MIDDLEBY CORP
Form 10-K
February 26, 2014

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

FORM 10-K

ý Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

For the Fiscal Year Ended December 28, 2013
or
¨ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Commission File No. 1-9973

THE MIDDLEBY CORPORATION
(Exact name of Registrant as specified in its charter)

Delaware	36-3352497
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification Number)
1400 Toastmaster Drive, Elgin, Illinois	60120
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: 847-741-3300

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

Title of each class	Name of each exchange on which registered
Common stock, par value $0.01 per share	The NASDAQ Stock Market LLC

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 ý No ¨

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

Note – Checking the box above will not relieve any registrant required to file reports pursuant to Section 13 or 15(d) of the Exchange Act from their obligations under those Sections.

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

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

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

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

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

The aggregate market value of the voting stock held by nonaffiliates of the Registrant as of June 30, 2013 was approximately $3,219,400,371.

The number of shares outstanding of the Registrant's class of common stock, as of February 24, 2014, was 19,124,502 shares.

Documents Incorporated by Reference

Part III of Form 10-K incorporates by reference the Registrant's definitive proxy statement to be filed pursuant to Regulation 14A in connection with the 2014 annual meeting of stockholders.

THE MIDDLEBY CORPORATION AND SUBSIDIARIES
DECEMBER 28, 2013
FORM 10-K ANNUAL REPORT

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PART I

Item 1. Business

General

The Middleby Corporation ("Middleby" or the "company"), through its operating subsidiary Middleby Marshall Inc. ("Middleby Marshall") and its subsidiaries, is a leader in the design, manufacture, marketing, distribution, and service of a broad line of (i) cooking and warming equipment used in all types of commercial restaurants and institutional kitchens, (ii) food preparation, cooking, baking, chilling and packaging equipment for food processing operations, and (iii) premium kitchen equipment including ranges, ovens, refrigerators, ventilation and dishwashers primarily used in the residential market.

Founded in 1888 as a manufacturer of baking ovens, Middleby Marshall Oven Company was acquired in 1983 by TMC Industries Ltd., a publicly traded company that changed its name in 1985 to The Middleby Corporation. The company has established itself as a leading provider of (i) commercial restaurant equipment, (ii) food processing equipment and (iii) residential kitchen equipment as a result of its acquisition of industry leading brands and through the introduction of innovative products within each of these segments.

The company's annual reports on Form 10-K, including this Form 10-K, as well as the company's quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to such reports are available, free of charge, on the company's internet website, www.middleby.com. These reports are available as soon as reasonably practicable after they are electronically filed with or furnished to the Securities and Exchange Commission ("SEC").

Business Segments and Products

The company conducts its business through three principal business segments: the Commercial Foodservice Equipment Group, the Food Processing Equipment Group and the Residential Kitchen Equipment Group. See Note 9 to the Consolidated Financial Statements for further information on the company's business segments.

Commercial Foodservice Equipment Group

The Commercial Foodservice Equipment Group has a broad portfolio of cooking and warming equipment, which enable it to serve virtually any cooking or warming application within a commercial kitchen or foodservice operation. This cooking and warming equipment is used across all types of foodservice operations, including quick-service restaurants, full-service restaurants, convenience stores, retail outlets, hotels and other institutions.

This commercial foodservice equipment is marketed under a portfolio of thirty four brands, including Anets®, Beech®, Blodgett®, Blodgett Combi®, Blodgett Range®, Bloomfield®, Britannia®, CTX®, Carter-Hoffmann®, Celfrost®, CookTek®, Doyon®, frifri®, Giga®, Holman®, Houno®, IMC®, Jade®, Lang®, Lincat®, MagiKitch'n®, Middleby Marshall®, MPC®, Nieco®, Nu-Vu®, PerfectFry®, Pitco Frialator®, Southbend®, Star®, Toastmaster®, TurboChef®, Viking®, Wells® and Wunder-Bar®.

The products offered by this group include conveyor ovens, combi-ovens, convection ovens, baking ovens, proofing ovens, deck ovens, speed cooking ovens, hydrovection ovens, ranges, fryers, rethermalizers, steam cooking equipment, warming equipment, heated cabinets, charbroliers, ventless cooking systems, kitchen ventilation, induction cooking equipment, countertop cooking equipment, toasters, professional refrigerators, coldrooms, ice machines, freezers and beverage dispensing equipment.

Food Processing Equipment Group

The Food Processing Equipment Group offers a broad portfolio of processing solutions for customers producing pre-cooked meat products, such as hot dogs, dinner sausages, poultry and lunchmeats and baked goods such as muffins, cookies and bread. Through its broad line of products, the company is able to deliver a wide array of cooking solutions to service a variety of food processing requirements demanded by its customers. The company can offer highly integrated solutions that provide a food processing operation a uniquely integrated solution providing for the highest level of food quality, product consistency, and reduced operating costs resulting from increased product yields, increased capacity, greater throughput and reduced labor costs though automation.

This food processing equipment is marketed under a portfolio of twelve brands, including Alkar®, Armor Inox®, Auto-Bake®, Baker Thermal Solutions®, Cozzini®, Danfotech®, Drake®, Maurer-Atmos®, MP Equipment®, RapidPak®, Spooner Vicars® and Stewart Systems®.

The products offered by this group include a wide array of cooking and baking solutions including, batch ovens, baking ovens, proofing ovens, conveyor ovens, continuous processing ovens, frying systems and automated thermal processing systems. The company also provides a comprehensive portfolio of complementary food preparation equipment such as grinders, slicers, emulsifiers, mixers, blenders, battering equipment, breading equipment, food presses, and forming equipment, as well as a variety of food safety, food handling, freezing and packaging equipment. This portfolio of equipment can be integrated to provide customers a highly efficient and customized solution.

Residential Kitchen Equipment Group

The Residential Kitchen Equipment Group manufactures, sells and distributes kitchen equipment for the residential market. This business segment has manufacturing facilities in Greenwood, Mississippi. Principal product lines of this group are ranges, ovens, refrigerators, dishwashers, microwaves, cooktops and outdoor equipment. These products are sold and marketed under four brand names, including Brigade®, Jade®, TurboChef® and Viking®.

Acquisition Strategy

The company has pursued a strategy to acquire and assemble a leading portfolio of brands and technologies for each of its three business segments. Over the past three years, the company has completed fourteen acquisitions to add to its portfolio of brands and technologies of the Commercial Foodservice Equipment Group, the Food Processing Equipment Group and the Residential Kitchen Equipment Group. These acquisitions have added sixteen brands to the Middleby portfolio and positioned the company as a leading provider of equipment in both industries.

In April 2011, the company acquired all of the capital stock of J.W. Beech Pty. Ltd., together with its subsidiary, Beech Ovens Pty. Ltd. (“Beech”), a leading manufacturer of stone hearth ovens for the commercial foodservice industry for a purchase price of approximately $13.0 million. The acquisition of Beech continues to expand Middleby’s portfolio of leading brands in the cooking and warming segments and reinforce its position as a leading manufacturer of commercial ovens.

In May 2011, the company acquired all of the capital stock of Lincat Group PLC (“Lincat”), a leading manufacturer of ranges, ovens, and counterline equipment for the commercial foodservice industry for a purchase price of approximately $82.1 million. The acquisition of Lincat not only expands its portfolio of leading brands but also increases its presence in European markets.

In July 2011, the company acquired all of the capital stock of Danfotech Inc. (“Danfotech”), a leading manufacturer of meat presses and defrosting equipment for the food processing industry for a purchase price of approximately $6.1 million and $1.5 million in contingent payments. The acquisition of Danfotech further complements Middleby’s existing food processing brands.

In July 2011, the company acquired the assets of Maurer-Atmos GmbH (“Maurer”), a leading manufacturer of thermal processing systems for the food processing industry based in Germany for a purchase price of approximately $3.3 million. The addition of this brand complements and further strengthens Middleby’s food processing equipment platform.

In August 2011, the company acquired all of the capital stock of Auto-Bake Pty. Ltd., (“Auto-Bake”) a leading manufacturer of automated baking systems for the food processing industry for a purchase price of approximately

$22.5 million. The acquisition of Auto-Bake allows further expansion of product offerings in food processing equipment.

In December 2011, the company acquired all of the capital stock of F.R. Drake Company (“Drake”), a leading manufacturer of automated loading systems for the food processing industry for approximately $21.7 million. The acquisition of Drake further complements the Middleby’s existing food processing brands.

In December 2011, the company acquired all of the capital stock of Armor Inox, S.A. together with its subsidiaries Armor Inox Production S.a.r.l. and Armor Inox UK Ltd. (collectively “Armor Inox”), a leading manufacturer of thermal processing systems for the food processing industry for approximately $28.7 million.

In March 2012, the company acquired certain assets of Turkington USA, LLC (now known as Baker Thermal Solutions "Baker"), a manufacturer of automated baking ovens for the food processing industry for approximately $10.3 million.

In September 2012, the company acquired certain assets of Stewart Systems Global, LLC ("Stewart"), a manufacturer of automated proofing and oven baking systems for the food processing industry for approximately $27.8 million.

In October 2012, the company acquired all of the capital stock of Nieco Corporation ("Nieco"), a leading manufacturer of automatic broilers for the commercial foodservice industry for approximately $23.9 million.

In December 2012, subsequent to the end of the company's 2012 fiscal year, the company acquired all of the capital stock of Viking Range Corporation (“Viking”), a leading manufacturer of premium residential cooking ranges, ovens and kitchen appliances, for approximately $361.7 million.

Subsequent to the acquisition of Viking, the company, through Viking, purchased certain assets of four of Viking's former distributors ("Distributors"). The aggregate purchase price of these transactions was approximately $23.6 million.

In October 2013, the company acquired substantially all of the assets of Celfrost Innovations Pvt. Ltd. (“Celfrost”), a preferred commercial foodservice equipment supplier in India with a broad line of cold side products such as professional refrigerators, coldrooms, ice machines and freezers marketed under the Celfrost brand for a purchase price of approximately $11.2 million. Celfrost is a leading supplier of equipment to many of the fast growing restaurant chains and hotel groups.

In December 2013, the company acquired all of the capital stock of Automatic Bar Controls, Inc. ("Wunder-Bar"), a leading manufacturer of beverage dispensing systems for the foodservice industry for approximately $74.1 million.

The Customers and Market

Commercial Foodservice Equipment Industry

The company's end-user customers include: (i) fast food or quick-service restaurants, (ii) full-service restaurants, including casual-theme restaurants, (iii) retail outlets, such as convenience stores, supermarkets and department stores and (iv) public and private institutions, such as hotels, resorts, schools, hospitals, long-term care facilities, correctional facilities, stadiums, airports, corporate cafeterias, military facilities and government agencies. The company's domestic sales are primarily through independent dealers and distributors and are marketed by the company's sales personnel and network of independent manufacturers' representatives. Many of the dealers in the U.S. belong to buying groups that negotiate sales terms with the company. Certain large multi-national restaurant and hotel chain customers have purchasing organizations that manage product procurement for their systems. Included in these customers are several large multi-national restaurant chains, which account for a meaningful portion of the company's business, although no single customer accounts for more than 10% of net sales.

Over the past several decades, the commercial foodservice equipment industry has enjoyed steady growth in the United States due to the development of new quick-service and casual-theme restaurant chain concepts, the expansion into nontraditional locations by quick-service restaurants and store equipment modernization. In the international markets, foodservice equipment manufacturers have been experiencing stronger growth than the U.S. market due to rapidly expanding international economies and increased opportunity for expansion by U.S. chains into developing regions.

The company believes that the worldwide commercial foodservice equipment market has sales in excess of $20.0 billion. The cooking and warming equipment segment of this market is estimated by management to exceed $1.5 billion in North America and $3.0 billion worldwide. The company believes that continuing growth in demand for

foodservice equipment will result from the development of new restaurant concepts in the U.S. and the expansion of U.S. and foreign chains into international markets, the replacement and upgrade of existing equipment and new equipment requirements resulting from menu changes.

Food Processing Equipment Industry

The company's customers include a diversified base of leading food processors. Customers include several large international food processing companies, which account for a significant portion of the revenues of this business segment, although none of which is greater than 10% of net sales. A large portion of the company's revenues have been generated from producers of pre-cooked meat products such as hot dogs, dinner sausages, poultry, and lunchmeats and producers of baked goods such as muffins, cookies and bread; however, the company believes that it can leverage its expertise and product development capabilities in thermal processing to organically grow into new end markets.

Food processing has quickly become a highly competitive landscape dominated by a few large conglomerates that possess a variety of food brands. The consolidation of food processing plants associated with industry consolidation drives a need for more flexible and efficient equipment that is capable of processing large volumes in quicker cycle times. In recent years, food processors have had to conform to the demands of “big-box” retailers and the restaurant industry, including, most importantly, greater product consistency and exact package weights. Food processors are beginning to realize that their old equipment is no longer capable of efficiently producing adequate uniformity in the large product volumes required, and they are turning to equipment manufacturers that offer product consistency, innovative packaging designs and other solutions. To protect their own brands and reputations, retailers and large restaurant chains are also dictating food safety standards that are often more strict than government regulations.

A number of factors, including rising raw material prices, labor and health care costs, are driving food processors to focus on ways to improve their generally thin profitability margins. In order to increase the profitability and efficiency in processing plants, food processors pay increasingly more attention to the performance of their machinery and the flexibility in the functionality of the equipment. Food processors are continuously looking for ways to make their plants safer and reduce labor-intensive activities. Food processors have begun to recognize the value of new technology as an important vehicle to drive productivity and profitability in their plants. Due to customer requirements, food processors are expected to continue to demand new and innovative equipment that addresses food safety, food quality, automation and flexibility.

Improving living standards in developing countries is spurring increased worldwide demand for pre-cooked and convenience food products. As industrializing countries create more jobs, consumers in these countries will have the means to buy pre-cooked food products. In industrialized regions, such as Western Europe and the U.S., consumers are demanding more pre-cooked and convenience food products, such as deli tray variety packs, frozen food products and ready-to-eat varieties of ethnic foods.

The global food processing equipment industry is highly fragmented, large and growing. The company estimates demand for food processing equipment is approximately $5.0 billion in North America and $40.0 billion worldwide. The company’s product offerings compete in a subsegment of the total industry, and the relevant market size for its products is estimated by management to exceed $1.0 billion in North America and $4.0 billion worldwide.

Residential Kitchen Equipment Industry

The company’s end-user customers include the high-end residential kitchens. The premium segment of the residential kitchen equipment industry is estimated to be approximately $1.0 billion annually in North America. This segment has grown over the past several decades after the original introduction premium cooking range. Viking was first manufacturer to introduce the premium cooking equipment to the North American market, providing equipment that was comparable to a commercial grade range and oven for home chefs and culinarians. The market potential for such equipment has continued to a broaden due to an increase in interest from the consumer to have high-end and luxury appliances in their home. Other important factors which affect the market size and growth include the level of new home starts, home remodels and general macro-economic factors. Macro-economic factors such as GDP growth, employment rates, inflation and consumer confidence, which impact the overall economy, have had a more significant impact to the recent market conditions and had caused a significant downturn during the most recent recession period. These factors have a greater impact on the residential kitchen equipment industry and cause greater variability in the revenues at this segment than the other business segments the company operates in.

Backlog

Commercial Foodservice Equipment Group

The backlog of orders for the Commercial Foodservice Equipment Group was $51.0 million at December 28, 2013, all of which is expected to be filled during 2014. The acquired Celfrost and Wunder-Bar businesses accounted for $4.3 million of the backlog. The Commercial Foodservice Equipment Group's backlog was $43.2 million at December 29, 2012. The backlog is not necessarily indicative of the level of business expected for the year, as there is generally a short time between order receipt and shipment for the majority of this segment's products.

Food Processing Equipment Group

The backlog of orders for the Food Processing Equipment Group was $103.1 million at December 28, 2013, all of which is expected to be filled during 2014. The Food Processing Equipment Group's backlog was $107.2 million at December 29, 2012.

Residential Kitchen Equipment Group

The backlog of orders for the Residential Kitchen Equipment Group was $11.0 million at December 28, 2013, all of which is expected to be filled during 2014. The backlog is not necessarily indicative of the level of business expected for the year, as there is generally a short time between order receipt and shipment for the majority of this segment's products.

Marketing and Distribution

Commercial Foodservice Equipment Group

Middleby's products and services are marketed in the U.S. and in over 100 countries through a combination of the company's sales and marketing personnel, together with an extensive network of independent dealers, distributors, consultants, sales representatives and agents. The company's relationships with major restaurant chains are primarily handled through an integrated effort of top-level executive and sales management at the corporate and business division levels to best serve each customer's needs.

In the United States, the company distributes its products to independent end-users primarily through a network of non-exclusive dealers nationwide, who are supported by manufacturers' marketing representatives. Sales are made direct to certain large restaurant chains that have established their own procurement and distribution organization for their franchise system. International sales are primarily made through a network of independent local country stocking and servicing distributors and dealers and, at times, directly to major chains, hotels and other large end-users.

Food Processing Equipment Group

The company maintains a direct sales force to market the brands and maintain direct relationships with each of its customers. The company also involves division management in the relationships with large global accounts. In North America, the company employs regional sales managers, each with responsibility for a group of customers and a particular region. Internationally, the company maintains sales and distribution offices in Australia, Brazil, Denmark, France, Italy, Germany and Mexico along with global sales managers supported by a network of independent sales representatives.

The company’s sale process is highly consultative due to the highly technical nature of the equipment. During a typical sales process, a salesperson makes several visits to the customer’s facility to conceptually discuss the production requirements, footprint and configuration of the proposed equipment. The company employs a technically proficient sales force, many of whom have previous technical experience with the company as well as education backgrounds in food science.

Residential Kitchen Equipment Group

The company’s products are marketed through a network of dealers, designers, and home builders to the residential customers. The company markets and sells its products to these channels through a company-employed sales force. The company’s products are distributed to these dealers through its wholly owned distribution operations, which includes two primary customer support centers and over a dozen regional warehouse and logistic operations, which stock products and service parts for the respective region. Prior to 2013 and the acquisition of Viking, the sales and distribution services of Viking were supported by independent distribution partners. During fiscal 2013 and early 2014, the company integrated these operations within the Viking business through a series of acquisitions and distributor cancellations in an effort to improve sales processes, customer support, technical service and realize cost efficiencies within the distribution process.

The company performs marketing functions at its headquarters in Greenwood, Mississippi. This includes the development of marketing brochures, print and media advertising, web-based marketing, coordination of trade shows and other various marketing activities. Marketing support is also provided to and coordinated with its network of dealers, designers, and home builders sales partners to allow for coordinated efforts to market jointly to the end-user customers. The company in certain cases offers incentive based financial programs to invest in local marketing activities with these sales partners.

Services and Product Warranty

The company is an industry leader in equipment installation programs and after-sales support and service. The company provides a warranty on its products typically for a one year period and in certain instances greater periods. The emphasis on global service increases the likelihood of repeat business and enhances Middleby's image as a partner and provider of quality products and services.

Commercial Foodservice Equipment Group

The company's domestic service network consists of over 100 authorized service parts distributors and 3,000 independent certified technicians who have been formally trained and certified by the company through its factory training school and on-site installation training programs. Technicians work through service parts distributors, which are required to provide around-the-clock service. The company provides substantial technical support to the technicians in the field through factory-based technical service engineers. The company has stringent parts stocking requirements for these agencies, leading to a high first-call completion rate for service and warranty repairs.

It is critical to major foodservice chains that equipment providers be capable of supporting equipment on a worldwide basis. The company's international service network covers over 100 countries with thousands of service technicians trained in the installation and service of the company's products and supported by internationally-based service managers along with the factory-based technical service engineers. As with its domestic service network, the company maintains stringent parts stocking requirements for its international distributors.

Food Processing Equipment Group

The company maintains a technical service group of employees that oversees and performs installation and startup of equipment and completes warranty and repair work. This technical service group provides services for customers both domestically and internationally. Service technicians are trained regularly on new equipment to ensure the customer receives a high level of customer service. From time to time the company utilizes trained third party technicians supervised by company employees to supplement company employees on large projects.

Residential Kitchen Equipment Group

The company maintains a network of independent authorized service agents throughout North America. Authorized service agents are supported and trained by regional factory-support centers of the company. Trained technical support personnel are available to support independent service agents with technical information and assist in repair issues. The factory-support centers also dispatch service technicians to the customer and provide follow up and monitoring to ensure field issues are resolved. The company independent service agents maintain a stock of factory supplied parts to allow for a high first-call completion rate for service and warranty repairs. The company maintains a substantial amount of service parts at its manufacturing operations in Greenwood, Mississippi and at regional service parts depots to provide for quick ship of parts to service agents and end-user customers when necessary.

Internationally, the company has a network of company owned and independent distributors that provide sales and technical service support in their respective markets. These distributors are required to have a team of factory-trained service technicians and maintain a required stock of service parts to support the equipment in the market. The factory supports the international distributors with technical trainers which travel to the various markets to provide on-hands training and monitoring of the distributor service operations.

Competition

The commercial foodservice, food processing equipment and residential kitchen equipment industries are highly competitive and fragmented. Within a given product line the company may compete with a variety of companies, including companies that manufacture a broad line of products and those that specialize in a particular product category. Competition is based upon many factors, including brand recognition, product features, reliability, quality, price, delivery lead times, serviceability and after-sale service. The company believes that its ability to compete depends on strong brand equity, exceptional product performance, short lead-times and timely delivery, competitive pricing and superior customer service support. In the international markets, the company competes with U.S. manufacturers and numerous global and local competitors.

The company believes that it is one of the largest multiple-line manufacturers of food production equipment in the U.S. and worldwide although some of its competitors are units of operations that are larger than the company and possess greater financial and personnel resources. Among the company's major competitors to the Commercial Foodservice Equipment Group are: Manitowoc Company, Inc.; Vulcan-Hart and Hobart Corporation, subsidiaries of Illinois Tool Works Inc.; Electrolux AB; Groen, a subsidiary of Dover Corporation; Rational AG; and the Ali Group. Major competitors to the Food Processing Equipment Group include AMF Bakery Systems, Convenience Food Systems, FMC Technologies, Multivac, Marel, Formax, and Heat and Control. The residential kitchen appliance sector is highly competitive and includes a number of large global competitors including, Whirlpool Corporation, AB Electrolux, GE Appliances, LG Corporation, Panasonic Corporation and Samsung Group. However, within the premium segment of this kitchen equipment market there are fewer competitors and the company’s primary competition includes Wolf and Subzero, subsidiaries of Sub-Zero Group, Inc.; Thermador, Bosch and Gaggenau, subsidiaries of Bosch Siemens; Dacor and Miele.

Manufacturing and Quality Control

The company’s manufacturing operations provide for an expertise in the design and production of specific products for each of the three business segments. The company has from time to time either consolidated manufacturing facilities producing similar product or transferred production of certain products to another existing operation with a higher level of expertise or efficiency.

The Commercial Foodservice Equipment Group manufactures its products in thirteen domestic and seven international production facilities. These production facilities are located in Brea, California; Vacaville, California; Windsor, California; Chicago, Illinois; Elgin, Illinois; Mundelein, Illinois; Menominee, Michigan; Bow, New Hampshire; Fuquay-Varina, North Carolina; Cookville, Tennessee; Smithville, Tennessee; Carrollton, Texas; Burlington, Vermont; Randers, Denmark; Scandicci, Italy; Shanghai, China; Laguna, the Philippines; Lincoln, the United Kingdom; Wrexham, the United Kingdom; and Warwickshire, the United Kingdom.

The Food Processing Equipment Group manufactures its products in seven domestic and four international production facilities. These production facilities are located in Buford, Georgia; Algona, Iowa; Chicago, Illinois; Clayton, North Carolina; Plano, TX; Waynesboro, Virginia; Lodi, Wisconsin; New South Wales, Australia; Mauron, France; Guadalupe, Mexico; and Reichenau, Germany.

The Residential Kitchen Equipment Group manufactures its products in four domestic production facilities located in Greenwood, Mississippi.

Metal fabrication, finishing, sub-assembly and assembly operations are conducted at each manufacturing facility. Equipment installed at individual manufacturing facilities includes numerically controlled turret presses and machine centers, shears, press brakes, welding equipment, polishing equipment, CAD/CAM systems and product testing and quality assurance measurement devices. The company's CAD/CAM systems enable virtual electronic prototypes to be created, reviewed and refined before the first physical prototype is built.

Detailed manufacturing drawings are quickly and accurately derived from the model and passed electronically to manufacturing for programming and optimal parts nesting on various numerically controlled punching cells. The company believes that this integrated product development and manufacturing process is critical to assuring product performance, customer service and competitive pricing.

The company has established comprehensive programs to ensure the quality of products, to analyze potential product failures and to certify vendors for continuous improvement. Products manufactured by the company are tested prior to shipment to ensure compliance with company standards.

Sources of Supply

The company purchases its raw materials and component parts from a number of suppliers. The majority of the company's material purchases are standard commodity-type materials, such as stainless steel, electrical components and hardware. These materials and parts generally are available in adequate quantities from numerous suppliers. Some component parts are obtained from sole sources of supply. In such instances, management believes it can substitute other suppliers as required. The majority of fabrication is done internally through the use of automated equipment. Certain equipment and accessories are manufactured by other suppliers for sale by the company. The company believes it enjoys good relationships with its suppliers and considers the present sources of supply to be adequate for its present and anticipated future requirements.

Research and Development

The company believes its future success will depend in part on its ability to develop new products and to improve existing products. Much of the company's research and development efforts at the Commercial Foodservice Equipment Group, the Food Processing Equipment Group and the Residential Kitchen Equipment Group are directed to the development and improvement of products designed to reduce cooking and processing time, increase capacity or throughput, reduce energy consumption, minimize labor costs, improve product yield and improve safety, while maintaining consistency and quality of cooking production and food preparation. The company has identified these issues as key concerns for most of its customers. The company often identifies product improvement opportunities by working closely with customers on specific applications. Most research and development activities are performed by the company's technical service and engineering staff located at each manufacturing location. On occasion, the company will contract outside engineering firms to assist with the development of certain technical concepts and applications. See Note 3(o) to the Consolidated Financial Statements for further information on the company's research and development activities.

Trademarks, Patents and Licenses

The company has developed, acquired and assembled a leading portfolio of trademarks and trade names. The company believes that these tradenames and trademarks provide for a significant competitive advantage due to a long-standing recognition in the marketplace with customers, restaurant operators, distribution partners, sales and service agents, and foodservice consultants that specify foodservice equipment. The company has historically maintained a high level of marketshare of products sold with these tradenames and trademarks.

The company's leading portfolio of tradenames of its Commercial Foodservice Equipment Group include Anets®, Blodgett®, Blodgett Combi®, Blodgett Range®, Beech®, Bloomfield®, Britannia®, Carter-Hoffmann®, Celfrost®, CookTek®, CTX®, Doyon®, friFri®, Giga®, Holman®, Houno®, IMC®, Jade®, Lang®, Lincat®, MagiKitch'n®, Middleby Marshall®, MPC®, Nieco®, Nu-Vu®, PerfectFry®, Pitco Frialator®, Southbend®, Star®, Toastmaster®, Turbochef®, Viking®, Wells® and Wunder-Bar®.

The company’s leading portfolio of tradenames of its Food Processing Equipment Group include Alkar®, Armor Inox®, Auto-Bake®, Baker Thermal Solutions®, Cozzini®, Danfotech®, Drake®, Maurer-Atmos®, MP Equipment®, RapidPak®, Spooner Vicars® and Stewart Systems®.

The company’s leading portfolio of tradenames of its Residential Kitchen Equipment Group include Brigade®, Jade®, TurboChef® and Viking®.

The company holds a broad portfolio of patents and licenses covering technology and applications related to various products, equipment and systems. Management believes the expiration of any one of these patents would not have a material adverse effect on the overall operations or profitability of the company.

Employees

Commercial Foodservice Equipment Group

As of December 28, 2013, 2,707 persons were employed within the Commercial Foodservice Equipment Group. Of this amount, 1,156 were management, administrative, sales, engineering and supervisory personnel; 1,343 were hourly production non-union workers; and 208 were hourly production union members. Included in these totals were 937 individuals employed outside of the United States, of which 566 were management, sales, administrative and

engineering personnel, 297 were hourly production non-union workers and 74 were hourly production union workers, who participate in an employee cooperative. At its Windsor, CA facility, the company has a union contract with the Sheet Metal Workers International Association that expires on December 31, 2016. At its Elgin, Illinois facility, the company has a union contract with the International Brotherhood of Teamsters that expires on July 31, 2017. The company also has a union workforce at its manufacturing facility in the Philippines, under a contract that extends through June 2015. Management believes that the relationships between employees, unions and management are good.

Food Processing Equipment Group

As of December 28, 2013, 963 persons were employed within the Food Processing Equipment Group. Of this amount, 472 were management, administrative, sales, engineering and supervisory personnel; 355 were hourly production non-union workers; and 136 were hourly production union members. Included in these totals were 408 individuals employed outside of the United States, of which 226 were management, sales, administrative and engineering personnel, 182 were hourly production non-union workers. At its Lodi, Wisconsin facility, the company has a contract with the International Association of Bridge, Structural, Ornamental and Reinforcing Ironworkers that expires on December 31, 2014. At its Algona, Iowa facility, the company has a union contract within the United Food and Commercial Workers that expires on December 31, 2014. Management believes that the relationships between employees, unions and management are good.

Residential Kitchen Equipment Group

As of December 28, 2013, 796 persons were employed within the Residential Kitchen Equipment Group. Of this amount, 392 were management, administrative, sales, engineering and supervisory personnel and 404 were hourly production workers. Included in these totals were 42 individuals employed outside of the United States, all of which were management, sales, administrative and engineering personnel. Management believes that the relationships between employees and management are good.

Corporate

As of December 28, 2013, 25 persons were employed at the corporate office.

Seasonality

The company's revenues at the Commercial Foodservice Equipment Group historically have been slightly stronger in the second and third quarters due to increased purchases from customers involved with the catering business and institutional customers, particularly schools, during the summer months. Revenues at the Residential Kitchen Equipment Group are historically stronger in the second and third quarters due to increased purchases of outdoor cooking equipment and greater new home construction and remodels during the summer months.

Item 1A. Risk Factors

The company's business, results of operations, cash flows and financial condition are subject to various risks, including, but not limited to those set forth below. If any of the following risks actually occurs, the company's business, results of operations, cash flows and financial condition could be materially adversely affected These risk factors should be carefully considered together with the other information in this Annual Report on Form 10-K, including the risks and uncertainties described under the heading "Special Note Regarding Forward-Looking Statements."

Economic conditions may cause a decline in business and consumer spending which could adversely affect the company's business and financial performance.

The company's operating results are impacted by the health of the North American, European, Asian and Latin American economies. The company's business and financial performance, including collection of its accounts receivable, may be adversely affected by the current and future economic conditions that caused, and may cause in the future, a decline in business and consumer spending, a reduction in the availability of credit and decreased growth by our existing customers, resulting in customers electing to delay the replacement of aging equipment. Higher energy costs, rising interest rates, weakness in the residential construction, housing and home improvement markets, financial market volatility, recession and acts of terrorism may also adversely affect the company's business and financial performance. Additionally, the company may experience difficulties in scaling its operations due to economic pressures in the U.S. and International markets.

The company's level of indebtedness could adversely affect its business, results of operations and growth strategy.

The company now has and may continue to have a significant amount of indebtedness. At December 28, 2013, the company had $571.6 million of borrowings and $12.8 million in letters of credit outstanding. To the extent the company requires additional capital resources, there can be no assurance that such funds will be available on favorable terms, or at all. The unavailability of funds could have a material adverse effect on the company's financial condition, results of operations and ability to expand the company's operations.

The company's level of indebtedness could adversely affect it in a number of ways, including the following:

- the company may be unable to obtain additional financing for working capital, capital expenditures, acquisitions and other general corporate purposes;
- a significant portion of the company's cash flow from operations must be dedicated to debt service, which reduces the amount of cash the company has available for other purposes;
- the company may be more vulnerable in the event of a downturn in the company's business or general economic and industry conditions;
- the company may be disadvantaged competitively by its potential inability to adjust to changing market conditions, as a result of its significant level of indebtedness; and
- the company may be restricted in its ability to make strategic acquisitions and to pursue new business opportunities.

The company's current credit agreement limits its ability to conduct business, which could negatively affect the company's ability to finance future capital needs and engage in other business activities.

The covenants in the company's existing credit agreement contain a number of significant limitations on its ability to, among other things:

- pay dividends;
- incur additional indebtedness;
- create liens on the company's assets;
- engage in new lines of business;
- make investments;
- make capital expenditures and enter into leases; and
- acquire or dispose of assets.

These restrictive covenants, among others, could negatively affect the company's ability to finance its future capital needs, engage in other business activities or withstand a future downturn in the company's business or the economy.

Under the company's current credit agreement, the company is required to maintain certain specified financial ratios and meet financial tests, including certain ratios of leverage and fixed charge coverage. The company's ability to comply with these requirements may be affected by matters beyond its control, and, as a result, there can be no assurance that the company will be able to meet these ratios and tests. A breach of any of these covenants would prevent the company from being able to draw under the company revolver and would result in a default under the company's credit agreement. In the event of a default under the company's current credit agreement, the lenders could terminate their commitments and declare all amounts borrowed, together with accrued interest and other fees, to be immediately due and payable. Borrowings under other debt instruments that contain cross-acceleration or cross-default provisions may also be accelerated and become due and payable at such time. The company may be unable to pay these debts in these circumstances.

The company has a significant amount of goodwill and could suffer losses due to asset impairment charges.

The company's balance sheet includes a significant amount of goodwill, which represents approximately 38% of its total assets as of December 28, 2013. The excess of the purchase price over the fair value of assets acquired, including identifiable intangible assets, and liabilities assumed in conjunction with acquisitions is recorded as goodwill. In accordance with Accounting Standards Codification ("ASC") 350 "Intangibles-Goodwill and Other", the company's long-lived assets (including goodwill and other intangibles) are reviewed for impairment annually and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In assessing the recoverability of long-lived assets, the company considers changes in economic conditions and makes assumptions regarding estimated future cash flows and other factors. Various uncertainties, including continued adverse conditions in the capital markets or changes in general economic conditions, could impact the future operating performance at one or more of the company's businesses, which could significantly affect the company's valuations and could result in additional future impairments. Also, estimates of future cash flows are judgments based on the company's experience and knowledge of operations. These estimates can be significantly impacted by many factors, including changes in global and local business and economic conditions, operating costs, inflation, competition, and consumer and demographic trends. If the company's estimates or the underlying assumptions change in the future, the company may be required to record impairment charges. Any such charge could have a material adverse effect on the company's reported net earnings.

Competition in the commercial foodservice, food processing, and residential kitchen equipment industries is intense and could impact the company's results of operations and cash flows.

The company operates in a highly competitive industries. In each of the company's three business segments, competition is based on a variety of factors including product features and design, brand recognition, reliability, durability, technology, energy efficiency, breadth of product offerings, price, customer relationships, delivery lead times, serviceability and after-sale service. The company has a numerous competitors in business segment. Many of the company's competitors are substantially larger and enjoy substantially greater financial, marketing, technological and personnel resources. These factors may enable them to develop similar or superior products, to provide lower cost products and to carry out their business strategies more quickly and efficiently than the company can. In addition, some competitors focus on particular product lines or geographic regions or emphasize their local manufacturing presence or local market knowledge. Some competitors have different pricing structures and may be able to deliver their products at lower prices. Although the company believes that the performance and price characteristics of its products will provide competitive solutions for its customers' needs, there can be no assurance that the company's customers will continue to choose the company's products over products offered by its competitors.

Further, the markets for the company's products are characterized by changing technology and evolving industry standards. The company's ability to compete in the past has depended in part on the company's ability to develop innovative new products and bring them to market more quickly than the company's competitors. The company's ability to compete successfully will depend, in large part, on its ability to enhance and improve its existing products, to continue to bring innovative products to market in a timely fashion, to adapt the company's products to the needs and standards of its current and potential customers and to continue to improve operating efficiencies and lower manufacturing costs. Moreover, competitors may develop technologies or products that render the company's products obsolete or less marketable. If the company's products, markets and services are not competitive, the company's business, financial condition and operating results will be materially harmed.

The company is subject to risks associated with developing products and technologies, which could delay product introductions and result in significant expenditures.

The product, program and service needs of the company's customers change and evolve regularly, and the company invests substantial amounts in research and development efforts to pursue advancements in a wide range of technologies, products and services. Also, the company continually seeks to refine and improve upon the performance, utility and physical attributes of its existing products and to develop new products. As a result, the company's business is subject to risks associated with new product and technological development, including unanticipated technical or other problems, meeting development, production, certification and regulatory approval schedules, execution of internal and external performance plans, availability of supplier- and internally-produced parts and materials, performance of suppliers and subcontractors, hiring and training of qualified personnel, achieving cost and production efficiencies, identification of emerging technological trends in the company's target end-markets, validation of innovative technologies, the level of customer interest in new technologies and products, and customer acceptance of the company's products and products that incorporate technologies that the company develops. These factors involve significant risks and uncertainties. Also, any development efforts divert resources from other potential investments in the company's businesses, and these efforts may not lead to the development of new technologies or products on a timely basis or meet the needs of the company's customers as fully as competitive offerings. In addition, the markets for the company's products or products that incorporate the company's technologies may not develop or grow as the company anticipates. The company or its suppliers and subcontractors may encounter difficulties in developing and producing these new products and services, and may not realize the degree or timing of benefits initially anticipated. Due to the design complexity of the company's products, the company may in the future experience delays in completing the development and introduction of new products. Any delays could result in increased development costs or deflect resources from other projects. The occurrence of any of these risks could cause a substantial change in

the design, delay in the development, or abandonment of new technologies and products. Consequently, there can be no assurance that the company will develop new technologies superior to the company's current technologies or successfully bring new products to market.

Additionally, there can be no assurance that new technologies or products, if developed, will meet the company's current price or performance objectives, be developed on a timely basis, or prove to be as effective as products based on other technologies. The inability to successfully complete the development of a product, or a determination by the company, for financial, technical or other reasons, not to complete development of a product, particularly in instances in which the company has made significant expenditures, could have a material adverse effect on the company's financial condition and operating results.

The company has depended, and will continue to depend, on key customers for a material portion of its revenues. As a result, changes in the purchasing patterns of such key customers could adversely impact the company's operating results.

Many of the company's key customers are large restaurant chains and major food processing companies. The demand for the company's equipment can vary from quarter to quarter depending on the company's customers' internal growth plans, construction, seasonality and other factors. In addition, during an economic downturn, key customers could both open fewer facilities and defer purchases of new equipment for existing operations. Either of these conditions could have a material adverse effect on the company's financial condition and results of operations.

Price changes in some materials and sources of supply could affect the company's profitability.

The company uses large amounts of stainless steel, aluminized steel and other commodities in the manufacture of its products. A significant increase in the price of steel or any other commodity that the company is not able to pass on to its customers would adversely affect the company's operating results. In addition, an unanticipated delay in delivery of raw materials and component inventories by suppliers—including a delay due to capacity constraints, labor disputes, the financial condition of suppliers, weather emergencies, or other natural disasters—may impair the ability of the company to satisfy customer demand. An interruption in or the cessation of an important supply by any third party and the company's inability to make alternative arrangements in a timely manner, or at all, could have a material adverse effect on the company's business, financial condition and operating results.

The company's acquisition, investment and alliance strategy involves risks. If the company is unable to effectively manage these risks, its business will be materially harmed.

To achieve the company's strategic objectives, the company has pursued and may continue to pursue strategic acquisitions and investments or invest in other companies, businesses or technologies. Acquisitions entail numerous risks, including the following:

- difficulties in the assimilation of acquired businesses or technologies;
- inability to operate acquired businesses or utilize acquired technologies profitably;
- diversion of management's attention from other business concerns;
- potential assumption of unknown material liabilities;
- failure to achieve financial or operating objectives;
- unanticipated costs relating to acquisitions or to the integration of the acquired businesses;
- loss of customers, suppliers, or key employees; and
- the impact on our internal controls and compliance with the regulatory requirements under the Sarbanes-Oxley Act of 2002.

The company may not be able to successfully integrate any operations, personnel, services or products that it has acquired or may acquire in the future.

The company may seek to expand or enhance some of its operations by forming joint ventures or alliances with various strategic partners throughout the world. Entering into joint ventures and alliances also entails risks, including difficulties in developing and expanding the businesses of newly formed joint ventures, exercising influence over the activities of joint ventures in which the company does not have a controlling interest and potential conflicts with the company's joint venture or alliance partners.

An inability to identify or complete future acquisitions could adversely affect future growth.

The company has historically followed a strategy of identifying and acquiring businesses with complementary products and services. As part of its growth strategy, the company intends to pursue acquisitions that provide opportunities for profitable growth and which enable it to leverage its competitive strengths. While the company continues to evaluate potential acquisitions, it may not be able to identify and successfully negotiate suitable acquisitions, obtain financing for future acquisitions on satisfactory terms, obtain regulatory approval for certain acquisitions, or otherwise complete acquisitions in the future. An inability to identify or complete future acquisitions could limit the company's growth.

Expansion of the company's operations internationally involves special challenges that it may not be able to meet. The company's failure to meet these challenges could adversely affect its business, financial condition and operating results.

The company plans to continue to expand its operations internationally. The company faces certain risks inherent in doing business in international markets. These risks include:

- extensive regulations and oversight, tariffs and other trade barriers;
- reduced protection for intellectual property rights;
- difficulties in staffing and managing foreign operations;
- potentially adverse tax consequences;
- limitations on ownership and on repatriation of earnings;
- transportation delays and interruptions;
- political, social, and economic instability and disruptions;
- labor unrests;
- potential for nationalization of enterprises; and
- limitations on the company's ability to enforce legal rights and remedies.

In addition, the company is and will be required to comply with the laws and regulations of foreign governmental and regulatory authorities of each country in which the company conducts business.

There can be no assurance that the company will be able to succeed in marketing its products and services in international markets. The company may also experience difficulty in managing its international operations because of, among other things, competitive conditions overseas, management of foreign exchange risk, established domestic markets, language and cultural differences and economic or political instability. Any of these factors could have a material adverse effect on the success of the company's international operations and, consequently, on the company's business, financial condition and operating results.

The company is subject to currency fluctuations and other risks from its operations outside the United States.

The company has manufacturing and distribution operations located in Asia, Europe and Latin America. The company's operations are subject to the impact of economic downturns, political instability and foreign trade restrictions, which may adversely affect the company's business, financial condition and operating results. The company anticipates that international sales will continue to account for a significant portion of consolidated net sales in the foreseeable future. Some sales and operating costs of the company's foreign operations are realized in local currencies, and an increase in the relative value of the U.S. dollar against such currencies would lead to a reduction in consolidated sales and earnings. Additionally, foreign currency exposures are not fully hedged, and there can be no assurances that the company's future results of operations will not be adversely affected by currency fluctuations. Furthermore, currency fluctuations may affect the prices paid to the company's suppliers for materials the company uses in production. As a result, operating margins may also be negatively impacted by worldwide currency fluctuations that result in higher costs for certain cross-border transactions.

The company may not be able to adequately protect its intellectual property rights, and this inability may materially harm its business.

The company relies primarily on trade secret, copyright, service mark, trademark and patent law and contractual protections to protect the company's proprietary technology and other proprietary rights. The company has filed numerous patent applications covering the company's technology. Notwithstanding the precautions the company takes to protect its intellectual property rights, it is possible that third parties may copy or otherwise obtain and use the company's proprietary technology without authorization or may otherwise infringe on the company's rights. In some cases, including a number of the company's most important products, there may be no effective legal recourse against duplication by competitors. In the future, the company may have to rely on litigation to enforce its intellectual property rights, protect its trade secrets, determine the validity and scope of the proprietary rights of others or defend against claims of infringement or invalidity. Any such litigation, whether successful or unsuccessful, could result in substantial costs to the company and diversions of the company's resources, either of which could adversely affect the company's business.

Any infringement by the company on patent rights of others could result in litigation and adversely affect its ability to continue to provide, or could increase the cost of providing, the company's products and services.

Patents of third parties may have an important bearing on the company's ability to offer some of its products and services. The company's competitors, as well as other companies and individuals, may obtain, and may be expected to obtain in the future, patents related to the types of products and services the company offers or plans to offer. There can be no assurance that the company is or will be aware of all patents containing claims that may pose a risk of infringement by its products and services. In addition, some patent applications in the United States are confidential until a patent is issued and, therefore, the company cannot evaluate the extent to which its products and services may be covered or asserted to be covered by claims contained in pending patent applications. In general, if one or more of the company's products or services were to infringe patents held by others, the company may be required to stop developing or marketing the products or services, to obtain licenses from the holders of the patents to develop and market the services, or to redesign the products or services in such a way as to avoid infringing on the patent claims. The company cannot assess the extent to which it may be required in the future to obtain licenses with respect to patents held by others, whether such licenses would be available or, if available, whether it would be able to obtain such licenses on commercially reasonable terms. If the company were unable to obtain such licenses, it also may not be able to redesign the company's products or services to avoid infringement, which could materially adversely affect the company's business, financial condition and operating results.

The company may be the subject of product liability claims or product recalls, and it may be unable to obtain or maintain insurance adequate to cover potential liabilities.

Product liability is a significant commercial risk to the company. The company's business exposes it to potential liability risks that arise from the manufacture, marketing and sale of the company's products. In addition to direct expenditures for damages, settlement and defense costs, there is a possibility of adverse publicity as a result of product liability claims. Some plaintiffs in some jurisdictions have received substantial damage awards against companies based upon claims for injuries allegedly caused by the use of their products. In addition, it may be necessary for the company to recall products that do not meet approved specifications, which could result in adverse publicity as well as costs connected to the recall and loss of revenue.

The company cannot be certain that a product liability claim or series of claims brought against it would not have an adverse effect on the company's business, financial condition or results of operations. If any claim is brought against the company, regardless of the success or failure of the claim, the company cannot assure you that it will be able to obtain or maintain product liability insurance in the future on acceptable terms or with adequate coverage against

potential liabilities or the cost of a recall. The company currently maintains insurance programs consisting of self insurance up to certain limits and excess insurance coverage for claims over established limits. There can be no assurance that the company will be able to obtain insurance on acceptable terms or that its insurance programs will provide adequate protection against actual losses. In addition, the company is subject to the risk that one or more of its insurers may become insolvent or become unable to pay claims that may be made in the future.

The company may be subject to litigation, environmental, and other legal compliance risks.

In addition to product liability claims, the company is subject to a variety of litigation, tax, and legal compliance risks. These risks include, among other things, possible liability relating to personal injuries, intellectual property rights, contract-related claims, taxes, environmental matters, and compliance with U.S. and foreign export laws, competition laws, and laws governing improper business practices. The company or one of its business units could be charged with wrongdoing as a result of such matters. If convicted or found liable, the company could be subject to significant fines, penalties, repayments, or other damages.

An increase in warranty expenses could adversely affect the company's financial performance.

The company offers purchasers of its products warranties covering workmanship and materials typically for one year and, in certain circumstances, for periods of up to ten years, during which period the company or an authorized service representative will make repairs and replace parts that have become defective in the course of normal use. The company estimates and records its future warranty costs based upon past experience. These warranty expenses may increase in the future and may exceed the company's warranty reserves, which, in turn, could adversely affect the company's financial performance.

The company is subject to potential liability under environmental laws.

The company's operations are regulated under a number of federal, state and local environmental laws and regulations that govern, among other things, the discharge of hazardous materials into the air and water as well as the handling, storage and disposal of these materials. Compliance with these environmental laws and regulations is a significant consideration for the company because it uses hazardous materials in its manufacturing processes. In addition, because the company is a generator of hazardous wastes, even if it fully complies with applicable environmental laws, it may be subject to financial exposure for costs associated with an investigation and remediation of sites at which it has arranged for the disposal of hazardous wastes if these sites become contaminated. In the event of a violation of environmental laws, the company could be held liable for damages and for the costs of remedial actions. Environmental laws could also become more stringent over time, imposing greater compliance costs and increasing risks and penalties associated with any violation, which could negatively affect the company's operating results. There can be no assurance that identification of presently unidentified environmental conditions, more vigorous enforcement by regulatory authorities, or other unanticipated events will not arise in the future and give rise to additional environmental liabilities, compliance costs, and penalties that could be material. Environmental laws and regulations are constantly evolving, and it is impossible to predict accurately the effect they may have upon the financial condition, results of operations, or cash flows of the company.

The company's financial performance is subject to significant fluctuations.

The company's financial performance is subject to quarterly and annual fluctuations due to a number of factors, including:

- general economic conditions;
- the lengthy, unpredictable sales cycle for commercial foodservice equipment, food processing equipment and residential kitchen equipment group;
- the gain or loss of significant customers;
- unexpected delays in new product introductions;

- the level of market acceptance of new or enhanced versions of the company’s products;
- unexpected changes in the levels of the company’s operating expenses; and
- competitive product offerings and pricing actions.

Each of these factors could result in a material and adverse change in the company’s business, financial condition and results of operations.

The company may be unable to manage its growth.

The company has recently experienced rapid growth in business. Continued growth could place a strain on the company’s management, operations and financial resources. There also will be additional demands on the company’s sales, marketing and information systems and on the company’s administrative infrastructure as it develops and offers additional products and enters new markets. The company cannot be certain that the company’s operating and financial control systems, administrative infrastructure, outsourced and internal production capacity, facilities and personnel will be adequate to support the company’s future operations or to effectively adapt to future growth. If the company cannot manage the company’s growth effectively, the company’s business may be harmed.

The company’s business could suffer in the event of a work stoppage by its unionized labor force.

Because the company has a significant number of workers whose employment is subject to collective bargaining agreements and labor union representation, the company is vulnerable to possible organized work stoppages and similar actions. Unionized employees accounted for approximately 8% of the company’s workforce as of December 28, 2013. The company has union contracts with employees at its facilities in Windsor, California; Algona, Iowa; Elgin, Illinois and Lodi, Wisconsin that extend through December 2016, December 2014, July 2017 and December 2014, respectively. The company also has a union workforce at its manufacturing facility in the Philippines under a contract that extends through June 2015. Approximately 3% of the company's workforce is covered by collective bargaining agreements that expire within one year. Any future strikes, employee slowdowns or similar actions by one or more unions, in connection with labor contract negotiations or otherwise, could have a material adverse effect on the company’s ability to operate the company’s business.

The company depends significantly on its key personnel.

The company depends significantly on certain of the company’s executive officers and certain other key personnel, many of whom could be difficult to replace. While the company has employment agreements with certain key executives, the company cannot be certain that it will succeed in retaining this personnel or their services under existing agreements. The incapacity, inability or unwillingness of certain of these people to perform their services may have a material adverse effect on the company. There is intense competition for qualified personnel within the company’s industry, and there can be no assurance that the company will be able to continue to attract, motivate and retain personnel with the skills and experience needed to successfully manage the company business and operations.

The impact of future transactions on the company’s common stock is uncertain.

The company periodically reviews potential transactions related to products or product rights and businesses complementary to the company’s business. Such transactions could include mergers, acquisitions, joint ventures, alliances or licensing agreements. In the future, the company may choose to enter into such transactions at any time. The impact of transactions on the market price of a company’s stock is often uncertain, but it may cause substantial fluctuations to the market price. Consequently, any announcement of any such transaction could have a material adverse effect upon the market price of the company’s common stock. Moreover, depending upon the nature of any transaction, the company may experience a charge to earnings, which could be material and could possibly have an adverse impact upon the market price of the company’s common stock.

Item 1B. Unresolved Staff Comments

Not applicable.

Item 2. Properties

The company's principal executive offices are located in Elgin, Illinois. The company operates twenty-four manufacturing facilities in the U.S and eleven manufacturing facilities internationally.

The principal properties of the company used to conduct business operations are listed below:

Location	Principal Function	Square Footage	Owned/ Leased	Lease Expiration
Commercial Foodservice:				
Brea, CA	Manufacturing, Warehousing and Offices	74,800	Leased	June 2016
Vacaville, CA	Manufacturing, Warehousing and Offices	39,800	Leased	April 2016
Windsor, CA	Manufacturing, Warehousing and Offices	75,000	Leased	October 2017
Chicago, IL	Manufacturing, Warehousing and Offices	30,800	Leased	March 2014
Elgin, IL	Manufacturing, Warehousing and Offices	207,000	Owned	N/A
Mundelein, IL	Manufacturing, Warehousing and Offices	70,000	Owned	N/A
Menominee, MI	Manufacturing, Warehousing and Offices	60,000	Owned	N/A
St. Louis, MO	Offices	46,900	Leased	August 2017
Bow, NH	Manufacturing, Warehousing and Offices	100,000	Owned	N/A
		57,400	Leased	March 2015
Fuquay-Varina, NC	Manufacturing, Warehousing and Offices	138,900	Owned	N/A
Cookville, TN	Manufacturing, Warehousing and Offices	90,000	Leased	February 2015
Smithville, TN	Manufacturing, Warehousing and Offices	190,000	Owned	N/A
Carrollton, TX	Manufacturing, Warehousing and Offices	132	Leased	August 2022
Burlington, VT	Manufacturing, Warehousing and Offices	135,400	Owned	N/A
		11,100	Leased	September 2014
Shanghai, China	Manufacturing, Warehousing and Offices	74,000	Leased	April 2016
Randers, Denmark	Manufacturing, Warehousing and Offices	79,400	Owned	N/A
Scandicco, Italy	Manufacturing, Warehousing and Offices	41,400	Leased	April 2025
Laguna, the Philippines	Manufacturing, Warehousing and Offices	83,100	Owned	N/A
Lincoln, the United Kingdom	Manufacturing, Warehousing and Offices	100,000	Owned	N/A

Warwickshire, the United Kingdom	Manufacturing, Warehousing and Offices	12,000	Owned	N/A
Wrexham, the United Kingdom	Manufacturing, Warehousing and Offices	68,000	Owned	N/A
Food Processing:				
Buford, GA	Manufacturing, Warehousing and Offices	50,000	Leased	December 2014
Chicago, IL	Manufacturing, Warehousing and Offices	64,400	Leased	December 2016
Algona, IA	Manufacturing, Warehousing and Offices	70,100	Owned	N/A
Clayton, NC	Manufacturing, Warehousing and Offices	65,300	Leased	October 2019
Plano, TX	Manufacturing, Warehousing and Offices	133,300	Leased	December 2015
Waynesboro, VA	Manufacturing, Warehousing and Offices	25,600	Owned	N/A
		14,400	Leased	August 2014
Lodi, WI	Manufacturing, Warehousing and Offices	114,600	Owned	N/A
New South Wales, Australia	Manufacturing, Warehousing and Offices	50,500	Leased	September 2015
Mauron, France	Manufacturing, Warehousing and Offices	75,300	Leased	April 2016
Reichenau, Germany	Manufacturing, Warehousing and Offices	57,900	Leased	June 2016
Guadalupe, Mexico	Manufacturing, Warehousing and Offices	117,600	Leased	December 2014
Residential Kitchen:				
Greenwood, MS	Manufacturing, Warehousing and Offices *	738,000	Owned	N/A

* Contains four separate manufacturing facilities.

At various other locations the company leases small amounts of office space for administrative, distribution and sales functions, and in certain instances limited short-term inventory storage. These locations are in Brazil, Canada, China, Czech Republic, India, Italy, Mexico, Spain, the United Kingdom and various locations in the United States.

Management believes that these facilities are adequate for the operation of the company's business as presently conducted.

Item 3. Legal Proceedings

The company is routinely involved in litigation incidental to its business, including product liability claims, which are partially covered by insurance or in certain cases by indemnification provisions under purchase agreements for recently acquired companies. Such routine claims are vigorously contested and management does not believe that the outcome of any such pending litigation will have a material effect upon the financial condition, results of operations or cash flows of the company.

Item 4. Mine Safety Issues

Not Applicable

PART II

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

Principal Market

The company's Common Stock trades on the Nasdaq Global Market under the symbol "MIDD". The following table sets forth, for the periods indicated, the high and low closing sale prices per share of Common Stock, as reported by the Nasdaq Global Market.

	Closing Share Price	
	High	Low
Fiscal 2013		
First quarter	$154.74	$125.25
Second quarter	174.62	140.51
Third quarter	220.01	168.29
Fourth quarter	248.54	201.31
Fiscal 2012		
First quarter	$103.75	$91.81
Second quarter	104.82	93.48
Third quarter	122.57	94.03
Fourth quarter	134.51	115.61

Shareholders

The company estimates there were approximately 34,000 record holders of the company's common stock as of February 24, 2012.

Dividends

The company does not currently pay cash dividends on its common stock. Any future payment of cash dividends on the company's common stock will be at the discretion of the company's Board of Directors and will depend upon the company's results of operations, earnings, capital requirements, contractual restrictions and other factors deemed relevant by the Board of Directors. The company's Board of Directors currently intends to retain any future earnings to support its operations and to finance the growth and development of the company's business and does not intend to declare or pay cash dividends on its common stock for the foreseeable future. In addition, the company's revolving credit facility limits its ability to declare or pay dividends on its common stock.

Issuer Purchases of Equity Securities

	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plan or Program	Maximum Number of Shares that May Yet be Purchased Under the Plan or Program (1)
September 29 to October 26, 2013	—	$—	—	1,039,204

October 27 to November 23, 2013	—	—	—	1,039,204
November 24 to December 28, 2013	3,660	219.76	3,660	1,035,544
Quarter ended December 28, 2013	3,660	$219.76	3,660	1,035,544

In July 1998, the company's Board of Directors adopted a stock repurchase program and subsequently authorized the purchase of up to 1,800,000 common shares in open market purchases. During 2013, the company's Board of Directors authorized the purchase of an additional 1,000,000 common shares in open market purchases. As of December 28, 2013, the total number of shares authorized for repurchase under the program is 2,800,000. As of December 28, 2013, 1,764,456 shares had been purchased under the 1998 stock repurchase program.

At December 28, 2013, the company had a total of 4,661,701 shares in treasury amounting to $151.7 million.

Item 6. Selected Financial Data

(amounts in thousands, except per share data)
Fiscal Year Ended(1, 2)

	2013	2012	2011	2010	2009
Income Statement Data:					
Net sales	1,428,685	$1,038,174	$855,907	$719,121	$646,629
Cost of sales	878,674	635,185	511,770	432,444	396,001
Gross profit	550,011	402,989	344,137	286,677	250,628
Selling and distribution expenses	155,639	106,129	91,113	75,772	64,239
General and administrative expenses	149,910	108,776	104,314	88,117	74,948
Income from operations	244,462	188,084	148,710	122,788	111,441
Net interest expense and deferred financing amortization, net	15,901	9,238	8,503	8,592	11,594
Other expense (income), net	2,780	4,406	(241)	(40)	121
Earnings before income taxes	225,781	174,440	140,448	114,236	99,726
Provision for income taxes	71,853	53,743	44,975	41,369	38,570
Net earnings	$153,928	$120,697	$95,473	$72,867	$61,156
Net earnings per share:					
Basic	$8.27	$6.61	$5.30	$4.09	$3.47
Diluted	$8.21	$6.49	$5.15	$3.97	$3.29
Weighted average number of shares outstanding:					
Basic	18,610	18,265	17,998	17,801	17,605
Diluted	18,755	18,594	18,534	18,337	18,575
Balance Sheet Data:					
Working capital (3)	$234,349	$170,167	$(182,234)	$79,807	$70,670
Total assets	1,819,206	1,244,280	1,146,512	873,172	816,346
Total debt	571,598	260,070	317,335	214,017	275,641
Stockholders' equity	838,347	650,027	510,969	424,913	342,655

(1) The company's fiscal year ends on the Saturday nearest to December 31.

(2) The company has acquired numerous businesses in the periods presented. Please see Footnote 2 in the Notes to Consolidated Financial Statements for further information.

(3) In 2011, the company's senior secured revolving credit line was classified as a current liability due to the maturity date was within twelve months of the financial statement date.

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

Special Note Regarding Forward-Looking Statements

This report contains "forward-looking statements" subject to the Private Securities Litigation Reform Act of 1995. These forward-looking statements involve known and unknown risks, uncertainties and other factors, which could cause the company's actual results, performance or outcomes to differ materially from those expressed or implied in the forward-looking statements. The following are some of the important factors that could cause the company's actual results, performance or outcomes to differ materially from those discussed in the forward-looking statements:

- changing market conditions;
- volatility in earnings resulting from goodwill impairment losses, which may occur irregularly and in varying amounts;
- variability in financing costs;
- quarterly variations in operating results;
- dependence on key customers;
- risks associated with the company's foreign operations, including market acceptance and demand for the company's products and the company's ability to manage the risk associated with the exposure to foreign currency exchange rate fluctuations;
- the company's ability to protect its trademarks, copyrights and other intellectual property;
- the impact of competitive products and pricing;
- the state of the residential construction, housing and home improvement markets;
- the state of the credit markets, including mortgages, home equity loans and consumer credit;
- the company's ability to maintain and grow the Viking reputation and brand image;
- intense competition in the company's business segments including the impact of both new and established global competitors,
- the timely development and market acceptance of the company's products; and
- the availability and cost of raw materials.

The company cautions readers to carefully consider the statements set forth in the section entitled "Item 1A Risk Factors" of this filing and discussion of risks included in the company's SEC filings.

NET SALES SUMMARY
(dollars in thousands)

Fiscal Year Ended(1)	2013 Sales	Percent		2012 Sales	Percent		2011 Sales	Percent	
Business Segments:									
Commercial Foodservice	$895,494	62.7	%	$786,391	75.7	%	$723,274	84.5	%
Food Processing	301,522	21.1		251,783	24.3		132,633	15.5	
Residential Kitchen	231,669	16.2		—	—		—	—	
Total	$1,428,685	100.0	%	$1,038,174	100.0	%	$855,907	100.0	%

(1) The company's fiscal year ends on the Saturday nearest to December 31.

Results of Operations

The following table sets forth certain items in the consolidated statements of earnings as a percentage of net sales for the periods presented:

	Fiscal Year Ended(1)					
	2013		2012		2011	
Net sales	100.0	%	100.0	%	100.0	%
Cost of sales	61.5		61.2		59.8	
Gross profit	38.5		38.8		40.2	
Selling, general and administrative expenses	21.4		20.7		22.8	
Income from operations	17.1		18.1		17.4	
Interest expense and deferred financing amortization, net	1.1		0.9		1.0	
Other expense (income), net	0.2		0.4		—	
Earnings before income taxes	15.8		16.8		16.4	
Provision for income taxes	5.0		5.2		5.2	
Net earnings	10.8	%	11.6	%	11.2	%

(1) The company's fiscal year ends on the Saturday nearest to December 31.

Fiscal Year Ended December 28, 2013 as Compared to December 29, 2012

Net sales. Net sales in fiscal 2013 increased by $390.5 million or 37.6% to $1,428.7 million as compared to $1,038.2 million in fiscal 2012. The increase in net sales of $282.5 million, or 27.2%, was attributable to acquisition growth, resulting from the fiscal 2012 acquisitions of Baker, Stewart and Nieco and the fiscal 2013 acquisitions of Viking, Celfrost and Wunder-Bar. Excluding acquisitions, net sales increased $108.0 million, or 10.4%, from the prior year, reflecting a net sales increase of 11.1% at the Commercial Foodservice Equipment Group and an increase of 8.3% at the Food Processing Equipment Group.

- Net sales of the Commercial Foodservice Equipment Group increased by $109.1 million or 13.9% to $895.5 million in fiscal 2013, as compared to $786.4 million in fiscal 2012. Net sales from the acquisitions of Nieco, Celfrost and Wunder-Bar which were acquired on October 31, 2012, October 15, 2013, and December 17, 2013, respectively, accounted for an increase of $22.1 million during fiscal 2013. Excluding the impact of acquisitions, net sales of the Commercial Foodservice Equipment Group increased $87.0 million, or 11.1%, as compared to the prior year. International sales increased $37.8 million, or 17.1%, to $258.8 million, as compared to $221.0 million in the prior year. This includes the increase of $11.5 million from the recent acquisitions. Excluding acquisitions, the net increase of $26.3 million in international sales reflects strong growth in emerging markets due to expansion of restaurant chains. Domestically, the company also realized a sales increase of $71.3 million, or 12.6%, to $636.7 million, as compared to $565.4 million in the prior year. This includes an increase of $10.6 million from recent acquisitions. This increase in domestic sales includes increased sales with customer initiatives to improve efficiencies in restaurant operations by adopting new cooking and warming technologies and general improvements in market conditions.

- Net sales of the Food Processing Equipment Group increased by $49.7 million or 19.7% to $301.5 million in fiscal 2013, as compared to $251.8 million in fiscal 2012. Net sales from the acquisitions of Baker and Stewart which were acquired on March 14, 2012 and September 5, 2012, respectively, accounted for an increase of $28.7 million. Excluding the impact of acquisitions, net sales of the Food Processing Equipment Group increased $21.0 million, or 8.3%. International sales increased $8.1 million, or 7.6%, to $114.0 million, as compared to $105.9 million in the prior year. This includes an increase of $8.8 million from the recent acquisitions. Domestically, the company realized a sales increase of $41.7 million, or 28.6%, to $187.6 million as compared to $145.9 million in the prior year. This includes an increase of $19.9 million from the recent acquisitions. The increase in sales domestically reflects expansion of food processing operations to support growing global and initiatives to upgrade food processing operations to more efficient and cost effective equipment.

- Net sales of the Residential Kitchen Equipment Group, which was established on December 31, 2012, were $231.7 million. Net sales included approximately $4.7 million related to non-core business activities, which were discontinued during the year.

Gross profit. Gross profit increased by $147.0 million to $550.0 million in fiscal 2013 from $403.0 million in fiscal 2012. The gross margin rate decreased from 38.8% in 2012 to 38.5% in 2013. The net decrease in the gross margin rate reflects the impact of lower margins at the Residential Kitchen Equipment Group which was established in 2013 with the acquisition of Viking.

- Gross profit at the Commercial Foodservice Equipment Group increased by $52.2 million, or 16.3%, to $372.5 million in fiscal 2013 as compared to $320.3 million in fiscal 2012. The gross margin rate increased to 41.6% as compared to 40.7% in the prior year. Gross profit from the acquisitions of Nieco, Celfrost and Wunder-Bar accounted for approximately $9.2 million of the increase in gross profit during fiscal 2013. Excluding the recent acquisitions, the gross profit increased by approximately $43.0 million on the higher sales volumes.

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Gross profit at the Food Processing Equipment Group increased by $15.0 million, or 17.3%, to $101.8 million in fiscal 2013 as compared to $86.8 million in fiscal 2012. The gross profit margin rate decreased from 34.5% in fiscal 2012 to 33.8% in fiscal 2013. Gross profit from the acquisitions of Baker and Stewart accounted for approximately $6.4 million of the increase. Excluding the recent acquisitions, the gross profit increased by approximately $8.6 million on higher sales volumes.

- Gross Profit at the Residential Kitchen Equipment Group amounted to $78.6 million at a gross margin rate of 33.9%. The gross margin rate is expected to improve as the company realizes the benefit of ongoing integration initiatives.

Selling, general and administrative expenses. Combined selling, general, and administrative expenses increased by $90.6 million to $305.5 million in fiscal 2013 from $214.9 million in 2012. As a percentage of net sales, operating expenses amounted to 21.4% in fiscal 2013 and 20.7% in fiscal 2012.

Selling expenses increased $49.5 million to $155.6 million from $106.1 million, reflecting an increase of $43.8 million associated with the recently acquired Baker, Stewart, Nieco, Viking, Celfrost and Wunder-Bar operations. Additionally, expenses increased $4.5 million related to increased wages, commissions and bonuses on higher sales volumes and $1.7 million related to convention and trade show costs.

General and administrative expenses increased $41.1 million to $149.9 million from $108.8 million, reflecting an increase of $24.8 million associated with the recently acquired Baker, Stewart, Nieco, Viking, Celfrost and Wunder-Bar operations including $11.9 million of non-cash intangible amortization expense. Additionally, expenses increased $5.2 million related to wages and incentive compensation and $1.3 million in professional services associated with acquisition related activities. The company also recorded $9.1 million of expenses associated with acquisition integration initiatives associated with Viking.

Income from operations. Income from operations increased $56.4 million to $244.5 million in fiscal 2013 from $188.1 million in fiscal 2012. The increase in operating income resulted from the increase in net sales and gross profit. Operating income as a percentage of net sales decreased to 17.1% in 2013 from 18.1% in 2012.

Income from operations in 2013 included $53.9 million of non-cash expenses, including $13.5 million of depreciation expense, $28.5 million of intangible amortization related to acquisitions and $11.9 million of stock based compensation. This compares to $37.7 million of non-cash expenses in the prior year, including $8.7 million of depreciation expense, $17.0 million of intangible amortization related to acquisitions, and $12.0 million of stock based compensation costs. Operating income excluding these non-cash expenses, amounted to $298.4 million, or 20.9%, of net sales in fiscal 2013 as compared to $225.8 million, or 21.7%, of net sales in 2012.

Non-operating expenses. Non-operating expenses increased $5.1 million to $18.7 million in fiscal 2013 from $13.6 million in fiscal 2012. Net interest expense increased $6.7 million from $9.2 million in fiscal 2012 to $15.9 million in fiscal 2013 due to increased borrowings to fund the Viking acquisition. Other expense was $2.8 million in fiscal 2013 as compared to $4.4 million in fiscal 2012 primarily reflecting foreign exchange losses during the year.

Income taxes. A tax provision of $71.9 million, at an effective rate of 31.8%, was recorded for fiscal 2013 as compared to $53.7 million at an effective rate of 30.8%, in fiscal 2012. The current year effective tax rate is comprised of a 35.0% U.S. federal tax rate and 0.9% in U.S. state income taxes, 0.7% in other adjustments, net of 2.6% in tax relief for U.S. manufacturers, 1.3% in permanent tax deductions and 0.9% in foreign rate differentials. In comparison to the prior year, the tax provision reflects a higher effective rate on an increase to tax reserves, increased international tax provision resulting from increased earnings in higher rate jurisdictions and a decrease in permanent tax benefits, which increased the effective tax rate by 2.1%, 0.6% and 0.3%, respectively. The effective tax rate reflects a benefit from reduced state tax provisions resulting from increased income in lower rate jurisdictions and increased benefit for U.S. manufacturers of 1.8% and 0.2% respectively.

Fiscal Year Ended December 29, 2012 as Compared to December 31, 2011

Net sales. Net sales in fiscal 2012 increased by $182.3 million or 21.3% to $1,038.2 million as compared to $855.9 million in fiscal 2011. The increase in net sales of $120.5 million, or 14.1%, was attributable to acquisition growth, resulting from the fiscal 2011 acquisitions of Beech, Lincat, Danfotech, Maurer, Auto-Bake, Drake and Armor Inox and the fiscal 2012 acquisitions of Baker, Stewart and Nieco. Excluding acquisitions, net sales increased $61.8 million, or 7.2%, from the prior year, reflecting a net sales increase of 5.0% at the Commercial Foodservice Equipment Group and an increase of 19.1% at the Food Processing Equipment Group.

- Net sales of the Commercial Foodservice Equipment Group increased by $63.1 million or 8.7% to $786.4 million in fiscal 2012, as compared to $723.3 million in fiscal 2011. Net sales from the acquisitions of Beech, Lincat and Nieco, which were acquired on April 12, 2011, May 27, 2011 and October 31, 2012, respectively, accounted for an increase of $26.6 million during fiscal 2012. Excluding the impact of acquisitions, net sales of Commercial Foodservice Equipment increased $36.5 million, or 5.0%, as compared to the prior year. International sales increased $23.1 million, or 11.7%, to $221.0 million, as compared to $197.9 million in the prior year. This includes the increase of $25.4 million from the recent acquisitions, as these companies primarily have international sales. Excluding acquisitions, the net decrease of $2.3 million in international sales reflects increased sales in Asia, Latin America and the Middle East as the company continues to realize strong growth in emerging markets due to expansion of restaurant chains, offset by lower sales in Europe due to economic conditions. Domestically, the company also realized a sales increase of $40.0 million, or 7.6%, to $565.4 million, as compared to $525.4 million in the prior year. This increase in domestic sales includes increased sales with customer initiatives to improve efficiencies in restaurant operations by adopting new cooking and warming technologies and general improvements in market conditions.

- Net sales of the Food Processing Equipment Group increased by $119.2 million or 89.9% to $251.8 million in fiscal 2012, as compared to $132.6 million in fiscal 2011. Net sales from the acquisition of Danfotech, Maurer, Auto-Bake, Drake, Armor Inox, Baker and Stewart which were acquired on July 5, 2011, July 22, 2011, August 1, 2011, December 2, 2011 and December 21, 2011, March 14, 2012 and September 5, 2012, respectively, accounted for an increase of $93.9 million. Excluding the impact of acquisitions, net sales of Food Processing Equipment increased $25.3 million, or 19.1%. International sales increased $61.0 million, or 135.9%, to $105.9 million as compared to $44.9 million in the prior year. This includes an increase of $46.4 million from the recent acquisitions. Domestically, the company realized a sales increase of $58.2 million, or 66.4%, to $145.9 million as compared to $87.7 million in the prior year. This includes an increase of $47.5 million from the recent acquisitions. The increase in sales, both international and domestic, reflects expansion of food processing operations to support growing global demand and initiatives to upgrade food processing operations to more efficient and cost effective equipment.

Gross profit. Gross profit increased by $58.9 million to $403.0 million in fiscal 2012 from $344.1 million in fiscal 2011. The gross margin rate increased from 40.2% in 2011 to 38.8% in 2012. The net decrease in the gross margin rate reflects the impact of lower margins at certain of the newly acquired companies and the effect of a higher sales mix of sales from the Food Processing Equipment Group at a lower gross margin rate.

- Gross profit at the Commercial Foodservice Equipment Group increased by $21.8 million, or 7.3%, to $320.3 million in fiscal 2012 as compared to $298.5 million in fiscal 2011. The gross margin rate declined to 40.7% as compared to 41.3% in the prior year. Gross profit from the acquisitions of Beech, Lincat and Nieco accounted for approximately $9.8 million of the increase in gross profit during fiscal 2012. Excluding the recent acquisitions, the gross profit increased by approximately $12.0 million on the higher sales volumes.

- Gross profit at the Food Processing Equipment Group increased by $41.0 million, or 89.5%, to $86.8 million in fiscal 2012 as compared to $45.8 million in fiscal 2011. The gross profit margin rate remained consistent at 34.5% in fiscal 2012 and fiscal 2011. Gross profit from the acquisitions of Danfotech, Maurer, Auto-Bake, Drake, Armor Inox, Baker

and Stewart accounted for approximately $30.6 million of the increase. Excluding the recent acquisitions, the gross profit increased by approximately $10.4 million on higher sales volumes.

Selling, general and administrative expenses. Combined selling, general, and administrative expenses increased by $19.5 million to $214.9 million in fiscal 2012 from $195.4 million in 2011. As a percentage of net sales, operating expenses amounted to 20.7% in fiscal 2012 and 22.8% in fiscal 2011.

Selling expenses increased $15.0 million to $106.1 million from $91.1 million, reflecting an increase of $14.4 million associated with the recently acquired Beech, Lincat, Danfotech, Maurer, Auto-Bake, Drake, Armor Inox, Baker, Stewart and Nieco operations and $1.9 million related to increased commissions on higher sales volumes. The increase was offset by a decrease of $1.4 million in trade show and travel expenses.

General and administrative expenses increased $4.5 million to $108.8 million from $104.3 million, reflecting an increase of $14.3 million associated with the recently acquired Beech, Lincat, Danfotech, Maurer, Auto-Bake, Drake, Armor Inox, Baker, Stewart and Nieco acquisitions including $5.7 million of non-cash intangible amortization expense. The increase in general and administrative costs related to acquisitions is offset by decreases of $7.7 million in incentive compensation, $0.8 million in professional fees, $0.6 million in pension costs and $0.5 million in professional services associated with acquisition related activities.

Income from operations. Income from operations increased $39.4 million to $188.1 million in fiscal 2012 from $148.7 million in fiscal 2011. The increase in operating income resulted from the increase in net sales and gross profit. Operating income as a percentage of net sales increased to 18.1% in 2012 from 17.4% in 2011.

Income from operations in 2012 included $37.7 million of non-cash expenses, including $8.7 million of depreciation expense, $17.0 million of intangible amortization related to acquisitions and $12.0 million of stock based compensation. This compares to $37.2 million of non-cash expenses in the prior year, including $6.9 million of depreciation expense, $12.2 million of intangible amortization related to acquisitions, and $18.1 million of stock based compensation costs. Operating income excluding these non-cash expenses, amounted to $225.8 million, or 21.7%, of net sales in fiscal 2012 as compared to $185.9 million, or 21.7%, of net sales in 2011.

Non-operating expenses. Non-operating expenses increased $5.3 million to $13.6 million in fiscal 2012 from $8.3 million in fiscal 2011. Net interest expense increased $0.7 million from $8.5 million in fiscal 2011 to $9.2 million in fiscal 2012 as a result of higher borrowing costs associated with the credit facility entered into during 2012. Other expense was $4.4 million in fiscal 2012 as compared to other income of $0.2 million in fiscal 2011 primarily reflecting foreign exchange losses during the year.

Income taxes. A tax provision of $53.7 million, at an effective rate of 30.8%, was recorded for fiscal 2012 as compared to $45.0 million at an effective rate of 32.0%, in fiscal 2011. The current year effective tax rate is comprised of a 35.0% U.S. federal tax rate and 2.7% in U.S. state income taxes, net of 2.4% in tax relief for U.S. manufacturers, 1.6% in permanent tax deductions, 1.5% in foreign rate differentials and 1.4% in other adjustments benefiting the effective rate. In comparison to the prior year, the tax provision reflects a lower effective rate on the increase permanent tax benefits, reduced state tax provisions resulting from increased income in lower rate jurisdictions, increased benefit for U.S. manufacturers and adjustments to tax reserves for reduced tax exposures, which benefited the effective tax rate by 0.5%, 0.3%, 0.3% and 0.1%, respectively.

Financial Condition and Liquidity

Total cash and cash equivalents increased by $2.5 million to $36.9 million at December 28, 2013 from $34.4 million at December 29, 2012. Net borrowings increased to $571.6 million at December 28, 2013, from $260.1 million at December 29, 2012.

Operating activities. Net cash provided by operating activities before changes in assets and liabilities amounted to $206.0 million as compared to $159.5 million in the prior year. Adjustments to reconcile 2013 net earnings to operating cash flows before changes in assets and liabilities included $13.5 million of depreciation and $29.6 million of amortization, $11.9 million of non-cash stock compensation expense and $3.0 million of deferred tax benefit.

Net cash provided by operating activities after changes in assets and liabilities amounted to $146.2 million as compared to $128.3 million in the prior year.

During fiscal 2013, working capital levels changed due to increased working capital needs. These changes in working capital levels included a $19.8 million increase in inventory, primarily due to increased order rates, investments in inventories in growing international markets, and investments in inventories at Viking in connection with the acquisition and establishment of company owned distribution operations. Accounts receivable increased $17.5 million due to increased sales volumes at the Commercial Foodservice Equipment Group and distribution changes at the Residential Kitchen Equipment Group. Changes in working capital levels also included a $7.8 million increase in prepaid expenses and other assets, a $9.2 million decrease in accounts payable due to the timing of vendor payments and a $5.4 million decrease in accrued expenses and other non-current liabilities.

In connection with the company's acquisition activities during the year, the company added assets and liabilities from the opening balance sheets of the acquired businesses in its consolidated balance sheets and accordingly these amounts are not reflected in the net change in working capital. During fiscal 2013, the amounts of acquired working capital in the opening balance sheets included $25.7 million of accounts receivable, $47.8 million of inventories, $35.4 million of accounts payable and $36.1 million of accrued liabilities. At December 28, 2013, the balances of the ending combined balance sheets for these acquired business units amounted to $37.3 million of accounts receivable, $54.8 million of inventories, $27.9 million of accounts payable and $25.7 million of accrued liabilities.

Investing activities. During 2013, net cash used for investing activities amounted to $474.2 million. This included $461.9 million of 2013 acquisition related investments, which included $361.7 million, $14.9 million, $11.2 million and $74.1 million in connection with the acquisitions of Viking, Distributors, Celfrost and Wunder-Bar, respectively. Additional investing activities included $14.6 million of additions and upgrades of production equipment, manufacturing facilities and training equipment.

Financing activities. Net cash flows used in financing activities amounted to $330.2 million in 2013. The company borrowed $312.1 million under its $1.0 billion revolving credit facility to fund investing activities during the year, including the acquisitions of Viking, Celfrost and Wunder-Bar.
The company used $4.4 million to repurchase 26,386 shares of its common stock that were surrendered to the company by employees in lieu of cash for payment for withholding taxes related to restricted stock vestings and stock option exercises that occurred during the fiscal 2013.
The company realized a $19.3 million cash benefit related to excess tax deductions associated with the exercise of vested stock options during the year. Additionally, the company received cash from employees in the amount of $3.8 million associated with the stock option excercises.

At December 28, 2013, the company was in compliance with all covenants pursuant to its borrowing agreements. Management believes that future cash flows from operating activities and borrowings from current lenders will

provide the company with sufficient financial resources to meet its anticipated requirements for working capital, capital expenditures and debt amortization for the foreseeable future.

Contractual Obligations

The company's contractual cash payment obligations are set forth below (dollars in thousands):

	Amounts Due Sellers From Acquisition	Debt	Estimated Interest on Debt	Operating Leases	Total Contractual Cash Obligations
Less than 1 year	$8,628	$1,408	$13,494	$11,953	$35,483
1-3 years	1,435	542	23,227	15,029	40,233
4-5 years	—	568,859	8,960	6,061	583,880
After 5 years	—	789	96	5,243	6,128
	$10,063	$571,598	$45,777	$38,286	$665,724

The company has obligations to make $10.1 million of contingent purchase price payments to the sellers of Stewart, Nieco, Spooner Vicars and Celfrost that were deferred in conjunction with the acquisitions.

As of December 28, 2013, the company had $568.6 million outstanding under its revolving credit line as part of its senior credit agreement. The average interest rate on this debt amounted to 1.85% at December 28, 2013. This facility matures on August 7, 2017. As of December 28, 2013, the company also has $2.7 million of debt outstanding under various foreign credit facilities. The estimated interest payments reflected in the table above assume that the level of debt and average interest rate on the company's revolving credit line under its senior credit agreement does not change until the facility reaches maturity in August 2017. The estimated payments also assume that relative to the company's foreign borrowings: all scheduled term loan payments are made; the level of borrowings does not change; and the average interest rates remain at their December 28, 2013 rates. Also reflected in the table above is $1.8 million of payments to be made related to the company's interest rate swap agreements in 2014.

As indicated in Note 10 to the consolidated financial statements, the company's projected benefit obligation under its defined benefit plans exceeded the plans' assets by $15.0 million at the end of 2013 as compared to $20.2 million at the end of 2012. The unfunded benefit obligations were comprised of a $0.4 million underfunding of the company's union plan, $5.2 million underfunding of the company's Smithville plan, which was acquired as part of the Star acquisition, $0.6 million underfunding of the company's Wrexham plan, which was acquired as part of the Lincat acquisition, and $8.8 million underfunding of the company's director plans. The company made minimum contributions required by the Employee Retirement Income Security Act of 1974 ("ERISA") of $0.6 million in 2013 and 2012, to the company's Smithville plan and $0.1 million and $0.3 million in 2013 and 2012, respectively, to the company's union plan. The company expects to continue to make minimum contributions to the Smithville plan as required by ERISA, of $0.9 million in 2014. The company expects to contribute $0.5 million to the Wrexham plan in 2014.

The company places purchase orders with its suppliers in the ordinary course of business. These purchase orders are generally to fulfill short-term manufacturing requirements of less than 90 days and most are cancelable with a restocking penalty. The company has no long-term purchase contracts or minimum purchase obligations with any supplier.

The company has no activities, obligations or exposures associated with off-balance sheet arrangements.

Related Party Transactions

From December 30, 2012 through the date hereof, there were no transactions between the company, its directors and executive officers that are required to be disclosed pursuant to Item 404 of Regulation S-K, promulgated under the Securities and Exchange Act of 1934, as amended.

Critical Accounting Policies and Estimates

Management's discussion and analysis of financial condition and results of operations are based upon the company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the company to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses as well as related disclosures. On an ongoing basis, the company evaluates its estimates and judgments based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions and any such differences could be material to our consolidated financial statements.

Revenue Recognition. At the Commercial Foodservice Equipment Group and the Residential Kitchen Equipment Group, the company recognizes revenue on the sale of its products where title transfers and when risk of loss has passed to the customer, which occurs at the time of shipment, and collectibility is reasonably assured. The sale prices of the products sold are fixed and determinable at the time of shipment. Sales are reported net of sales returns, sales incentives and cash discounts based on prior experience and other quantitative and qualitative factors.

At the Food Processing Equipment Group, the company enters into long-term sales contracts for certain products that are often significant relative to the business. Revenue under these long-term sales contracts is recognized using the percentage of completion method defined within ASC 605-35 “Construction-Type and Production-Type Contracts” due to the length of time to fully manufacture and assemble the equipment. The company measures revenue recognized based on the ratio of actual labor hours incurred in relation to the total estimated labor hours to be incurred related to the contract. Because estimated labor hours to complete a project are based upon forecasts using the best available information, the actual hours may differ from original estimates. The percentage of completion method of accounting for these contracts most accurately reflects the status of these uncompleted contracts in the company's financial statements and most accurately measures the matching of revenues with expenses. At the time a loss on a contract becomes known, the amount of the estimated loss is recognized in the consolidated financial statements. Revenue for sales of products and services not covered by long-term sales contracts are when recognized risk of loss has passed to the customer, which occurs at the time of shipment, and collectibility is reasonably assured. The sale prices of the products sold are fixed and determinable at the time of shipment. Sales are reported net of sales returns, sales incentives and cash discounts based on prior experience and other quantitative and qualitative factors.

Inventories. Inventories are stated at the lower of cost or market using the first-in, first-out method for the majority of the company’s inventories. The company evaluates the need to record valuation adjustments for inventory on a regular basis. The company’s policy is to evaluate all inventories including raw material, work-in-process, finished goods, and spare parts. Inventory in excess of estimated usage requirements is written down to its estimated net realizable value. Inherent in the estimates of net realizable value are estimates related to our future manufacturing schedules, customer demand, possible alternative uses, and ultimate realization of potentially excess inventory.

Goodwill and Other Intangibles. The company’s business acquisitions result in the recognition of goodwill and other intangible assets, which are a significant portion of the company’s total assets. The company recognizes goodwill and other intangible assets under the guidance of ASC Topic 350-10, “Intangibles — Goodwill and Other.” Goodwill represents the excess of acquisition costs over the fair value of the net tangible assets and identifiable intangible assets acquired in a business combination. Identifiable intangible assets are recognized separately from goodwill and include trademarks and trade names, technology, customer relationships and other specifically identifiable assets. Trademarks and trade names are deemed to be indefinite-lived. Goodwill and indefinite-lived intangible assets are not amortized, but are subject to impairment testing. On an annual basis, or more frequently if triggering events occur, the company compares the estimated fair value to the carrying value to determine if a potential goodwill impairment exists. If the fair value is less than its carrying value, an impairment loss, if any, is recorded for the difference between the implied fair value and the carrying value of goodwill. In estimating the fair value of specific intangible assets, management relies on a number of factors, including operating results, business plans, economic projections, anticipated future cash flows, comparable transactions and other market data. There are inherent uncertainties related to these factors and management’s judgment in applying them in the impairment tests of goodwill and other intangible assets.

Income taxes. The company provides deferred income tax assets and liabilities based on the estimated future tax effects of differences between the financial and tax bases of assets and liabilities based on currently enacted tax laws. The company’s deferred and other tax balances are based on management’s interpretation of the tax regulations and rulings in numerous taxing jurisdictions. Income tax expense and liabilities recognized by the company also reflect its best estimates and assumptions regarding, among other things, the level of future taxable income, the effect of the Company’s various tax planning strategies and uncertain tax positions. Future tax authority rulings and changes in tax

laws, changes in projected levels of taxable income and future tax planning strategies could affect the actual effective tax rate and tax balances recorded by the company. The company follows the provisions under ASC 740-10-25 that provides a recognition threshold and measurement criteria for the financial statement recognition of a tax benefit taken or expected to be taken in a tax return. Tax benefits are recognized only when it is more likely than not, based on the technical merits, that the benefits will be sustained on examination. Tax benefits that meet the more-likely-than-not recognition threshold are measured using a probability weighting of the largest amount of tax benefit that has greater than 50% likelihood of being realized upon settlement. Whether the more-likely-than-not recognition threshold is met for a particular tax benefit is a matter of judgment based on the individual facts and circumstances evaluated in light of all available evidence as of the balance sheet date.

New Accounting Pronouncements

On July 27, 2012, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2012-02, “Intangibles - Goodwill and Other (Topic 350)”. ASU-2012-02 allows an entity the option to make a qualitative evaluation to determine whether the existence of events and circumstances indicate that it is more likely than not the indefinite-lived intangible asset is impaired thus requiring the entity to perform quantitative impairment tests in accordance with ASC 350-30. The ASU also amends previous guidance by expanding upon the examples of events and circumstances that an entity should consider when making the qualitative evaluation. The adoption of this guidance did not have an impact on the company's financial position, results of operations or cash flows.
In January 2013, the FASB issued ASU No. 2013-01, “Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities". This update provides clarification on the disclosure requirements related to recognized derivatives, repurchase agreements and reverse purchase agreements, and securities borrowing and lending transactions. This update is effective for annual reporting periods and corresponding interim periods beginning on or after January 1, 2013, and retrospective application is required. The company is currently evaluating the impact of the adoption of ASU No. 2013-01 on its financial position, results of operations and cash flows.
In March 2013, the FASB issued ASU No. 2013-02, “Comprehensive Income - Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income". ASU No. 2013-02 requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. Additionally, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income. The guidance does not change the items reported in other comprehensive income or when an item of other comprehensive income is reclassified to net income. The company adopted the provisions of ASU No. 2013-02 on December 30, 2012. As this guidance only revises the presentation of comprehensive income, there was no impact to the company’s financial position, results of operations or cash flows.

Certain Risk Factors That May Affect Future Results

An investment in shares of the company's common stock involves risks. The company believes the risks and uncertainties described in "Item 1A Risk Factors" and in "Special Note Regarding Forward-Looking Statements" are the material risks it faces. Additional risks and uncertainties not currently known to the company or that it currently deems immaterial may impair its business operations. If any of the risks identified in "Item 1A. Risk Factors" actually occurs, the company's business, results of operations and financial condition could be materially adversely affected, and the trading price of the company's common stock could decline.

Item 7A. Quantitative and Qualitative Disclosure about Market Risk

Interest Rate Risk

The company is exposed to market risk related to changes in interest rates. The following table summarizes the maturity of the company's debt obligations:

	Variable Rate Debt
2014	$1,408
2015	412
2016	130
2017	568,730
2018 and thereafter	918
	$571,598

On August 7, 2012, the company entered into a senior secured multi-currency credit facility. Terms of the company's senior credit agreement provide for $1.0 billion of availability under a revolving credit line. As of December 28, 2013, the company had $568.6 million of borrowings outstanding under this facility. The company also has $12.8 million in outstanding letters of credit as of December 28, 2013, which reduces the borrowing availability under the revolving credit line. Remaining borrowing availability under this facility was $418.6 million at December 28, 2013.

At December 28, 2013, borrowings under the senior secured credit facility were assessed at an interest rate at 1.50% above LIBOR for long-term borrowings or at the higher of the Prime rate and the Federal Funds Rate. At December 28, 2013, the average interest rate on the senior debt amounted to 1.85%. The interest rates on borrowings under the senior secured credit facility may be adjusted quarterly based on the company's indebtedness ratio on a rolling four-quarter basis. Additionally, a commitment fee, based upon the indebtedness ratio, is charged on the unused portion of the revolving credit line. This variable commitment fee amounted to 0.25% as of December 28, 2013.

In August 2006, the company completed its acquisition of Houno A/S in Denmark. This acquisition was funded in part with locally established debt facilities with borrowings in Danish Krone. These facilities included a revolving credit facility and term loan. At December 28, 2013, these facilities amounted to $1.6 million in U.S. dollars, including $0.2 million outstanding under a revolving credit facility and $1.4 million under a term loan. The interest rate on the revolving credit facility is assessed at 1.25% above Euro LIBOR, which amounted to 2.70% on December 28, 2013. The term loan matures in 2022 and the interest rate is assessed at 4.55%.

In April 2008, the company completed its acquisition of Giga Grandi Cucine S.r.l. in Italy. This acquisition was funded in part with locally established debt facilities with borrowings denominated in Euro. At December 28, 2013, these facilities amounted to $0.5 million in U.S. dollars. The interest rate on the credit facilities is tied to three-month Euro LIBOR. At December 28, 2013, the average interest rate on these facilities was approximately 3.91%. The facilities are secured by outstanding accounts receivable collectible within six months.

In October 2013, the company completed its acquisition of substantially all of the assets of Celfrost Innovations Pvt. Ltd. in India. At the time of the acquisition a local credit facility was established to fund local working capital needs denominated in Indian Rupee. At December 28, 2013, the facility amounted to $0.5 million in U.S. dollars. At December 28, 2013, borrowings under the facility were assessed at an interest rate at 1.25% above the Reserve Bank of India's base rate for long-term borrowings. At December 28, 2013, the average interest rate on this facility was

approximately 11.00%.

The company has historically entered into interest rate swap agreements to effectively fix the interest rate on a portion its outstanding debt. The agreements swap one-month LIBOR for fixed rates. As of December 28, 2013, the company had the following interest rate swaps in effect.

Notional Amount	Fixed Interest Rate		Effective Date	Maturity Date
$25,000,000	1.610	%	2/23/2011	2/24/2014
25,000,000	2.520	%	2/23/2011	2/23/2016
25,000,000	0.975	%	7/18/2011	7/18/2014
15,000,000	1.185	%	9/12/2011	9/12/2016
15,000,000	0.620	%	9/12/2011	9/11/2014
10,000,000	0.498	%	2/11/2013	7/11/2015
15,000,000	0.458	%	2/11/2013	10/11/2015
25,000,000	0.635	%	2/11/2013	8/11/2016
25,000,000	0.789	%	2/11/2013	3/11/2017
25,000,000	0.803	%	2/11/2013	5/11/2017
35,000,000	0.880	%	2/11/2013	7/11/2017
10,000,000	1.480	%	9/11/2013	7/11/2017

The senior revolving facility matures on August 7, 2017, and accordingly has been classified as a long-term liability on the consolidated balance sheet.

The terms of the senior secured credit facility limit the ability of the company and its subsidiaries to, with certain exceptions: incur indebtedness; grant liens; engage in certain mergers, consolidations, acquisitions and dispositions; make restricted payments; and enter into certain transactions with affiliates; and require, among other things, a maximum ratio of indebtedness to EBITDA of 3.5 and a fixed charge coverage ratio (as defined in the senior secured credit facility) of 1.25. The senior secured credit facility is secured by substantially all of the assets of Middleby Marshall, the company and the company's domestic subsidiaries and is unconditionally guaranteed by, subject to certain exceptions, the company and certain of the company's direct and indirect material domestic subsidiaries. The senior secured credit facility contains certain customary events of default, including, but not limited to, the failure to make required payments; bankruptcy and other insolvency events; the failure to perform certain covenants; the material breach of a representation or warranty; non-payment of certain other indebtedness; the entry of undischarged judgments against the company or any subsidiary for the payment of material uninsured amounts; the invalidity of the Company guarantee or any subsidiary guaranty; and a change of control of the company. The credit agreement also provides that if a material adverse change in the company’s business operations or conditions occurs, the lender could declare an event of default. Under the terms of the agreement, a material adverse effect is defined as (a) a material adverse change in, or a material adverse effect upon, the operations, business properties, condition (financial and otherwise) or prospects of the company and its subsidiaries taken as a whole; (b) a material impairment of the ability of the company to perform under the loan agreements and to avoid any event of default; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against the company of any loan document. A material adverse effect is determined on a subjective basis by the company's creditors. The potential loss on fair value for the company's debt obligations from a hypothetical 10% adverse change in quoted interest rates would not have a material impact on the company's financial position, results of operations and cash flows. At December 28, 2013, the company was in compliance with all covenants pursuant to its borrowing agreements.

Financing Derivative Instruments

The company has entered into interest rate swaps to fix the interest rate applicable to certain of its variable-rate debt. The agreements swap one-month LIBOR for fixed rates. The company has designated these swaps as cash flow hedges and all changes in fair value of the swaps are recognized in accumulated other comprehensive income. As of December 28, 2013, the fair value of these instruments was a liability of $1.5 million. The change in fair value of these swap agreements in fiscal 2013 was a gain of $0.8 million, net of taxes. The potential net loss on fair value for such instruments from a hypothetical 10% adverse change in quoted interest rates would not have a material impact on the company's financial position, results of operations and cash flows.

Foreign Exchange Derivative Financial Instruments

The company uses derivative financial instruments, principally foreign currency forward purchase and sale contracts with terms of less than one year, to hedge its exposure to changes in foreign currency exchange rates. The company's primary hedging activities are to mitigate its exposure to changes in exchange rates on intercompany and third party trade receivables and payables. The company does not currently enter into derivative financial instruments for speculative purposes. In managing its foreign currency exposures, the company identifies and aggregates naturally occurring offsetting positions and then hedges residual balance sheet exposures. The potential loss on fair value for such instruments from a hypothetical 10% adverse change in quoted foreign exchange rates would not have a material impact on the company's financial position, results of operations and cash flows.

The company accounts for its derivative financial instruments in accordance with ASC 815, "Derivatives and Hedging." In accordance with ASC 815, these instruments are recognized on the balance sheet as either an asset or a liability measured at fair value. Changes in the market value and the related foreign exchange gains and losses are recorded in the statement of earnings.

Item 8. Financial Statements and Supplementary Data

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The following consolidated financial statement schedule is included in response to Item 15

Schedule II - Valuation and Qualifying Accounts and Reserves	89

All other schedules for which provision is made to applicable regulation of the Securities and Exchange Commission are not required under the related instruction or are inapplicable and, therefore, have been omitted.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

The Middleby Corporation and Subsidiaries

We have audited the Middleby Corporation and subsidiaries internal control over financial reporting as of December 28, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) (the COSO criteria). The Middleby Corporation and subsidiaries management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Form 10-K. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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 (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) 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 (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

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

As indicated in the Company's accompanying “Management's Report on Internal Control over Financial Reporting”, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of fiscal 2013 acquisitions of Viking Range Corporation, and Viking distributors, Celfrost Innovations Pvt. Ltd. and Automatic Bar Controls, Inc which are included in the 2013 consolidated financial statements of the Middleby Corporation and subsidiaries and constituted 30.1% of total assets and 1.3% of net assets, respectively, as of December 28, 2013 and 16.4% of net sales and 6.9% of net earnings, respectively, for the year then ended. Our audit of internal control over financial reporting of the Middleby Corporation and subsidiaries also did not include an evaluation of the internal control over financial reporting of Viking Range Corporation, and Viking distributors, Celfrost Innovations Pvt. Ltd. and Automatic Bar Controls, Inc.

In our opinion, the Middleby Corporation and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 28, 2013, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of the Middleby Corporation and subsidiaries as of December 28, 2013 and December 29, 2012, and the related consolidated statements of earnings, comprehensive income, stockholders' equity, and cash flows for each of the two years in the period ended December 28, 2013 of the Middleby Corporation and subsidiaries and our report dated February 26, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Chicago, Illinois
February 26, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
The Middleby Corporation and Subsidiaries
We have audited the accompanying consolidated balance sheets of the Middleby Corporation and subsidiaries as of December 28, 2013 and December 29, 2012, and the related consolidated statements of earnings, comprehensive income, stockholders' equity and cash flows for each of the two years in the period ended December 28, 2013. Our audits also includes the financial statement schedule listed in the Index at Item 8. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The consolidated financial statements and schedule of the Middleby Corporation and subsidiaries for the period ended December 31, 2011 were audited by other auditors whose report dated March 12, 2012 expressed an unqualified opinion on those statements and schedule.
We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.
In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of the Middleby Corporation and subsidiaries at December 28, 2013 and December 29, 2012, and the consolidated results of its operations and its cash flows for each of the two years in the period ended December 28, 2013, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.
We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Middleby Corporation and subsidiaries internal control over financial reporting as of December 28, 2013, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (1992 framework) and our report dated February 26, 2014 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP
Chicago, Illinois
February 26, 2014

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of
The Middleby Corporation
Elgin, Illinois

We have audited the accompanying consolidated statements of earnings, comprehensive income, changes in stockholders' equity, and cash flows of The Middleby Corporation and subsidiaries (the "Company") for the year ended December 31, 2011. Our audit also included the financial statement schedule listed in the Index at Item 8 for the fiscal year ended December 31, 2011. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audit.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the results of operations and cash flows of The Middleby Corporation and subsidiaries for the year ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Deloitte & Touche LLP
Chicago, Illinois
March 12, 2012

THE MIDDLEBY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
DECEMBER 28, 2013 AND DECEMBER 29, 2012
(amounts in thousands, except share data)

	2013	2012
ASSETS		
Current assets:		
Cash and cash equivalents	$36,894	$34,366
Accounts receivable, net	205,264	162,230
Inventories, net	220,116	153,490
Prepaid expenses and other	32,322	19,151
Prepaid taxes	801	—
Current deferred taxes	50,337	43,365
Total current assets	545,734	412,602
Property, plant and equipment, net	125,457	63,886
Goodwill	687,955	526,011
Other intangibles, net	447,944	233,341
Long-term deferred tax assets	1,641	—
Other assets	10,475	8,440
Total assets	$1,819,206	$1,244,280
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	$1,408	$1,850
Accounts payable	96,518	69,653
Accrued expenses	213,459	170,932
Total current liabilities	311,385	242,435
Long-term debt	570,190	258,220
Long-term deferred tax liability	61,433	44,838
Other non-current liabilities	37,851	48,760
Stockholders' equity:		
Preferred stock, $0.01 par value; none issued	—	—
Common stock, $0.01 par value, 23,786,203 and 23,438,287 shares issued in 2013 and 2012, respectively	144	141
Paid-in capital	268,229	233,213
Treasury stock at cost; 4,661,701 and 4,635,315 shares in 2013 and 2012, respectively	(151,743)	(147,352)
Retained earnings	730,352	576,424
Accumulated other comprehensive loss	(8,635)	(12,399)
Total stockholders' equity	838,347	650,027
Total liabilities and stockholders' equity	$1,819,206	$1,244,280

The accompanying Notes to Consolidated Financial Statements
are an integral part of these consolidated financial statements.

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THE MIDDLEBY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF EARNINGS
FOR THE FISCAL YEARS ENDED DECEMBER 28, 2013, DECEMBER 29, 2012
AND DECEMBER 31, 2011
(amounts in thousands, except per share data)

	2013	2012	2011
Net sales	$1,428,685	$1,038,174	$855,907
Cost of sales	878,674	635,185	511,770
Gross profit	550,011	402,989	344,137
Selling and distribution expenses	155,639	106,129	91,113
General and administrative expenses	149,910	108,776	104,314
Income from operations	244,462	188,084	148,710
Interest expense and deferred financing amortization, net	15,901	9,238	8,503
Other expense (income), net	2,780	4,406	(241)
Earnings before income taxes	225,781	174,440	140,448
Provision for income taxes	71,853	53,743	44,975
Net earnings	$153,928	$120,697	$95,473
Net earnings per share:			
Basic	$8.27	$6.61	$5.30
Diluted	$8.21	$6.49	$5.15
Weighted average number of shares			
Basic	18,610	18,265	17,998
Dilutive common stock equivalents	145	329	536
Diluted	18,755	18,594	18,534

The accompanying Notes to Consolidated Financial Statements
are an integral part of these consolidated financial statements.

THE MIDDLEBY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FISCAL YEARS ENDED DECEMBER 28, 2013, DECEMBER 29, 2012
AND DECEMBER 31, 2011
(amounts in thousands)

	2013	2012	2011
Net earnings	$ 153,928	$ 120,697	$ 95,473
Other comprehensive income:			
Foreign currency translation adjustments	(530)	5,873	(10,769)
Pension liability adjustment, net of tax of $3,302	3,477	2,018	(5,145)
Unrealized gain on interest rate swaps, net of tax $545	817	244	(586)
Comprehensive income	$ 157,692	$ 128,832	$ 78,973

The accompanying Notes to Consolidated Financial Statements
are an integral part of these consolidated financial statements.

THE MIDDLEBY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
FOR THE FISCAL YEARS ENDED DECEMBER 28, 2013, DECEMBER 29, 2012
AND DECEMBER 31, 2011
(amounts in thousands)

	Common Stock	Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income/(loss)	Total Stockholders' Equity
Balance, January 1, 2011	$ 137	$179,575	$(111,019)	$360,254	$ (4,034)	$ 424,913
Net earnings	—	—	—	95,473	—	95,473
Currency translation adjustments	—	—	—	—	(10,769)	(10,769)
Change in unrecognized pension benefit costs, net of tax of $3,200	—	—	—	—	(5,145)	(5,145)
Unrealized loss on interest rate swap, net of tax of $437	—	—	—	—	(586)	(586)
Exercise of stock options	—	224	—	—	—	224
Stock compensation	—	18,133	—	—	—	18,133
Tax benefit on stock compensation	—	4,389	—	—	—	4,389
Purchase of treasury stock	—	—	(15,663)	—	—	(15,663)
Balance, December 31, 2011	$ 137	$202,321	$(126,682)	$455,727	$ (20,534)	$ 510,969
Net earnings	—	—	—	120,697	—	120,697
Currency translation adjustments	—	—	—	—	5,873	5,873
Change in unrecognized pension benefit costs, net of tax of $(137)	—	—	—	—	2,018	2,018
Unrealized gain on interest rate swap, net of tax of $(149)	—	—	—	—	244	244
Exercise of stock options	4	2,800	—	—	—	2,804
Stock compensation	—	11,984	—	—	—	11,984
Tax benefit on stock compensation	—	16,108	—	—	—	16,108
Purchase of treasury stock	—	—	(20,670)	—	—	(20,670)
Balance, December 29, 2012	$ 141	$233,213	$(147,352)	$576,424	$ (12,399)	$ 650,027
Net earnings	—	—	—	153,928	—	153,928
Currency translation adjustments	—	—	—	—	(530)	(530)
Change in unrecognized pension benefit costs, net of tax of $3,302	—	—	—	—	3,477	3,477
Unrealized gain on interest rate swap, net of tax of $545	—	—	—	—	817	817
Exercise of stock options	3	3,839	—	—	—	3,842
Stock compensation	—	11,862	—	—	—	11,862
Tax benefit on stock compensation	—	19,315	—	—	—	19,315
Purchase of treasury stock	—	—	(4,391)	—	—	(4,391)
Balance, December 28, 2013	$ 144	$268,229	$(151,743)	$730,352	$ (8,635)	$ 838,347

The accompanying Notes to Consolidated Financial Statements
are an integral part of these consolidated financial statements.

THE MIDDLEBY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE FISCAL YEARS ENDED DECEMBER 28, 2013, DECEMBER 29, 2012
AND DECEMBER 31, 2011
(amounts in thousands)

	2013	2012	2011
Cash flows from operating activities—			
Net earnings	$153,928	$120,697	$95,473
Adjustments to reconcile net earnings to net cash provided by operating activities			
Depreciation and amortization	43,164	26,903	19,708
Non-cash share-based compensation	11,862	11,984	18,133
Deferred taxes	(2,975)	(83)	5,421
Unrealized (gain)/loss on derivative financial instruments	(20)	25	4
Changes in assets and liabilities, net of acquisitions			
Accounts receivable, net	(17,524)	(3,880)	(18,990)
Inventories, net	(19,819)	(19,026)	(2,287)
Prepaid expenses and other assets	(7,768)	(7,198)	2,455
Accounts payable	(9,248)	2,684	(2,581)
Accrued expenses and other liabilities	(5,442)	(3,760)	13,057
Net cash provided by operating activities	146,158	128,346	130,393
Cash flows from investing activities—			
Additions to property and equipment	(14,640)	(7,652)	(7,840)
Sale of asset	7,000	—	—
Purchase of trade name	(5,000)	—	—
Acquisition of Giga	—	—	(1,603)
Acquisition of Cooktek	(817)	(335)	(86)
Acquisition of Cozzini, net of cash acquired	—	—	(2,000)
Acquisition of Beech, net of cash acquired	—	—	(12,959)
Acquisition of Lincat, net of cash acquired	—	—	(82,130)
Acquisition of Danfotech, net of cash acquired	—	361	(6,111)
Acquisition of Maurer	—	—	(3,264)
Acquisition of Auto-Bake, net of cash acquired	—	—	(22,524)
Acquisition of Drake, net of cash acquired	—	(403)	(21,735)
Acquisition of Armor Inox, net of cash acquired	—	—	(28,658)
Acquisition of Baker	—	(10,250)	—
Acquisition of Stewart, net of cash acquired	1,303	(27,756)	—
Acquisition of Nieco, net of cash acquired	—	(23,860)	—
Acquisition of Viking, net of cash acquired	(361,731)	—	—
Acquisition of Distributors	(14,916)	—	—
Acquisition of Celfrost	(11,246)	—	—
Acquisition of Wunder-Bar, net of cash acquired	(74,143)	—	—
Net cash (used in) investing activities	(474,190)	(69,895)	(188,910)
Cash flows from financing activities—			
Net proceeds under current revolving credit facilities	312,100	256,500	—
Net (repayments) proceeds under previous revolving credit facilities	—	(309,400)	102,150
Net (repayments) proceeds under foreign bank loan	(632)	(4,771)	862
Net (repayments) proceeds under other debt arrangement	(32)	350	—

Repurchase of treasury stock	(4,391)	(20,670)	(15,663)
Debt issuance costs	—	(5,862)	(373)
Excess tax benefit related to share-based compensation	19,315	16,108	4,389

Net proceeds from stock issuances	3,842	2,804	224
Net cash provided by (used in) financing activities	330,202	(64,941)	91,589
Effect of exchange rates on cash and cash equivalents	358	640	(512)
Changes in cash and cash equivalents—			
Net increase (decrease) in cash and cash equivalents	2,528	(5,850)	32,560
Cash and cash equivalents at beginning of year	34,366	40,216	7,656
Cash and cash equivalents at end of year	$36,894	$34,366	$40,216

The accompanying Notes to Consolidated Financial Statements
are an integral part of these consolidated financial statements.

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THE MIDDLEBY CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE FISCAL YEARS ENDED DECEMBER 28, 2013, DECEMBER 29, 2012
AND DECEMBER 31, 2011

(1) NATURE OF OPERATIONS

The Middleby Corporation (the "company") is engaged in the design, manufacture and sale of commercial foodservice, food processing equipment and residential kitchen equipment. The company manufactures and assembles this equipment at twenty-four U.S. production facilities and eleven international production facilities and manufacturing facilities. The company operates in three business segments: 1) the Commercial Foodservice Equipment Group 2) the Food Processing Equipment Group and 3) the Residential Kitchen Equipment Group.

The Commercial Foodservice Equipment Group has a broad portfolio of cooking and warming equipment, which enables it to serve virtually any cooking or warming application within a commercial kitchen or foodservice operation. This cooking and warming equipment is used across all types of foodservice operations, including quick-service restaurants, full-service restaurants, convenience stores, retail outlets, hotels and other institutions. The products offered by this group include conveyor ovens, combi-ovens, convection ovens, baking ovens, proofing ovens, deck ovens, speed cooking ovens, hydrovection ovens, ranges, fryers, rethermalizers, steam cooking equipment, warming equipment, heated cabinets, charbroliers, ventless cooking systems, kitchen ventilation, induction cooking equipment, countertop cooking equipment, toasters, professional refrigerators, coldrooms, ice machines, freezers and beverage dispensing equipment.

The Food Processing Equipment Group offers a broad portfolio of processing solutions for customers producing pre-cooked meat products, such as hot dogs, dinner sausages, poultry and lunchmeats and baked goods such as muffins, cookies and bread. Through its broad line of products, the company is able to deliver a wide array of cooking solutions to service a variety of food processing requirements demanded by its customers. The company can offer highly integrated solutions that provide a food processing operation a uniquely integrated solution providing for the highest level of food quality, product consistency, and reduced operating costs resulting from increased product yields, increased capacity and greater throughput and reduced labor costs though automation. The products offered by this group include a wide array of cooking and baking solutions including, batch ovens, baking ovens, proofing ovens, conveyor ovens, continuous processing ovens, frying systems and automated thermal processing systems. The company also provides a comprehensive portfolio of complementary food preparation equipment such as grinders, slicers, emulsifiers, mixers, blenders, battering equipment, breading equipment, food presses, and forming equipment, as well as a variety of food safety, food handling, freezing and packaging equipment. This portfolio of equipment can be integrated to provide customers a highly efficient and customized solution.

The Residential Kitchen Equipment Group has a broad portfolio of innovative and professional-style residential kitchen equipment. The products offered by this group include ranges, ovens, refrigerators, dishwashers, microwaves, cooktops, warming equipment, ventilation equipment, ice machines and outdoor equipment.

(2) ACQUISITIONS AND PURCHASE ACCOUNTING

The company operates in a highly fragmented industry and has completed numerous acquisitions over the past several years as a component of its growth strategy. The company has acquired industry leading brands and technologies to position itself as a leader in the commercial foodservice equipment, food processing equipment and residential kitchen equipment industries.

The company has accounted for all business combinations using the acquisition method to record a new cost basis for the assets acquired and liabilities assumed. The difference between the purchase price and the fair value of the assets acquired and liabilities assumed has been recorded as goodwill in the financial statements. The results of operations are reflected in the consolidated financial statements of the company from the dates of acquisition.

Beech

On April 12, 2011, the company completed its acquisition of all of the capital stock of J.W. Beech Pty. Ltd., together with its subsidiary, Beech Ovens Pty. Ltd. (collectively "Beech"), a leading manufacturer of stone hearth ovens for the commercial foodservice industry for a purchase price of approximately $13.0 million, net of cash acquired. During the first quarter of 2012, the company finalized the working capital provision provided for by the purchase agreement resulting in no additional payments.

The final allocation of cash paid for the Beech acquisition is summarized as follows (in thousands):

	(as initially reported) Apr 12, 2011	Measurement Period Adjustments	(as adjusted) Apr 12, 2011
Cash	$525	$—	$525
Current assets	1,145	(299)	846
Property, plant and equipment	57	—	57
Goodwill	11,433	(192)	11,241
Other intangibles	2,317	(294)	2,023
Current liabilities	(1,100)	(41)	(1,141)
Other non-current liabilities	(893)	826	(67)
Net assets acquired and liabilities assumed	$13,484	$—	$13,484

The goodwill and $1.9 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles also includes $0.1 million allocated to backlog which is to be amortized over a period of 3 months. Goodwill and other intangibles of Beech are allocated to the Commercial Foodservice Equipment Group for segment reporting purposes. These assets are expected to be deductible for tax purposes.

Lincat Group

On May 27, 2011, the company completed its acquisition of Lincat Group PLC ("Lincat"), a leading manufacturer of ranges, ovens, and counterline equipment for the commercial foodservice industry for a purchase price of approximately $82.1 million, net of cash acquired.
The final allocation of cash paid for the Lincat acquisition is summarized as follows (in thousands):

	(as initially reported) May 27, 2011	Measurement Period Adjustments	(as adjusted) May 27, 2011
Cash	$12,392	$—	$12,392
Current assets	16,992	(29)	16,963
Property, plant and equipment	14,368	—	14,368
Goodwill	45,765	(7,274)	38,491
Other intangibles	31,343	1,976	33,319
Current liabilities	(10,924)	1,174	(9,750)
Long-term deferred tax liability	(13,803)	4,153	(9,650)
Other non-current liabilities	(1,611)	—	(1,611)
Net assets acquired and liabilities assumed	$94,522	$—	$94,522

The goodwill and $15.2 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles also includes $17.6 million allocated to customer relationships and $0.5 million allocated to backlog, which are to be amortized over periods of 5 years and 3 months, respectively. Goodwill and other intangibles of Lincat are allocated to the Commercial Foodservice Equipment Group for segment reporting purposes. These assets are not expected to be deductible for tax purposes.

Danfotech

On July 5, 2011, the company completed its acquisition of all of the capital stock of Danfotech Inc. ("Danfotech"), a manufacturer of meat presses and defrosting equipment for the food processing industry for a purchase price of approximately $6.1 million, net of cash acquired. The purchase price is subject to adjustment based upon a working capital provision within the purchase agreements. Pursuant to terms of the purchase agreement, in December 2011 the company purchased additional assets from the sellers of Danfotech for approximately $0.7 million. An additional contingent payment is also payable upon the achievement of certain sales targets. During the first quarter of 2012, the company finalized the working capital provision provided for by the purchase agreement resulting in a refund from the seller in the amount of $0.4 million.
The final allocation of cash paid for the Danfotech acquisition is summarized as follows (in thousands):

	(as initially reported) Jul 5, 2011	Measurement Period Adjustments	(as adjusted) Jul 5, 2011
Cash	$165	$—	$165
Deferred tax asset	—	235	235
Current assets	1,073	(370)	703
Property, plant and equipment	102	(55)	47
Goodwill	3,423	2,255	5,678
Other intangibles	1,864	(778)	1,086
Other assets	4	—	4
Current liabilities	(309)	(807)	(1,116)
Long-term deferred tax liability	(46)	(91)	(137)
Other non-current liabilities	—	(750)	(750)
Consideration paid at closing	$6,276	$(361)	$5,915
Additional assets acquired post closing	—	730	730
Contingent consideration	1,500	—	1,500
Net assets acquired and liabilities assumed	$7,776	$369	$8,145

The long term deferred tax liabilities amounted to $0.1 million. This net liability represents less than $0.1 million arising from the difference between the book and tax basis of tangible assets and $0.1 million related to the difference between the book and tax basis of identifiable intangible assets.

The goodwill and $0.6 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles also includes $0.4 million allocated to customer relationships, $0.1 million allocated to developed technology and less than $0.1 million allocated to backlog, which are to be amortized over periods of 4 years, 3 years and 3 months, respectively. Goodwill and other intangibles of Danfotech are allocated to the Food Processing Equipment Group for segment reporting purposes. These assets are not expected to be deductible for tax purposes.

Maurer

On July 22, 2011, the company completed its acquisition of substantially all of the assets of Maurer-Atmos GmbH ("Maurer"), a manufacturer of batch ovens and thermal processing systems for the food processing industry for a purchase price of approximately $3.3 million. In the fourth quarter of 2011, pursuant to terms of the purchase agreement, the purchase price was adjusted to reflect the final valuation of acquired inventories, resulting in a net reduction of approximately $0.6 million.

The final allocation of cash paid for the Maurer acquisition is summarized as follows (in thousands):

	(as initially reported) Jul 22, 2011	Measurement Period Adjustments	(as adjusted) Jul 22, 2011
Current assets	$1,673	$(668)	$1,005
Property, plant and equipment	628	—	628
Goodwill	870	350	1,220
Other intangibles	922	—	922
Current liabilities	(246)	(265)	(511)
Net assets acquired and liabilities assumed	$3,847	$(583)	$3,264

The goodwill and $0.6 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles also includes $0.3 million allocated to customer relationships and less than $0.1 million allocated to developed technology, which are to be amortized over periods of 4 years and 3 years, respectively. Goodwill and other intangibles of Maurer are allocated to the Food Processing Equipment Group for segment reporting purposes. These assets are expected to be deductible for tax purposes.

Auto-Bake

On August 1, 2011, the company completed its acquisition of all of the capital stock of Auto-Bake Proprietary Limited ("Auto-Bake"), a manufacturer of automated baking ovens for the food processing industry for a purchase price of approximately $22.5 million, net of cash acquired. During the fourth quarter of 2011, the company finalized the working capital provision provided for by the purchase agreement resulting in no additional adjustment to the purchase price.
The final allocation of cash paid for the Auto-Bake acquisition is summarized as follows (in thousands):

	(as initially reported) Aug 1, 2011	Measurement Period Adjustments	(as adjusted) Aug 1, 2011
Cash	$110	$—	$110
Current assets	3,209	47	3,256
Property, plant and equipment	477	—	477
Goodwill	16,259	1,865	18,124
Other intangibles	6,784	(2,726)	4,058
Other assets	336	(11)	325
Current liabilities	(2,506)	8	(2,498)
Long-term deferred tax liability	(2,035)	817	(1,218)
Net assets acquired and liabilities assumed	$22,634	$—	$22,634

The goodwill and $2.0 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles also includes $1.9 million allocated to customer relationships and $0.2 million allocated to backlog, which are to be amortized over periods of 5 years and 3 months, respectively. Goodwill and other intangibles of Auto-Bake are allocated to the Food Processing Equipment Group for segment reporting purposes. These assets are not expected to be deductible for tax purposes.

Drake

On December 2, 2011, the company completed its acquisition of all of the capital stock of the F.R. Drake Company ("Drake"), a manufacturer of automated loading systems for the food processing industry for a purchase price of approximately $21.7 million, net of cash acquired. During the second quarter of 2012, the company finalized the working capital provision provided for by the purchase agreement resulting in an additional payment to the seller of $0.4 million.

The final allocation of cash paid for the Drake acquisition is summarized as follows (in thousands):

	(as initially reported) Dec 2, 2011	Measurement Period Adjustments	(as adjusted) Dec 2, 2011
Cash	$427	$—	$427
Deferred tax asset	390	56	446
Current assets	4,245	(213)	4,032
Property, plant and equipment	1,773	—	1,773
Goodwill	15,237	474	15,711
Other intangibles	5,810	—	5,810
Other assets	9	—	9
Current liabilities	(3,334)	54	(3,280)
Long-term deferred tax liability	(2,395)	32	(2,363)
Net assets acquired and liabilities assumed	$22,162	$403	$22,565

The current deferred tax asset and long term deferred tax liability amounted to $0.4 million and $2.4 million, respectively. The current deferred tax asset represents $0.4 million of assets arising from the difference between the book and tax basis of tangible asset and liability accounts. The net long term deferred tax liability is comprised of $0.1 million arising from the difference between the book and tax basis of tangible assets and liability accounts and $2.3 million related to the difference between the book and tax basis of identifiable intangible assets.

The goodwill and $3.2 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles also includes $2.5 million allocated to customer relationships and $0.1 million allocated to backlog, which are to be amortized over periods of 5 years and 1 month, respectively. Goodwill and other intangibles of Drake are allocated to the Food Processing Equipment Group for segment reporting purposes. These assets are not expected to be deductible for tax purposes.

Armor Inox

On December 21, 2011, the company completed its acquisition of all of the capital stock ofArmor Inox, S.A., together with its subsidiaries Armor Inox Production S.a.r.l and Armor Inox UK Ltd (collectively "Armor Inox", a manufacturer of thermal processing systems for the food processing industry for a purchase price of approximately $28.7 million, net of cash acquired.

The final allocation of cash paid for the Armor Inox acquisition is summarized as follows (in thousands):

	(as initially reported) Dec 21, 2011	Measurement Period Adjustments	(as adjusted) Dec 21, 2011
Cash	$18,201	$—	$18,201
Current assets	14,612	(958)	13,654
Property, plant and equipment	941	630	1,571
Goodwill	23,789	2,346	26,135
Other intangibles	12,155	(2,735)	9,420
Other assets	25	—	25
Current liabilities	(18,440)	(186)	(18,626)
Long-term deferred tax liability	(3,975)	903	(3,072)
Other non-current liabilities	(450)	—	(450)
Net assets acquired and liabilities assumed	$46,858	$—	$46,858

The goodwill and $3.4 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles also includes $1.1 million allocated to customer relationships, $1.1 million allocated to developed technology and $3.8 million allocated to backlog, which are to be amortized over periods of 6 years, 7 years and 2 years, respectively. Goodwill and other intangibles of Armor Inox are allocated to the Food Processing Equipment Group for segment reporting purposes. These assets are not expected to be deductible for tax purposes.

Baker

On March 14, 2012, the company completed its acquisition of certain assets of Turkington USA, LLC (now known as Baker Thermal Solutions "Baker"), a manufacturer of automated baking ovens for the food processing industry, for a purchase price of approximately $10.3 million.

The final allocation of cash paid for the Baker acquisition is summarized as follows (in thousands):

	(as initially reported) Mar 14, 2012	Measurement Period Adjustments	(as adjusted) Mar 14, 2012
Current assets	$4,617	$(2,236)	$2,381
Property, plant and equipment	221	—	221
Goodwill	5,797	1,481	7,278
Other intangibles	—	750	750
Current liabilities	(385)	5	(380)
Net assets acquired and liabilities assumed	$10,250	$—	$10,250

The goodwill is subject to the non-amortization provisions of ASC 350. Other intangibles includes $0.8 million allocated to customer relationships, which are being amortized over 5 years. Goodwill of Baker is allocated to the Food Processing Equipment Group for segment reporting purposes. These assets are expected to be deductible for tax purposes.

Stewart

On September 5, 2012, the company completed its acquisition of certain assets of Stewart Systems Global, LLC ("Stewart"), a manufacturer of automated proofing and oven baking systems for the food processing industry, for a purchase price of approximately $27.8 million. An additional payment is also payable upon the achievement of certain financial targets. During the second quarter of 2013, the company finalized the working capital provision provided by the purchase agreement resulting in a refund from the seller of $1.3 million. Subsequent to the acquisition of Stewart, the company purchased intangible assets from a third party company previously associated with Stewart. These assets consist of the trade name, Spooner Vicars, and have been allocated to Stewart.

The final allocation of cash paid for the Stewart acquisition is summarized as follows (in thousands)

	(as initially reported) Sep 5, 2012	Measurement Period Adjustments	(as adjusted) Sep 5, 2012
Cash	$—	$244	$244
Current assets	11,839	(1,922)	9,917
Property, plant and equipment	653	583	1,236
Goodwill	17,886	(2,140)	15,746
Other intangibles	6,850	4,030	10,880
Current liabilities	(5,228)	(1,511)	(6,739)
Other non-current liabilities	(4,000)	(587)	(4,587)
Consideration paid at closing	$28,000	$(1,303)	$26,697
Contingent consideration	4,000	587	4,587
Net assets acquired and liabilities assumed	$32,000	$(716)	$31,284

The goodwill and $4.6 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles also includes $5.9 million allocated to customer relationships and $0.4 million allocated to backlog, which are being amortized over periods of 5 years and 6 months, respectively. Goodwill and other intangibles of Stewart are allocated to the Food Processing Equipment Group for segment reporting purposes. These assets are expected to be deductible for tax purposes.

The Stewart purchase agreement includes an earnout provision providing for a contingent payment due the sellers to the extent certain financial targets are exceeded. This earnout is payable within the first quarters of 2014 and 2015, respectively, if Stewart exceeds certain sales and earnings targets for fiscal 2013 and 2014. The contractual obligation associated with the contingent earnout provision recognized on the acquisition date is $4.6 million.

Nieco

On October 31, 2012, the company completed its acquisition of all of the capital stock of Nieco Corporation, ("Nieco"), a leading manufacturer of automated broilers for the commercial foodservice industry, for a purchase price of approximately $23.9 million, net of cash acquired. An additional payment is also payable upon the achievement of certain financial targets. During the second quarter of 2013, the company finalized the working capital provision provided by the purchase agreement resulting in no adjustment to the original purchase price.

The final allocation of cash paid for the Nieco acquisition is summarized as follows (in thousands):

	(as initially reported) Oct 31, 2012	Measurement Period Adjustments	(as adjusted) Oct 31, 2012
Cash	$ 140	$ —	$ 140
Current assets	4,011	—	4,011
Property, plant and equipment	268	—	268
Goodwill	18,855	(3,473)	15,382
Other intangibles	5,620	4,060	9,680
Current liabilities	(1,836)	—	(1,836)
Other non-current liabilities	(3,058)	(587)	(3,645)
Consideration paid at closing	$ 24,000	$ —	$ 24,000
Contingent consideration	3,058	587	3,645
Net assets acquired and liabilities assumed	$ 27,058	$ 587	$ 27,645

The goodwill and $3.1 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles also includes $6.5 million allocated to customer relationships and $0.1 million allocated to backlog, which are being amortized over periods of 4 years and 3 months, respectively. Goodwill and other intangibles of Nieco are allocated to the Commercial Foodservice Equipment Group for segment reporting purposes. These assets are expected to be deductible for tax purposes.

The Nieco purchase agreement includes an earnout provision providing for a contingent payment due the sellers to the extent certain financial targets are exceeded. This earnout is payable within the first quarter of 2015, respectively, if Nieco exceeds certain sales and earnings targets for fiscal 2013 and 2014. The contractual obligation associated with the contingent earnout provision recognized on the acquisition date is $3.6 million.

Viking

On December 31, 2012 (subsequent to the 2012 fiscal year end), the company completed its acquisition of all of the capital stock of Viking Range Corporation ("Viking"), a leading manufacturer of kitchen equipment for the residential market, for a purchase price of approximately $361.7 million, net of cash acquired. During the third quarter of 2013, the company finalized the working capital provision provided by the purchase agreement resulting in a return from the seller of $11.2 million.

The final allocation of cash paid for the Viking acquisition is summarized as follows (in thousands):

	(as initially reported) Dec 31, 2012	Measurement Period Adjustments	(as adjusted) Dec 31, 2012
Cash	$6,900	$(121)	$6,779
Current assets	40,794	(2,385)	38,409
Property, plant and equipment	76,693	(20,446)	56,247
Goodwill	144,833	(32,752)	112,081
Other intangibles	152,500	44,500	197,000
Other assets	12,604	865	13,469
Current liabilities	(52,202)	(886)	(53,088)
Other non-current liabilities	(2,386)	(1)	(2,387)
Net assets acquired and liabilities assumed	$379,736	$(11,226)	$368,510

The goodwill and $151.0 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles also includes $44.0 million allocated to customer relationships and $2.0 million allocated to backlog which are being amortized over periods of 6 years and 3 months, respectively. Goodwill and other intangibles of Viking are allocated to the Residential Kitchen Equipment Group for segment reporting purposes. These assets are expected to be deductible for tax purposes. Certain acquired assets in other assets were classified as held for sale at the date of acquisition and were sold during the second quarter of 2013.

Results of Operations

The following unaudited results of operations for the twelve months ended December 28, 2013 and December 29, 2012, reflect the operations of Viking on a stand-alone basis (in thousands):

	Twelve Months Ended	
	Dec 28, 2013	Dec 29, 2012
Net sales	$233,106	$205,398
Income (loss) from operations	$11,084	$(44,998)

Distributors

Subsequent to the acquisition of Viking, the company, through Viking, purchased certain assets of four of Viking's former distributors ("Distributors"). The aggregate purchase price of these transactions as of June 29, 2013 was approximately $23.6 million. This included $8.7 million in forgiveness of liabilities owed to Viking resulting from pre-existing relationships with Viking.

The following estimated fair values of assets acquired and liabilities assumed are provisional and are based on the information that was available as of the acquisition dates to estimate the fair value of assets acquired and liabilities assumed (in thousands):

	(as initially reported) Jun 29, 2013	Preliminary Measurement Period Adjustments	(as adjusted) Jun 29, 2013
Current assets	$21,390	$(1,972)	$19,418
Property, plant and equipment	1,318	—	1,318
Goodwill	1,709	1,972	3,681
Current liabilities	(804)	—	(804)
Net assets acquired and liabilities assumed	$23,613	$—	$23,613
Forgiveness of liabilities owed to Viking	(8,697)	—	(8,697)
Consideration paid at closing	$14,916	$—	$14,916

The goodwill is subject to the non-amortization provisions of ASC 350. Goodwill of these Distributor purchases is allocated to the Residential Kitchen Equipment Group for segment reporting purposes. These assets are expected to be deductible for tax purposes.

The company believes that information gathered to date provides a reasonable basis for estimating the fair values of assets acquired and liabilities assumed but the company is waiting for additional information necessary to finalize those fair values. Thus, the provisional measurements of fair value set forth above are subject to change. The company expects to complete the purchase price allocation as soon as practicable but no later than one year from the acquisition dates.

Celfrost

On October 15, 2013, the company completed its acquisition of substantially all of the assets of Celfrost Innovations Pvt. Ltd. ("Celfrost"), a preferred commercial foodservice equipment supplier in India with a broad line of cold side products such as professional refrigerators, coldrooms, ice machines and freezers marketed under the Celfrost brand for a purchase price of approximately $11.2 million. Celfrost is a leading supplier of equipment to many of the fast growing restaurant chains and hotel groups. Additional deferred payments totaling $1.1 million are also due to the seller in equal installments on the first, second and third anniversary of the acquisition.
The following estimated fair values of assets acquired and liabilities assumed are provisional and are based on the information that was available as of the acquisition date to estimate the fair value of assets acquired and liabilities assumed (in thousands):

	(as initially reported) Oct 15, 2013
Current assets	$ 5,638
Property, plant and equipment	182
Goodwill	5,943
Other intangibles	4,333
Other assets	4
Current liabilities	(3,979)
Other non-current liabilities	(875)
Consideration paid at closing	$ 11,246
Deferred payments	1,067
Net assets acquired and liabilities assumed	$ 12,313

The goodwill and $2.3 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles also includes $1.9 million allocated to customer relationships and $0.1 million allocated to backlog which are being amortized over periods of 7 years and 3 months, respectively. Goodwill and other intangibles of Celfrost are allocated to the Commercial Foodservice Equipment Group for segment reporting purposes. These assets are expected to be deductible for tax purposes.
The company believes that information gathered to date provides a reasonable basis for estimating the fair values of assets acquired and liabilities assumed but the company is waiting for additional information necessary to finalize those fair values. Thus, the provisional measurements of fair value set forth above are subject to change. The company expects to complete the purchase price allocation as soon as practicable but no later than one year from the acquisition date.

Wunder-Bar

On December 17, 2013, the company completed its acquisition of all of the capital stock of Automatic Bar Controls, Inc. ("Wunder-Bar") a leading manufacturer of beverage dispensing systems for the commercial foodservice industry, for a purchase price of approximately $74.1 million, net of cash acquired.
The following estimated fair values of assets acquired and liabilities assumed are provisional and are based on the information that was available as of the acquisition date to estimate the fair value of assets acquired and liabilities assumed (in thousands):

	(as initially reported) Dec 17, 2013
Cash	$ 857
Deferred tax asset	50
Current assets	13,127
Property, plant and equipment	1,735
Goodwill	45,056
Other intangibles	30,000
Current liabilities	(5,013)
Long-term tax liabilities	(10,811)
Other non-current liabilities	(1)
Net assets acquired and liabilities assumed	$ 75,000

The net long term deferred tax liability is comprised of $11.1 million related book basis in excess of tax basis related to identifiable intangible assets net of $0.3 million arising from the difference between the book and tax basis of tangible assets and liability accounts.

The goodwill and $12.5 million of other intangibles associated with the trade name are subject to the non-amortization provisions of ASC 350. Other intangibles also includes $17.5 million allocated to customer relationships which is to be amortized over a period of 9 years. Goodwill and other intangibles of Wunder-Bar are allocated to the Commercial Foodservice Equipment Group for segment reporting purposes. These assets are not expected to be deductible for tax purposes.

Pro forma financial information

In accordance with ASC 805 “Business Combinations”, the following unaudited pro forma results of operations for the years ended December 28, 2013 and December 29, 2012, assumes the 2013 acquisitions of Viking, Celfrost and Wunder-Bar and the 2012 acquisitions of Baker, Stewart and Nieco were completed on January 1, 2012. The following pro forma results include adjustments to reflect additional interest expense to fund the acquisition, amortization of intangibles associated with the acquisition, and the effects of adjustments made to the carrying value of certain assets (in thousands, except per share data):

	December 28, 2013	December 29, 2012
Net sales	$1,476,187	$1,363,009
Net earnings	155,044	92,239
Net earnings per share:		
Basic	8.33	5.05
Diluted	8.27	4.96

The supplemental pro forma financial information presented above has been prepared for comparative purposes and is not necessarily indicative of either the results of operations that would have occurred had the acquisitions of these companies been effective on January 1, 2012 nor are they indicative of any future results. Also, the pro forma financial information does not reflect the costs which the company has incurred or may incur to integrate Baker, Stewart, Nieco, Viking, Celfrost and Wunderbar.

(3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Presentation

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The company's consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these financial statements requires the company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses as well as related disclosures. Significant items that are subject to such estimates and judgments include allowances for doubtful accounts, reserves for excess and obsolete inventories, long-lived and intangible assets, warranty reserves, insurance reserves, income tax reserves and post-retirement obligations. On an ongoing basis, the company evaluates its estimates and assumptions based on historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions or conditions.

The company's fiscal year ends on the Saturday nearest December 31. Fiscal years 2013, 2012, and 2011 ended on December 28, 2013, December 29, 2012 and December 31, 2011, respectively, and each included 52 weeks.

Certain prior year amounts have been reclassified to be consistent with current year presentation.

(b) Cash and Cash Equivalents

The company considers all short-term investments with original maturities of three months or less when acquired to be cash equivalents. The company’s policy is to invest its excess cash in interest-bearing deposits with major banks that are subject to minimal credit and market risk.

(c) Accounts Receivable

Accounts receivable, as shown in the consolidated balance sheets, are net of allowances for doubtful accounts of $7.0 million and $6.4 million at December 28, 2013 and December 29, 2012, respectively. At December 28, 2013, all accounts receivable are expected to be collected within one year.

(d) Inventories

Inventories are composed of material, labor and overhead and are stated at the lower of cost or market. Costs for inventories at two of the company's manufacturing facilities have been determined using the last-in, first-out ("LIFO") method. These inventories under the LIFO method amounted to $22.3 million in 2013 and $22.2 million in 2012 and represented approximately 10% and 14% of the total inventory in each respective year. The amount of LIFO reserve at December 28, 2013 and December 29, 2012 was not material. Costs for all other inventory have been determined using the first-in, first-out ("FIFO") method. The company estimates reserves for inventory obsolescence and shrinkage based on its judgment of future realization. Inventories at December 28, 2013 and December 29, 2012 are as follows:

	2013	2012
	(dollars in thousands)	
Raw materials and parts	$110,310	$87,184
Work in process	20,448	18,957
Finished goods	89,358	47,349

	$220,116	$153,490

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(e) Property, Plant and Equipment

Property, plant and equipment are carried at cost as follows:

	2013	2012
	(dollars in thousands)	
Land	$10,289	$8,402
Building and improvements	80,051	48,164
Furniture and fixtures	23,476	13,644
Machinery and equipment	84,970	57,650
	198,786	127,860
Less accumulated depreciation	(73,329)	(63,974)
	$125,457	$63,886

Property, plant and equipment are depreciated or amortized on a straight-line basis over their useful lives based on management's estimates of the period over which the assets will be utilized to benefit the operations of the company. The useful lives are estimated based on historical experience with similar assets, taking into account anticipated technological or other changes. The company periodically reviews these lives relative to physical factors, economic factors and industry trends. If there are changes in the planned use of property and equipment or if technological changes were to occur more rapidly than anticipated, the useful lives assigned to these assets may need to be shortened, resulting in the recognition of increased depreciation and amortization expense in future periods.

Following is a summary of the estimated useful lives:

Description	Life
Building and improvements	20 to 40 years
Furniture and fixtures	3 to 7 years
Machinery and equipment	3 to 10 years

Depreciation expense amounted to $13.5 million, $8.7 million and $6.9 million in fiscal 2013, 2012 and 2011, respectively.

Expenditures which significantly extend useful lives are capitalized. Maintenance and repairs are charged to expense as incurred. Asset impairments are recorded whenever events or changes in circumstances indicate that the recorded value of an asset is greater than the sum of its expected future undiscounted cash flows.

(f) Goodwill and Other Intangibles

In accordance with ASC 350 “Goodwill-Intangibles and Other”, the company’s goodwill and other indefinite lived intangibles are reviewed for impairment annually on the first day of the fourth quarter and whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In assessing the recoverability of goodwill and other indefinite lived intangibles, the company considers changes in economic conditions and makes assumptions regarding estimated future cash flows and other factors. Estimates of future cash flows are judgments based on the company’s experience and knowledge of operations. These estimates can be significantly impacted by many factors including changes in global and local business and economic conditions, operating costs, inflation, competition, and consumer and demographic trends. If the company’s estimates or the underlying assumptions change in the future, the company may be required to record impairment charges. Any such charge could have a material adverse effect on the company’s reported net earnings.

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Goodwill is allocated to the business segments as follows (in thousands):

	Commercial Foodservice	Food Processing	Residential Kitchen	Total
Balance as of December 31, 2011	$375,352	$102,460	$—	$477,812
Goodwill acquired during the year	18,855	22,968	—	41,823
Measurement period adjustments to goodwill acquired in prior year	528	2,381	—	2,909
Exchange effect	2,511	956	—	3,467
Balance as of December 29, 2012	$397,246	$128,765	$—	$526,011
Goodwill acquired during the year	50,999	—	115,762	166,761
Measurement period adjustments to goodwill acquired in prior year	(3,473)	56	—	(3,417)
Exchange effect	(451)	(949)	—	(1,400)
Balance as of December 28, 2013	$444,321	$127,872	$115,762	$687,955

The company has not recognized any goodwill impairments and therefore no accumulated impairment loss.

Intangible assets consist of the following (in thousands):

	December 28, 2013			December 29, 2012		
	Estimated Weighted Avg Remaining Life	Gross Carrying Amount	Accumulated Amortization	Estimated Weighted Avg Remaining Life	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:						
Customer lists	5.1	$144,298	$ (61,506)	3.3	$76,763	$ (40,349)
Backlog	0.0	10,851	(10,851)	1.0	8,751	(6,713)
Developed technology	3.9	17,888	(14,993)	3.3	17,876	(11,975)
		$173,037	$ (87,350)		$103,390	$ (59,037)
Indefinite-lived assets:						
Trademarks and tradenames		$362,257			$188,988	

The aggregate intangible amortization expense was $28.5 million, $17.0 million and $12.2 million in 2013, 2012 and 2011, respectively. The estimated future amortization expense of intangible assets is as follows (in thousands):

2014	$23,421
2015	18,035
2016	14,989
2017	10,941
2018	9,932
Thereafter	8,369

$85,687

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(g) Accrued Expenses

Accrued expenses consist of the following at December 28, 2013 and December 29, 2012, respectively:

	2013	2012
	(dollars in thousands)	
Accrued payroll and related expenses	$56,544	$42,960
Advanced customer deposits	31,276	37,392
Accrued customer rebates	26,947	23,901
Accrued warranty	23,306	17,593
Accrued product liability and workers compensation	15,355	13,290
Accrued agent commission	9,767	9,531
Contingent consideration	8,628	3,563
Accrued professional services	7,441	8,346
Accrued sales and other tax	5,762	4,560
Other accrued expenses	28,433	9,796
	$213,459	$170,932

(h) Litigation Matters

From time to time, the company is subject to proceedings, lawsuits and other claims related to products, suppliers, employees, customers and competitors. The company maintains insurance to partially cover product liability, workers compensation, property and casualty, and general liability matters. The company is required to assess the likelihood of any adverse judgments or outcomes to these matters as well as potential ranges of probable losses. A determination of the amount of accrual required, if any, for these contingencies is made after assessment of each matter and the related insurance coverage. The required accrual may change in the future due to new developments or changes in approach such as a change in settlement strategy in dealing with these matters. The company does not believe that any such matter will have a material adverse effect on its financial condition, results of operations or cash flows of the company.

(i) Accumulated Other Comprehensive Income

The following table summarizes the components of accumulated other comprehensive income (loss) as reported in the consolidated balance sheets:

	2013	2012
	(dollars in thousands)	
Unrecognized pension benefit costs, net of tax	$(2,120)	$(5,597)
Unrealized loss on interest rate swap, net of tax	(630)	(1,447)
Currency translation adjustments	(5,885)	(5,355)
	$(8,635)	$(12,399)

(j) Fair Value Measures

ASC 820 “Fair Value Measurements and Disclosures” defines fair value as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 establishes a fair value hierarchy, which prioritizes the inputs used in measuring fair value into the following levels:

Level 1 – Quoted prices in active markets for identical assets or liabilities
Level 2 – Inputs, other than quoted prices in active markets, that are observable either directly or indirectly.
Level 3 – Unobservable inputs based on our own assumptions

The company’s financial assets and liabilities that are measured at fair value are categorized using the fair value hierarchy at December 28, 2013 and December 29, 2012 are as follows (in thousands):

	Fair Value Level 1	Fair Value Level 2	Fair Value Level 3	Total
As of December 28, 2013				
Financial Assets:				
Pension Plans	$27,875	$621	—	$28,496
Financial Liabilities:				
Interest rate swaps	—	$1,471	—	$1,471
Contingent consideration	—		$10,063	$10,063
As of December 29, 2012				
Financial Assets:				
Pension Plans	$24,346	$935	—	$25,281
Financial Liabilities:				
Interest rate swaps	—	$2,853	—	$2,853
Contingent consideration	—	—	$8,609	$8,609

The contingent consideration as of December 28, 2013 relates to the earnout provisions recorded in conjunction with the acquisitions of Stewart, Nieco, Spooner Vicars and Celfrost.

The contingent consideration as of December 29, 2012 relates to the earnout provisions recorded in conjunction with the acquisitions of Cooktek and Danfotech, Stewart and Nieco.

The earnout provisions associated with these acquisitions are based upon performance measurements related to sales and earnings, as defined in the respective purchase agreements. On a quarterly basis the company assesses the projected results for each of the acquisitions in comparison to the earnout targets and adjusts the liability accordingly.

(k) Foreign Currency

Foreign currency transactions are accounted for in accordance with ASC 830 “Foreign Currency Translation”. The income statements of the company’s foreign operations are translated at the monthly average rates. Assets and

liabilities of the company's foreign operations are translated at exchange rates at the balance sheet date. These translation adjustments are not included in determining net income for the period but are disclosed and accumulated in a separate component of stockholders' equity. Exchange gains and losses on foreign currency transactions are included in determining net income for the period in which they occur. These transactions amounted to a loss of $3.1 million and $3.7 million in 2013 and 2012, and a gain of $0.2 million in 2011 and are included in other expense on the statements of earnings.

(l) Revenue Recognition

At the Commercial Foodservice Equipment Group and Residential Kitchen Equipment Group, the company recognizes revenue on the sale of its products where title transfers and when risk of loss has passed to the customer, which occurs at the time of shipment, and collectability is reasonably assured. The sale prices of the products sold are fixed and determinable at the time of shipment. Sales are reported net of sales returns, sales incentives and cash discounts based on prior experience and other quantitative and qualitative factors.

At the Food Processing Equipment Group, the company enters into long-term sales contracts for certain products. Revenue under these long-term sales contracts is recognized using the percentage of completion method defined within ASC 605-35 “Construction-Type and Production-Type Contracts” due to the length of time to fully manufacture and assemble the equipment. The company measures revenue recognized based on the ratio of actual labor hours incurred in relation to the total estimated labor hours to be incurred related to the contract. Because estimated labor hours to complete a project are based upon forecasts using the best available information, the actual hours may differ from original estimates. Under ASC 605, the company records the asset for revenue recognized but not yet billed on contracts accounted for under the percentage of completion method in Prepaid Expenses and Other on the consolidated balance sheets. For 2013 and 2012, the amount of this asset was $17.2 million and $8.2 million, respectively. The percentage of completion method of accounting for these contracts most accurately reflects the status of these uncompleted contracts in the company's financial statements and most accurately measures the matching of revenues with expenses. At the time a loss on a contract becomes known, the amount of the estimated loss is recognized in the consolidated financial statements.

(m) Shipping and Handling Costs

Shipping and handling costs are included in cost of products sold.

(n) Warranty Costs

In the normal course of business the company issues product warranties for specific product lines and provides for the estimated future warranty cost in the period in which the sale is recorded. The estimate of warranty cost is based on contract terms and historical warranty loss experience that is periodically adjusted for recent actual experience. Because warranty estimates are forecasts that are based on the best available information, claims costs may differ from amounts provided. Adjustments to initial obligations for warranties are made as changes in the obligations become reasonably estimable.

A rollforward of the warranty reserve for the fiscal years 2013 and 2012 are as follows:

	2013	2012
	(dollars in thousands)	
Beginning balance	$17,593	$13,842
Warranty reserve related to acquisitions	9,617	819
Warranty expense	36,360	28,789
Warranty claims	(40,264)	(25,857)
Ending balance	$23,306	$17,593

(o) Research and Development Costs

Research and development costs, included in cost of sales in the consolidated statements of earnings, are charged to expense when incurred. These costs were $21.4 million, $14.1 million, and $10.4 million in fiscal 2013, 2012 and 2011, respectively.

(p) Non-Cash Share-Based Compensation

The company estimates the fair value of restricted share grants and stock options at the time of grant and recognizes compensation costs over the vesting period of the awards and options. Non-cash share-based compensation expense of $11.9 million, $12.0 million and $18.1 million was recognized for fiscal 2013, 2012 and 2011, respectively, associated with restricted share grants. The company recorded a related tax benefit of $4.4 million, $4.6 million and $7.1 million in fiscal 2013, 2012 and 2011, respectively.

As of December 28, 2013, there was $0.5 million of total unrecognized compensation cost related to nonvested restricted share grant compensation arrangements, which will be recognized over a weighted average life of 1.5 years.

Share grant awards not subject to market conditions for vesting are valued at the closing share price of the company's stock as of the date of the grant. There were no restricted share grant awards in 2013 or 2012. The company issued 386,000 restricted share grant awards in 2011 with a fair value of $34.7 million . Share grant awards issued in 2011 are performance based and were not subject to market conditions. The fair value of $89.98 per share for the awards for 2011 represent the closing share price of the company's stock as of the date of grant.

(q) Earnings Per Share

"Basic earnings per share" is calculated based upon the weighted average number of common shares actually outstanding, and "diluted earnings per share" is calculated based upon the weighted average number of common shares outstanding and other dilutive securities.

The company's potentially dilutive securities consist of shares issuable on exercise of outstanding options and vesting of restricted stock grants computed using the treasury method and amounted to 145,000, 329,000, and 536,000 for fiscal 2013, 2012 and 2011, respectively. There were no anti-dilutive equity awards excluded from common stock equivalents for 2013, 2012 or 2011.

(r) Consolidated Statements of Cash Flows

Cash paid for interest was $14.1 million, $8.0 million and $7.8 million in fiscal 2013, 2012 and 2011, respectively. Cash payments totaling $49.5 million, $49.0 million, and $32.3 million were made for income taxes during fiscal 2013, 2012 and 2011, respectively.

(s) New Accounting Pronouncements

On July 27, 2012, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2012-02, "Intangibles - Goodwill and Other (Topic 350)". ASU-2012-02 allows an entity the option to make a qualitative evaluation to determine whether the existence of events and circumstances indicate that it is more likely than not the indefinite-lived intangible asset is impaired thus requiring the entity to perform quantitative impairment tests in accordance with ASC 350-30. The ASU also amends previous guidance by expanding upon the examples of events and circumstances that an entity should consider when making the qualitative evaluation. The adoption of this guidance did not have an impact on the company's financial position, results of operations or cash flows.

In January 2013, the FASB issued ASU No. 2013-01, "Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities". This update provides clarification on the disclosure requirements related to recognized derivatives, repurchase agreements and reverse purchase agreements, and securities borrowing and lending transactions. This update is effective for annual reporting periods and corresponding interim periods beginning on or after January 1, 2013, and retrospective application is required. The company is currently evaluating the impact of the adoption of ASU No. 2013-01 on its financial position, results of operations and cash flows.

In March 2013, the FASB issued ASU No. 2013-02, "Comprehensive Income - Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income". ASU No. 2013-02 requires an entity to provide information about the amounts reclassified out of accumulated other comprehensive income by component. Additionally, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income. The guidance does not change the items reported in other comprehensive income or when an item of other comprehensive income is reclassified to net income. The company adopted the provisions of ASU No. 2013-02 on December 30, 2012. As this guidance only revises the presentation of comprehensive income, there was no impact to the company's financial position, results of operations or cash flows.

(4) FINANCING ARRANGEMENTS

The following is a summary of long-term debt at December 28, 2013 and December 29, 2012:

	2013	2012
	(dollars in thousands)	
Senior secured revolving credit line	$568,600	$256,500
Foreign loans	2,680	3,220
Other debt arrangement	318	350
Total debt	$571,598	$260,070
Less current maturities of long-term debt	1,408	1,850
Long-term debt	$570,190	$258,220

On August 7, 2012, the company entered into a senior secured multi-currency credit facility. Terms of the company's senior credit agreement provide for $1.0 billion of availability under a revolving credit line. As of December 28, 2013, the company had $568.6 million of borrowings outstanding under this facility. The company also had $12.8 million in outstanding letters of credit as of December 28, 2013, which reduces the borrowing availability under the revolving credit line. Remaining borrowing availability under this facility was $418.6 million at December 28, 2013.

At December 28, 2013, borrowings under the senior secured credit facility are assessed at an interest rate of 1.50% above LIBOR for long-term borrowings or at the higher of the Prime rate and the Federal Funds Rate. At December 28, 2013 the average interest rate on the senior debt amounted to 1.85%. The interest rates on borrowings under the senior secured credit facility may be adjusted quarterly based on the company's indebtedness ratio on a rolling four-quarter basis. Additionally, a commitment fee based upon the indebtedness ratio is charged on the unused portion of the revolving credit line. This variable commitment fee amounted to 0.25% as of December 28, 2013.

In August 2006, the company completed its acquisition of Houno A/S in Denmark. This acquisition was funded in part with locally established debt facilities with borrowings in Danish Krone. These facilities included a revolving credit facility and term loan. At December 28, 2013 these facilities amounted to $1.6 million in U.S. dollars, including $0.2 million outstanding under a revolving credit facility and $1.4 million under a term loan. The interest rate on the revolving credit facility is assessed at 1.25% above Euro LIBOR, which amounted to 2.70% on December 28, 2013. The term loan matures in 2022 and the interest rate is assessed at 4.55%.

In April 2008, the company completed its acquisition of Giga Grandi Cucine S.r.l in Italy. This acquisition was funded in part with locally established debt facilities with borrowings denominated in Euro. At December 28, 2013 these facilities amounted to $0.5 million in U.S. dollars. The interest rate on the credit facilities is variable based on the three-month Euro LIBOR. At December 28, 2013, the average interest rate on these facilities was approximately 3.91%. The facilities are secured by outstanding accounts receivable collectible within six months.

In October 2013, the company completed its acquisition of substantially all of the assets of Celfrost Innovations Private Limited in India. At the time of the acquisition a local credit facility was established to fund local working capital needs denominated in Indian Rupee. At December 28, 2013, the facility amounted to $0.5 million in U.S. dollars. At December 28, 2013, borrowings under the facility were assessed at an interest rate at 1.25% above the Reserve Bank of India's base rate for long-term borrowings. At December 28, 2013, the average interest rate on this facility was approximately 11.00%.

The company's debt is reflected on the balance sheet at cost. Based on current market conditions, the company believes its interest rate margins on its existing debt are consistent with current market conditions and therefore the carrying value of debt reflects the fair value. However, as the interest rate margin is based upon numerous factors, including but not limited to the credit rating of the borrower, the duration of the loan, the structure and restrictions under the debt agreement, current lending policies of the counterparty, and the company's relationships with its

lenders, there is no readily available market data to ascertain the current market rate for an equivalent debt instrument. As a result, the current interest rate margin is based upon the company's best estimate based upon discussions with its lenders.

The company estimated the fair value of its loans by calculating the upfront cash payment a market participant would require to assume the company's obligations. The upfront cash payment is the amount that a market participant would be able to lend to achieve sufficient cash inflows to cover the cash outflows under the company's senior revolving credit facility assuming the facility was outstanding in its entirety until maturity. Since the company maintains its borrowings under a revolving credit facility and there is no predetermined borrowing or repayment schedule, for purposes of this calculation the company calculated the fair value of its obligations assuming the current amount of debt at the end of the period was outstanding until the maturity of the company's senior revolving credit facility in August 2017. Although borrowings could be materially greater or less than the current amount of borrowings outstanding at the end of the period, it is not practical to estimate the amounts that may be outstanding during future periods. The carrying value and estimated aggregate fair value, a level 2 measurement, based primarily on market prices, of debt is as follows (in thousands):

	December 28, 2013		December 29, 2012	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Total debt	$571,598	$571,598	$260,070	$260,070

The company believes that its current capital resources, including cash and cash equivalents, cash generated from operations, funds available from its current lenders and access to the credit and capital markets will be sufficient to finance its operations, debt service obligations, capital expenditures, product development and expenditures for the foreseeable future.

The company has historically entered into interest rate swap agreements to effectively fix the interest rate on a portion of its outstanding debt. The agreements swap one-month LIBOR for fixed rates. As of December 28, 2013, the company had the following interest rate swaps in effect:

Notional Amount	Fixed Interest Rate		Effective Date	Maturity Date
$25,000,000	1.610	%	2/23/2011	2/24/2014
25,000,000	2.520	%	2/23/2011	2/23/2016
25,000,000	0.975	%	7/18/2011	7/18/2014
15,000,000	1.185	%	9/12/2011	9/12/2016
15,000,000	0.620	%	9/12/2011	9/11/2014
10,000,000	0.498	%	2/11/2013	7/11/2015
15,000,000	0.458	%	2/11/2013	10/11/2015
25,000,000	0.635	%	2/11/2013	8/11/2016
25,000,000	0.789	%	2/11/2013	3/11/2017
25,000,000	0.803	%	2/11/2013	5/11/2017
35,000,000	0.880	%	2/11/2013	7/11/2017
10,000,000	1.480	%	9/11/2013	7/11/2017

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The terms of the senior secured credit facility limit the ability of the company and its subsidiaries to, with certain exceptions: incur indebtedness; grant liens; engage in certain mergers, consolidations, acquisitions and dispositions; make restricted payments; and enter into certain transactions with affiliates; and require, among other things, a maximum ratio of indebtedness to EBITDA of 3.5 and a fixed charge coverage ratio (as defined in the senior secured credit facility) of 1.25. The senior secured credit facility is secured by substantially all of the assets of Middleby Marshall, the company and the company's domestic subsidiaries and is unconditionally guaranteed by, subject to certain exceptions, the company and certain of the company's direct and indirect material domestic subsidiaries. The senior secured credit facility contains certain customary events of default, including, but not limited to, the failure to make required payments; bankruptcy and other insolvency events; the failure to perform certain covenants; the material breach of a representation or warranty; non-payment of certain other indebtedness; the entry of undischarged judgments against the company or any subsidiary for the payment of material uninsured amounts; the invalidity of the Company guarantee or any subsidiary guaranty; and a change of control of the company. The credit agreement also provides that if a material adverse change in the company’s business operations or conditions occurs, the lender could declare an event of default. Under terms of the agreement, a material adverse effect is defined as (a) a material adverse change in, or a material adverse effect upon, the operations, business properties, condition (financial and otherwise) or prospects of the company and its subsidiaries taken as a whole; (b) a material impairment of the ability of the company to perform under the loan agreements and to avoid any event of default; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against the company of any loan document. A material adverse effect is determined on a subjective basis by the company's creditors. At December 28, 2013, the company was in compliance with all covenants pursuant to its borrowing agreements.
The aggregate amount of debt payable during each of the next five years is as follows:

	(in thousands)
2014	$1,408
2015	412
2016	130
2017	568,730
2018 and thereafter	918
	$571,598

(5) COMMON AND PREFERRED STOCK

(a) Shares Authorized and Issued

At December 28, 2013 and December 29, 2012 the company had 47,500,000, shares of common stock and 2,000,000 shares of non-voting preferred stock authorized. At December 28, 2013 and December 29, 2012, there were 19,124,502 and 18,802,972, respectively, shares of common stock outstanding.

(b) Treasury Stock

In July 1998, the company's Board of Directors adopted a stock repurchase program and during 1998 authorized the purchase of up to 1,800,000 common shares in open market purchases. During 2013, the company's Board of Directors authorized the purchase of an additional 1,000,000 common shares in open market purchases. As of December 28, 2013, the total number of shares authorized for repurchase under the program is 2,800,000. As of December 28, 2013, 1,764,456 shares had been purchased under the 1998 stock repurchase program and 1,035,544 remain authorized for repurchase.

At December 28, 2013, the company had a total of 4,661,701 shares in treasury amounting to $151.7 million.

(c) Share-Based Awards

The company maintains several stock incentive plans under which the company's Board of Directors issues stock options and makes restricted share grants to key employees. Stock options issued under the plans provide key employees with rights to purchase shares of common stock at specified exercise prices. Options may be exercised upon certain vesting requirements being met, but expire to the extent unexercised within a maximum of ten years from the date of grant. Restricted share grants issued to employees are transferable upon certain vesting requirements being met.

- 1998 Stock Incentive Plan (the "1998 Plan"), as amended on December 15, 2003. Effective February 15, 2008 and in accordance with plan parameters, the company is no longer permitted to make grants under the 1998 Plan. Accordingly, zero shares are available for issuance under the 1998 Plan.

As of December 28, 2013, a total of 3,363,506 share-based awards have been issued under the 1998 Plan. This includes 928,186 restricted share grants, of which 19,859 remain unvested and 123,514 have been cancelled. This also includes 2,435,320 stock options, of which 2,435,320 have been exercised and zero remain outstanding.

- 2007 Stock Incentive Plan (the "2007 Plan"), as amended on May 7, 2009. Effective August 11, 2011 and in accordance with plan parameters, the company is no longer permitted to make grants under the 2007 Plan. Accordingly, zero additional shares are available for issuance under the 2007 Plan.

As of December 28, 2013, a total of 894,518 share-based awards have been issued under the 2007 Plan. This includes 890,889 restricted share grants, of which 368,400 remain outstanding and unvested. This also includes 3,629 stock options, of which 708 have been exercised, 2,597 have been forfeited and zero remain outstanding.

- 2011 Stock Incentive Plan (the "2011 Plan"). A maximum amount of 550,000 shares can be issued under the 2011 Plan.

As of December 28, 2013, zero share-based awards have been issued under the 2011 Plan.

A summary of stock option activity under the 1998 Plan is presented below (amounts in thousands, except share and per share data):

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Life	Aggregate Intrinsic Value
Outstanding at December 29, 2012:	347,916	$11.04	0.65	$39,811
Granted	—	—		
Exercised	(347,916)	—		
Forfeited	—	—		
Outstanding at December 28, 2013:	—	$—	0.00	$—
Exercisable at December 28, 2013:	—	$—	0.00	$—
Vested or expected to vest At December 28, 2013:	—	$—	0.00	$—

A summary of the company's nonvested restricted share grant activity under the 1998 and 2007 Plans and related information for fiscal years ended December 28, 2013 and December 29, 2012 is as follows:

	Shares	Weighted Average Grant-Date Fair Value
Nonvested shares at December 31, 2011	687,360	$65.78
Granted	—	$—
Vested	(248,639)	$96.05
Forfeited	(13,805)	$89.98
Nonvested shares at December 29, 2012	424,916	$87.73
Granted	—	$—
Vested	(36,657)	$42.60
Forfeited	—	$—
Nonvested shares at December 28, 2013	388,259	$89.68

Additional information related to the share based compensation is as follows:

	2013	2012	2011
	(dollars in thousands)		
Intrinsic value of options exercised	$80,528	$42,208	$1,477
Cash received from exercise	3,842	2,804	236
Tax benefit from option exercises	20,196	14,149	74

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(6) INCOME TAXES

Earnings before taxes is summarized as follows:

	2013	2012	2011
	(dollars in thousands)		
Domestic	$195,435	$157,471	$125,730
Foreign	30,346	16,969	14,719
Total	$225,781	$174,440	$140,449

The provision for income taxes is summarized as follows:

	2013	2012	2011
	(dollars in thousands)		
Federal	$60,232	$42,660	$33,778
State and local	3,248	7,216	7,169
Foreign	8,373	3,867	4,028
Total	$71,853	$53,743	$44,975
Current	$74,828	$53,826	$39,554
Deferred	(2,975)	(83)	5,421
Total	$71,853	$53,743	$44,975

Reconciliation of the differences between income taxes computed at the federal statutory rate to the effective rate are as follows:

	2013	2012