 and January 2, 2010.

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

Exhibit No	Name of Exhibit
2.1	Distribution Agreement by and between Flowers Industries, Inc. and Flowers Foods, Inc., dated as of October 26, 2000 (Incorporated by reference 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, between Flowers Industries, Inc. and Flowers Foods, Inc. (Incorporated by reference to Flowers Foods Annual Report on Form 10-K, dated March 30, 2001, File No. 1-16247).
3.1	Restated Articles of Incorporation of Flowers Foods, Inc. as amended on May 30, 2008 (Incorporated by reference to Flowers Foods Quarterly Report on Form 10-Q, dated June 4, 2009, File No. 1-16247).
3.2	Amended and Restated Bylaws of Flowers Foods, Inc., as amended and restated on November 14, 2008 (incorporated by reference to Flowers Foods Current Report on Form 8-K dated November 18, 2008, File No. 1-16247).
*4.1	Share Certificate of Common Stock of Flowers Foods, Inc.
4.2	Form of Indenture (Incorporated by reference to Flowers Foods Registration Statement on Form S-3, dated February 8, 2011, File No. 1-16247).
10.1+	Flowers Foods, Inc. Retirement Plan No. 1, as amended and restated effective March 26, 2001 (Incorporated by reference to Flowers Foods Annual Report on Form 10-K, dated March 30, 2001, File No. 1-16247).
10.2+	

Flowers Foods, Inc. 2001 Equity and Performance Incentive Plan, as amended and restated as of April 1, 2009 (incorporated by reference to Flowers Foods Proxy Statement on Schedule 14A, dated April 24, 2009, File No. 1-16247).

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Exhibit No	Name of Exhibit
10.3+	Flowers Foods, Inc. Stock Appreciation Rights Plan (Incorporated by reference to Flowers Foods Annual Report on Form 10-K, dated March 29, 2002, File No. 1-16247).
10.4+	Flowers Foods, Inc. Annual Executive Bonus Plan (Incorporated by reference to Flowers Foods Proxy Statement on Schedule 14A, dated April 24, 2009, File No. 1-16247).
10.5+	Flowers Foods, Inc. Supplemental Executive Retirement Plan (Incorporated by reference to Flowers Foods Annual Report on Form 10-K, dated March 29, 2002, File No. 1-16247).
10.6+	Form of Indemnification Agreement, by and between Flowers Foods, Inc., certain executive officers and the directors of Flowers Foods, Inc. (Incorporated by reference to Flowers Foods Annual Report on Form 10-K, dated March 28, 2003, File No. 1-16247).
10.7+	Form of Continuation of Employment Agreement, by and between Flowers Foods, Inc. and certain executive officers of Flowers Foods, Inc. (Incorporated by reference to Flowers Foods Annual Report on Form 10-K dated March 4, 2009, File No. 1016247).
10.8+	Ninth Amendment to the Flowers Foods, Inc. Retirement Plan No. 1, dated November 7, 2005, as amended and restated effective as of March 26, 2001 (Incorporated by reference to Flowers Foods Quarterly Report on Form 10-Q dated November 17, 2005, File No. 1-16247).
10.9	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 Cooperative Centrale Raiffeisen-Boerenleen Bank, B.A., Rabobank International, New York Branch, Branch Banking & Trust Company and Regions Bank, as co-documentation agents (Incorporated by reference to Flowers Foods Current Report on Form 8-K dated May 26, 2011, File No. 1-16247).
10.10	Agreement and Plan of Merger, dated June 23, 2008, by and among, Flowers Foods, Inc., Peachtree Acquisition Co., LLC, Holsum Bakery, Inc., Lloyd Edward Eisele, Jr. and The Lloyd Edward Eisele, Jr. Revocable Trust (Incorporated by reference to Flowers Foods Current Report on Form 8-K/A dated June 25, 2008, File No. 1-16247).
10.11	Credit Agreement, dated as of August 1, 2008, among Flowers Foods, Inc., the Lenders Party thereto from time to time, Bank of America N.A., Cooperative Centrale Raiffeisen-Boerenleen Bank, B.A., Rabobank International , New York Branch, and Branch Banking & Trust Company as co-documentation agents, SunTrust Bank, as syndication agent, and Deutsche Bank AG, New York Branch, as administrative agent (Incorporated by reference to Flowers Foods Current Report on Form 8-K dated August 6, 2008, File No. 1-16247).
10.12	First Amendment to the Credit Agreement, dated May 20, 2011, among Flowers Foods, Inc., the lenders party to the Credit Agreement and Deutsche Bank AG, New York Branch, as administrative agent (Incorporated by reference to Flowers Foods Current Report on Form 8-K dated May 26, 2011, File No. 1-16247).
10.13+	Form of 2009 Nonqualified Stock Option Agreement, by and between Flowers Foods, Inc. and certain executive officers of Flowers Foods, Inc. (Incorporated by reference to Flowers Foods Annual Report on Form 10-K dated March 4, 2009, File No. 1-16247).
10.14+	Form of 2010 Restricted Stock Agreement, by and between Flowers Foods, Inc. and certain executive officers of Flowers Foods, Inc. (Incorporated by reference to Flowers Foods Annual Report on Form 10-K dated March 3, 2010, File No. 1-16247).
10.15+	Form of 2010 Nonqualified Stock Option Agreement, by and between Flowers Foods, Inc. and certain executive officers of Flowers Foods, Inc. (Incorporated by reference to Flowers Foods Annual Report on Form 10-K dated March 3, 2010, File No. 1-16247).
10.16+	Form of 2010 Deferred Shares Agreement, by and between Flowers Foods, Inc. and certain members of the Board of Directors of Flowers Foods, Inc. (Incorporated by reference to Flowers Foods Annual Report on Form 10-K dated February 23, 2011, File No. 1-16247).

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Exhibit No	Name of Exhibit
10.17+	Form of 2011 Restricted Stock Agreement, by and between Flowers Foods, Inc. and certain executive officers of Flowers Foods, Inc. (Incorporated by reference to Flowers Foods Annual Report on Form 10-K dated February 23, 2011, File No. 1-16247).
10.18+	Form of 2011 Nonqualified Stock Option Agreement, by and between Flowers Foods, Inc. and certain executive officers of Flowers Foods, Inc. (Incorporated by reference to Flowers Foods Annual Report on Form 10-K dated February 23, 2011, File No. 1-16247).
21	Subsidiaries of Flowers Foods, Inc. (Incorporated by reference to Flowers Foods Quarterly Report on Form 10-Q dated August 17, 2011, File No. 1-16247).
*23	Consent of Independent Registered Public Accounting Firm, PricewaterhouseCoopers LLC.
*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 George E. Deese, Chief Executive Officer, R. Steve Kinsey, Chief Financial Officer and Karyl H. Lauder, Chief Accounting Officer for the Fiscal Year Ended December 31, 2011.
*101.INS	XBRL Instance Document.
*101.SCH	XBRL Taxonomy Extension Schema Linkbase.
*101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
*101.DEF	XBRL Taxonomy Extension Definition Linkbase.
*101.LAB	XBRL Taxonomy Extension Label Linkbase.
*101.PRE	XBRL Taxonomy Extension Presentation Linkbase.

* Filed herewith

\+ Management contract or compensatory plan or arrangement

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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Flowers Foods, Inc. has duly caused this Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized on this 29th day of February, 2012.

FLOWERS FOODS, INC.

/s/ GEORGE E. DEESE
George E. Deese
Chairman of the Board and
Chief Executive Officer

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

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

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

Signature	Title	Date
/s/ GEORGE E. DEESE George E. Deese	Chairman of the Board and Chief Executive Officer	February 29, 2012
/s/ R. STEVE KINSEY R. Steve Kinsey	Executive Vice President and Chief Financial Officer	February 29, 2012
/s/ KARYL H. LAUDER Karyl H. Lauder	Senior Vice President and Chief Accounting Officer	February 29, 2012
/s/ JOE E. BEVERLY Joe E. Beverly	Director	February 29, 2012
/s/ FRANKLIN L. BURKE Franklin L. Burke	Director	February 29, 2012
/s/ MANUEL A. FERNANDEZ Manuel A. Fernandez	Director	February 29, 2012
/s/ BENJAMIN H. GRISWOLD, IV Benjamin H. Griswold, IV	Director	February 29, 2012
/s/ AMOS R. MCMULLIAN Amos R. Mcmullian	Director	February 29, 2012
/s/ J.V. SHIELDS, JR. J.V. Shields, Jr.	Director	February 29, 2012
/s/ DAVID V. SINGER David V. Singer	Director	February 29, 2012
/s/ MELVIN T. STITH, PH.D. Melvin T. Stith, Ph.D.	Director	February 29, 2012
/s/ JACKIE M. WARD Jackie M. Ward	Director	February 29, 2012

/s/ C. MARTIN WOOD III	Director	February 29, 2012
C. Martin Wood III		

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 consolidated financial statements listed in the index appearing under Item 15(a)(1) present fairly, in all material respects, the financial position of Flowers Foods, Inc. and its subsidiaries (the Company) at December 31, 2011 and January 1, 2011, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2011 in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statement schedule listed in the index appearing under Item 15 (a)(2) presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company s management is responsible for these financial statements and financial statement schedule, 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, the financial statement schedule 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.

As discussed in Note 12 to the consolidated financial statements, the company changed the manner in which it accounts for its variable interest entity in 2010.

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

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As described in Management s Report on Internal Control Over Financial Reporting appearing under Item 9A, management has excluded Tasty Baking Company (Tasty) from its assessment of internal control over financial reporting as of December 31, 2011 because it was acquired by the Company in a purchase business combination in May 2011. We have also excluded Tasty from our audit of internal control over financial reporting. Tasty is a wholly-owned subsidiary whose total assets and total revenues represent 13.5% and 4.6%, respectively, of the related consolidated financial statement amounts as of and for the year ended December 31, 2011.

/s/ PricewaterhouseCoopers LLP

Atlanta, Georgia

February 29, 2012

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FLOWERS FOODS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

	December 31, 2011	January 1, 2011
	(Amounts in thousands, except share data)	
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 7,783	$ 6,755
Accounts and notes receivable, net (Note 2)	185,603	166,281
Inventories, net:		
Raw materials	26,626	20,879
Packaging materials	15,820	12,125
Finished goods	31,650	27,570
	74,096	60,574
Spare parts and supplies	39,624	37,085
Deferred income taxes	36,264	1,095
Other	35,200	41,924
Total current assets	378,570	313,714
Property, Plant and Equipment:		
Land	69,958	67,036
Buildings	360,956	329,646
Machinery and equipment	895,026	795,869
Furniture, fixtures and transportation equipment	81,288	69,223
Construction in progress	13,888	22,480
	1,421,116	1,284,254
Less: accumulated depreciation	(735,629)	(679,561)
	685,487	604,693
Notes Receivable	102,322	92,860
Assets Held for Sale Distributor Routes	12,726	11,924
Other Assets	13,932	5,113
Goodwill	219,730	200,153
Other Intangible Assets, net	141,231	97,032
	$ 1,553,998	