UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K/A
(Amendment No. 1)

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **June 22, 2018**

THE MIDDLEBY CORPORATION
(Exact Name of Registrant as Specified in its Charter)

Delaware	**1-9973**	**36-3352497**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1400 Toastmaster Drive, Elgin, Illinois	**60120**
(Address of Principal Executive Offices)	(Zip Code)

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

N/A
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company o

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

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Explanatory Note

As previously reported under Item 2.01 in the Current Report on Form 8-K filed by The Middleby Corporation (the "Company") on June 22, 2018 (the "Initial Form 8-K"), on June 22, 2018 the Company and Middleby Marshall Inc., a direct wholly owned subsidiary of the Company, completed their acquisition of the Taylor Company ("Taylor") pursuant to a Stock Purchase Agreement, dated May 18, 2018, with United Technologies Corporation, a Delaware corporation, Carrier Corporation, a Delaware corporation and a wholly owned subsidiary of UTC, and Carrier Asia Limited, a company limited by shares registered in Hong Kong and a wholly owned subsidiary of UTC.

This Current Report on Form 8-K/A amends the Initial Form 8-K to provide the financial information required by Item 9.01 of Form 8-K, which was omitted from the Initial Form 8-K in reliance on Items 9.01(a)(4) and 9.01(b)(2) of Form 8-K. This Current Report on Form 8-K/A should be read in conjunction with the Initial Form 8-K. Except as set forth herein, no other modifications have been made to the Initial Form 8-K.

Item 9.01 Financial Statements and Exhibits.

(a) Financial statements of business acquired.

The audited combined financial statements of Taylor as of and for the year-ended December 31, 2017, which comprise the combined balance sheet as of December 31, 2017 and the related combined statements of operations, of comprehensive income, of changes in net investment and of

cash flows for the year then ended, are attached hereto as Exhibit 99.1 and are incorporated herein by reference.

The unaudited condensed combined financial statements of Taylor as of March 31, 2018 and December 31, 2017 and for the three months ended March 31, 2018 and March 31, 2017, which comprise the condensed combined balance sheets as of March 31, 2018, and the related condensed combined statements of operations, of comprehensive income, of changes in net investment and of cash flows for the three-month periods ended March 31, 2018 and 2017, are attached hereto as Exhibit 99.2 and are incorporated herein by reference.

(b) Pro forma financial information.

The unaudited pro forma condensed combined financial data of the Company and Taylor required by Article 11 of Regulation S-X is attached hereto as Exhibit 99.3 and is incorporated herein by reference.

(d) Exhibits

Exhibit No.	Description
15.1	Letter Regarding Unaudited Interim Financial Information
23.1	Consent of PricewaterhouseCoopers LLP
99.1	Audited combined financial statements of Taylor as of and for the year-ended December 31, 2017
99.2	Unaudited condensed combined financial statements of Taylor as of March 31, 2018 and December 31, 2017 and for the three months ended March 31, 2018 and March 31, 2017
99.3	Unaudited pro forma condensed combined financial data of the Company and Taylor

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: August 31, 2018

THE MIDDLEBY CORPORATION

By: /s/ Timothy J. FitzGerald
Timothy J. FitzGerald
Vice President and Chief Financial Officer

Exhibit 15.1

August 30, 2018

Securities and Exchange Commission
100 F Street, N.E.
Washington, DC 20549

Commissioners:

We are aware that our report dated August 20, 2018 on our review of interim financial information of Taylor, which appears in this Amendment No. 1 to this Current Report on Form 8-K of The Middleby Corporation, is incorporated by reference in the Registration Statements on Form S-8 (Nos. 333-176233, 333-162957, 333-142588, and 333-128304) of The Middleby Corporation.

Very truly yours,

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP, 185 Asylum Street, Suite 2400, Hartford, CT 06103-3404
T: (860) 241 7000, F: (860) 241 7590, www.pwc.com/us

Exhibit 23.1

CONSENT OF INDEPENDENT AUDITORS

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (Nos. 333-176233, 333-162957, 333-142588, and 333-128304) of The Middleby Corporation of our report dated August 20, 2018 relating to the financial statements of Taylor, which appears in this Amendment No. 1 to this Current Report on Form 8-K of The Middleby Corporation.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Hartford, Connecticut
August 30, 2018

COMBINED FINANCIAL STATEMENTS
TAYLOR
(A Business of United Technologies Corporation)

As of and for the year-ended December 31, 2017

COMBINED FINANCIAL STATEMENTS
TAYLOR
(A Business of United Technologies Corporation)

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Report of Independent Auditors

To Management and the Board of Directors of United Technologies Corporation

We have audited the accompanying combined financial statements of Carrier Commercial Refrigeration, Inc., Taylor Food Service Equipment Trading (Shanghai) Co. Ltd., Taylor Company S.r.l and certain assets of Shanghai Carrier Transicold Co. Ltd (collectively "Taylor"), which comprise the combined balance sheet as of December 31, 2017, and the related combined statements of operations, of comprehensive income, of changes in net investment and of cash flows for the year then ended.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of the combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the combined financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the financial position of Taylor as of December 31, 2017, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Hartford, Connecticut
August 20, 2018

PricewaterhouseCoopers LLP, 185 Asylum Street, Suite 2400, Hartford, CT 06103-3404
T: (860) 241 7000, F: (860) 241 7590, www.pwc.com/us

TAYLOR

COMBINED STATEMENT OF OPERATIONS

(dollars in thousands)		For the year ending December 31, 2017
Net Sales:		
Product sales	$	292,220
Service sales		15,960
		308,180
Costs and Expenses:		
Cost of products sold		202,434
Cost of services sold		12,825
Research and development		5,329
Selling, general and administrative		35,341
		52,251
Other income, net		124
Operating profit		52,375
Non-service pension (benefit)		(2,621)
Interest expense, net		146
Income from operations before income taxes		54,850
Income tax expense		17,423
Net income	$	37,427

See accompanying Notes to Combined Financial Statements

TAYLOR

COMBINED STATEMENT OF COMPREHENSIVE INCOME

(dollars in thousands)		For the year ending December 31, 2017
Net income	$	37,427
Other comprehensive income		
Foreign currency translation adjustments arising during period		739
Comprehensive income	$	38,166

See accompanying Notes to Combined Financial Statements

TAYLOR

COMBINED BALANCE SHEET

(dollars in thousands)		As of December 31, 2017
Assets		
Cash	$	10,184
Accounts receivable, net		27,895
Inventories, net		27,425
Other assets, current		297
Total Current Assets		65,801
Future income tax benefits		373
Fixed assets, net		19,815
Goodwill		186,290
Intangible assets, net		17,082

Total Assets	$ 289,361
Liabilities and UTC Net Investment	
Accounts payable	$ 20,518
Accrued liabilities	22,986
Customer advances and deferred revenues	10,187
Total Current Liabilities	53,691
Other long-term liabilities	23,371
Total Liabilities	77,062
Commitments and contingent liabilities (Note 14)	
UTC Net Investment:	
UTC net investment	212,401
Accumulated other comprehensive (loss)	(102)
Total UTC Net Investment	212,299
Total Liabilities and UTC Net Investment	$ 289,361

See accompanying Notes to Combined Financial Statements

TAYLOR

COMBINED STATEMENT OF CHANGES IN NET INVESTMENT

(dollars in thousands)	UTC net investment	Accumulated other comprehensive (loss) income	Total Equity
Balance at December 31, 2016	$ 217,777	$ (841)	$ 216,936
Net income	37,427		37,427
Common dividend	(1,057)		(1,057)
Other comprehensive income		739	739
Net transactions with affiliates	(41,746)		(41,746)
Balance at December 31, 2017	$ 212,401	$ (102)	$ 212,299

See accompanying Notes to Combined Financial Statements

TAYLOR

COMBINED STATEMENT OF CASH FLOWS

(dollars in thousands)	For the year ending December 31, 2017
Operating Activities:	
Net income	$ 37,427
Adjustments to reconcile net income to net cash flows provided by operating activities:	
Depreciation and amortization	4,049
Deferred income tax (benefit)	(1,457)
Change in:	
Accounts receivable	5,067
Inventories	(3,864)
Accounts payable and accrued liabilities	4,854
Customer advances and deferred revenues	(651)
Other operating activities, net	(1)
Net cash flows provided by operating activities	45,424
Investing Activities:	
Capital expenditures	(3,215)
Other investing activities	(500)
Net cash flows used in investing activities	(3,715)
Financing Activities:	
Net transactions with affiliates	(41,746)
Dividends paid	(1,057)
Net cash flows (used in) financing activities	(42,803)
Effect of foreign exchange rate changes on cash and cash equivalents	846
Net decrease in cash and cash equivalents	(248)
Cash and cash equivalents, beginning of year	10,432
Cash and cash equivalents, end of year	$ 10,184

Supplemental Disclosure of Cash Flow Information:		
Non-cash investing activities		
Fixed assets acquired included in accrued liabilities	$	350
Intangible asset acquired included in accrued liabilities	$	1,500
Cash paid during the period		
Interest paid	$	456
Income taxes paid, net of refunds	$	18,727

See accompanying Notes to Combined Financial Statements

TAYLOR

NOTES TO AUDITED COMBINED FINANCIAL STATEMENTS

NOTE 1: DESCRIPTION OF THE BUSINESS

Carrier Commercial Refrigeration, Inc., Taylor Foodservice Equipment Trading (Shanghai) Co. Ltd., Taylor Company S.r.l are wholly owned subsidiaries of Carrier Corporation (Carrier). Included in these financial statements are the financial statements of Carrier Commercial Refrigeration, Inc., Taylor Foodservice Equipment Trading (Shanghai) Co. Ltd., Taylor S.r.l and certain assets of Shanghai Carrier Transicold Co. Ltd, a part of Carrier performing manufacturing service on behalf of Taylor (collectively “Taylor”). Carrier is a wholly owned subsidiary of United Technologies Corporation (UTC).

Taylor co-designs, manufactures and sells two sided cooking grills, continuous dispensing batch freezers, specialty blenders, frozen beverage dispensers, shake freezers, smoothie mixers, and soft serve and frozen yogurt freezers and related parts for food service under the Taylor Company, Flavor Burst, BRAS, Vitamix/Razzle, Henny Penny, Frigomat and Hamilton Beach brands.

NOTE 2: BASIS OF PRESENTATION

Historically, Taylor operated as a part of UTC and not a standalone company; consequently, stand-alone financial statements have not historically been prepared for Taylor. The accompanying audited Combined Financial Statements have been prepared from Carrier and UTC’s historical accounting records and are presented on a stand-alone basis as if Taylor’s operations had been conducted independently from Carrier and UTC.

The audited Combined Statement of Operations include all revenues and costs as well as assets and liabilities directly attributable to Taylor, including costs for facilities, functions and services used by Taylor. Costs for certain functions and services performed by centralized Carrier and UTC organizations are directly charged to Taylor based on usage or other allocation methods. The results of operations include allocations of (i) costs for administrative functions and services performed on behalf of Taylor by centralized groups within Carrier and UTC; (ii) Carrier and UTC’s general corporate expenses; and (iii) certain pension and other post-retirement benefit costs (see Note 4 for a description of the allocation methodologies employed). As more fully described in Note 10, current and deferred income taxes and related tax expense have been determined based on the stand-alone results of Taylor.

All charges and allocations for facilities, functions and services performed by Carrier and UTC organizations have been deemed paid by Taylor to Carrier and UTC in the period in which the cost was recorded in the audited Combined Statement of Operations. Taylor’s portion of its domestic and certain non-US income taxes payable is deemed to have been remitted to UTC in the period the related tax expense was recorded. Taylor’s portion of current domestic and certain non-U.S. income taxes receivable is deemed to have been remitted to Taylor by UTC in the period to which the receivable applies only to the extent that a refund of such taxes could have been recognized by Taylor on a stand-alone basis under the law of the relevant taxing jurisdiction.

UTC uses a centralized approach to cash management and financing its operations. Accordingly, none of the cash, debt or related interest expense on UTC’s books has been allocated to Taylor in the audited Combined Financial Statements. However, cash balances primarily associated with certain foreign entities that do not participate in UTC’s cash management program have been included in the audited Combined Financial Statements. Transactions between Carrier, UTC and Taylor are accounted for through UTC’s Net Investment (see Note 4 for additional information). Transactions between UTC and Taylor are deemed to have been settled immediately through UTC’s Net Investment.

All of the allocations and estimates in the audited Combined Financial Statements are based on assumptions that management believes are reasonable. However, the audited Combined Financial Statements included herein may not be indicative of the financial position, results of operations and cash flows of Taylor in the future, or if Taylor had been a separate, stand-alone entity during the periods presented.

NOTE 3: SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Actual results could differ from those estimates.

Basis of Combination. All significant intracompany accounts and transactions within Taylor have been eliminated in the preparation of the audited Combined Financial Statements. All significant intercompany transactions with Carrier and UTC are deemed to have been paid in the period the cost was incurred.

Cash. Cash and cash equivalents includes cash on hand, demand deposits and short-term cash investments that are highly liquid in nature and have original maturities of three months or less.

Taylor participates in UTC’s centralized cash management and financing programs (see Note 4 for additional information). The cash reflected on the audited Combined Balance Sheet substantially represents cash on hand at certain foreign entities that do not participate in the centralized cash management program.

Accounts Receivable. Accounts receivable associated with long-term contracts consist of billed amounts. Billed amounts include invoices presented to customers that have not been paid. Receivables are recognized net of an allowance for doubtful accounts. Accounts receivable are carried at amounts that approximate fair value. We primarily estimate reserves for losses on receivables by specific identification based on an assessment of the customers' ability to make required payments. These items are expected to be collected in the normal course of business.

Fair Value of Financial Instruments. The carrying amount of trade receivables, accounts payable and accrued expenses approximates fair value due to the short maturity (less than one year) of the instruments.

Inventories. Inventories are stated at the lower of cost or net realizable value and are based on first-in, first-out (FIFO) methods. Valuation reserves for excess, obsolete, and slow-moving inventory are estimated by comparing the inventory levels of individual parts to both future sales forecasts or production requirements and historical usage rates in order to identify inventory where the resale value or replacement value is less than inventoriable cost. Other factors that management considers in determining the adequacy of these reserves include whether individual inventory parts meet current specifications and cannot be substituted for a part currently being sold or used as a service part, overall market conditions, and other inventory management initiatives. Manufacturing costs are allocated to current production and firm contracts.

Goodwill. Goodwill represents costs in excess of fair values assigned to the underlying net assets of acquired businesses. Goodwill is not amortized and is subject to annual impairment testing using the guidance and criteria described in the *Intangibles - Goodwill and Other* Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). This testing compares carrying values to fair values and, when appropriate, the carrying value of these assets is reduced to fair value.

In January 2017, the FASB issued Accounting Standards Update (ASU) 2017-04, *Intangibles — Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. This ASU eliminates Step 2 of the current goodwill impairment test, which requires a hypothetical purchase price allocation to measure goodwill impairment. A goodwill impairment loss will instead be measured at the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the recorded amount of goodwill. The provisions of this ASU are effective for years beginning after December 15, 2020, with early adoption permitted for any impairment test performed on testing dates after January 1, 2017. We early adopted this standard as of July 1, 2017 and this ASU did not have a significant impact on our financial statements or disclosures.

Intangible Assets. Intangible assets consist of trademarks, patents, and other intangible assets, as discussed in Note 8. Acquired intangible assets are recognized at fair value in purchase accounting and then amortized to cost of sales and selling, general and administrative expenses over the applicable useful lives. Useful lives of finite-lived intangible assets are estimated based upon the nature of the intangible asset and the industry in which the intangible asset is used. These intangible assets are amortized based on the pattern in which the economic benefits of the intangible assets are consumed. If a pattern of economic benefit cannot be reliably determined, a straight-line amortization method is used. The useful lives of intangibles range from 5 to 40 years.

Other Long-Lived Assets. We evaluate the potential impairment of other long-lived assets whenever events or changes in circumstances indicate that the related carrying amount may not be recoverable. If the carrying value of other long-lived assets held and used exceeds the sum of the undiscounted expected future cash flows, the carrying value is written down to fair value.

Income Taxes. Income taxes as presented herein, attribute current and deferred income taxes of UTC to Taylor's stand-alone financial statements in a manner that is systematic, rational and consistent with the asset and liability method prescribed by ASC 740: *Income Taxes*. Accordingly, Taylor's income tax provision was prepared following the separate return method. The separate return method applies ASC 740 to the stand-alone financial statements of each member to the consolidated group as if the group members were a separate taxpayer and a stand-alone enterprise. As a result, actual transactions included in the consolidated financial statements of UTC may not be included in the separate audited Combined Financial Statements of Taylor. Similarly, the tax treatment of certain items reflected in the audited Combined Financial Statements of Taylor may not be reflected in the consolidated financial statements and tax returns of UTC. Therefore, such items as net operating losses, credit carry-forwards and valuation allowances may exist in the stand-alone financial statements that may or may not exist in UTC's consolidated financial statements.

In the ordinary course of business there is inherent uncertainty in quantifying our income tax positions. We assess our income tax positions and record tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances, and information available at the reporting date. For those tax positions where it is more-likely-than-not that a tax benefit will be sustained, we have recorded the largest amount of tax benefit with a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority that has full knowledge of all relevant information. For those income tax positions where it is not more-likely-than-not that a tax benefit will be sustained, no tax benefit has been recognized in the financial statements. Where applicable, associated interest expense has also been recognized. We recognize accrued interest related to unrecognized tax benefits in interest expense. Penalties, if incurred, would be recognized as a component of income tax expense.

On December 22, 2017 Public Law 115-97 *"An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018"* was enacted. This law is commonly referred to as the Tax Cuts and Jobs Act of 2017 (TCJA). The TCJA contains a new law that may subject the Company to a tax on Global Intangible Low-Taxed Income (GILTI), beginning in 2018. GILTI is a tax on foreign income in excess of a deemed return on tangible assets of foreign corporations. The FASB has provided that companies subject to GILTI have the option to account for the GILTI tax as a period cost if and when incurred, or to recognize deferred taxes for temporary differences, including outside basis differences, expected to reverse as GILTI. We have elected to account for GILTI as a period cost, if incurred.

Revenue Recognition. We recognize sales for products and services in accordance with the provisions of Staff Accounting Bulletin (SAB) Topic 13, Revenue Recognition, as applicable. Sales within the scope of this SAB Topic are recognized when persuasive evidence of an arrangement exists, product delivery has occurred or services have been rendered, pricing is fixed or determinable and collectability is reasonably assured. For separately priced product maintenance, sales are recognized over the contract period on a straight-line basis.

We customarily offer our customers incentives to purchase products to ensure an adequate supply of its products in the distribution channels. The principal incentive program provides reimbursements to distributors for offering promotional pricing for our products. We account for incentive payments made as a reduction in sales.

Taylor enters into arrangements that can include a combination of services and products. Where elements are delivered over different periods of time, and when allowed under generally accepted accounting principles in the United States of America (US GAAP), revenue is allocated to the respective elements based on their relative selling prices at the inception of the arrangement, and revenue is recognized as each element is delivered. We use a hierarchy to determine the fair value to be used for allocating revenue to elements: (i) vendor-specific objective evidence of fair value (VSOE), (ii) third-party evidence, and (iii) best estimate of selling price (ESP). Generally, VSOE is the price charged when the deliverable is sold separately or the price established by management for a product that is not yet sold if it is probable that the price will not change before introduction into the marketplace. ESPs are established as best estimates of what the selling prices would be if the deliverables were sold regularly on a stand-alone basis. Our process for determining ESPs requires judgment and considers multiple factors that may vary over time depending upon the unique facts and circumstances related to each deliverable.

Accounting Standards Update: In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. In 2015 and 2016, The FASB issued various updates to this ASU as follows:

- ASU 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date* — delays the effective date of ASU 2014-09 by one year.
- ASU 2016-08, *Revenue from Contracts with Customers (Topic 606), Principal versus Agent Considerations (Reporting Revenue Gross versus Net)* — clarifies how an entity should identify the unit of accounting (i.e. the specified good or service) for the principal versus agent evaluation and how it should apply the control principle to certain types of arrangements.
- ASU 2016-10, *Revenue from Contracts with Customers (Topic 606), Identifying Performance Obligations and Licensing* — clarifies the guidance surrounding licensing arrangements and the identification of performance obligations.
- ASU 2016-12, *Revenue from Contracts with Customers (Topic 606), Narrow-Scope Improvements and Practical Expedients* — addresses implementation issues raised by stakeholders concerning collectability, noncash consideration, presentation sales tax, and transition.
- ASU 2016-20, *Revenue from Contracts with Customers (Topic 606),* - addresses loan guarantee fees, impairment testing of contract costs, provisions for losses on certain contracts, and various disclosures.

ASU 2014-09 and its related amendments (collectively, the "New Revenue Standard") are effective for reporting periods beginning after December 15, 2017 and interim periods therein. In accordance with the standard, we have adopted the New Revenue Standard effective January 1, 2018 and elected the modified retrospective approach with no cumulative effect of adoption having to be recognized by Taylor.

We expect the New Revenue Standard will have no impact on our 2018 revenue and net income. Adoption of the New Revenue Standard will not result in income statement classification changes. The New Revenue Standard will result in the establishment of contract asset and contract liability balance sheet accounts, and the reclassification to a new account from Customer advances and deferred revenues. The New Revenue Standard requires ongoing incremental disclosures including explanation of significant changes in the contract asset and contract liability balances, and disaggregation of revenue into categories that depict how the nature, amount timing and uncertainty of revenue and cash flows are affected by economic factors.

Product Performance Obligations. We generally charge for service and warranty policies on our products for periods up to five years and record such estimated future liabilities. Liabilities under such guarantees are largely based upon historical experience. We accrued for such costs that are probable and can be reasonably estimated. Adjustments are made to accruals as claim data and historical experience warrant. See Note 13 for additional details on the warranty accruals. The liability for warranty obligations is included in Accrued liabilities and Other Long-term Liabilities in the accompanying audited Combined Balance Sheet.

Research and Development. Research and development costs are expensed as incurred.

Environmental. Environmental investigatory, remediation, operating and maintenance costs are accrued when it is probable that a liability has been incurred and the amount can be reasonably estimated. The most likely cost to be incurred is accrued based on an evaluation of currently available facts with respect to each individual site, including existing technology, current laws and regulations and prior remediation experience. Where no amount within a range of estimates is more likely, the minimum is accrued. For sites with multiple responsible parties, we consider our likely proportionate share of the anticipated remediation costs and the ability of the other parties to fulfill their obligations in establishing a provision for those costs. Accrued environmental liabilities are not reduced by potential insurance reimbursements. See Note 14 for additional details on the environmental remediation activities.

Asset Retirement Obligations. We record the fair value of legal obligations associated with the retirement of tangible long-lived assets in the period in which it is determined to exist, if a reasonable estimate of fair value can be made. Upon initial recognition of a liability, we capitalize the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. Over time, the liability is increased for changes in its present value and the capitalized cost is depreciated over the useful life of the related asset. As of December 31, 2017, the outstanding liability for asset retirement obligations was $161 thousand and is included in Other Long-term Liabilities in the accompanying audited Combined Balance Sheet.

UTC Net Investment. Taylor's equity on the audited Combined Balance Sheet represents UTC's net investment in the Taylor business and is presented as "UTC Net Investment" in lieu of stockholders' equity. The audited Statement of Changes in Net Investment include net cash transfers and other property transfers between Carrier and UTC and Taylor as well as intercompany receivables and payables between Taylor and other Carrier and UTC affiliates that were settled on a current basis. UTC performs cash management and other treasury-related functions on a centralized basis for nearly all of its legal entities, which includes Taylor and, consequently, the net cash generated by Taylor is transferred to Carrier and UTC through the intercompany accounts.

Foreign Exchange. We conduct business in different currencies and, accordingly, are subject to the inherent risks associated with foreign exchange rate movements. The financial position and results of operations of our foreign subsidiaries are measured using the local currency as the functional currency. Foreign currency denominated assets and liabilities are translated into U.S Dollars at the exchange rates existing at the respective balance sheet dates, and income and expense items are translated at the average exchange rates during the respective periods. The aggregate effects of translating the balance sheet of these subsidiaries are deferred as a separate component of UTC Net Investment.

Accounting Pronouncements. In February 2018, the FASB issued ASU 2018-02, *Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income (Topic 220).* The new standard allows companies to reclassify to retained earnings the stranded tax effects in accumulated other

comprehensive income ("AOCI") from the newly-enacted TCJA. The new standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. We do not expect this ASU to have a material impact on Taylor's retained earnings, AOCI, cash flows, and results of operations.

In October 2016, the FASB issued ASU 2016-16, *Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory*. This ASU requires the income tax consequences of an intra-entity transfer of an asset, other than inventory, to be recognized when the transfer occurs. Two common examples of assets included in the scope of this update are intellectual property and property, plant, and equipment. The provisions of this ASU are effective for years beginning after December 15, 2017, with early adoption permitted. We do not expect this ASU to have a significant impact on our financial statements or disclosures. We adopted the new standard effective January 1, 2018.

In March 2017, the FASB issued ASU 2017-07, *Compensation—Retirement Benefits (Topic 715), Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost.* This ASU requires an employer to report the service cost component of net periodic pension benefit cost in the same line item or items as other compensation costs arising from services rendered by the pertinent employees during the period, with other cost components presented separately from the service cost component and outside of income from operations. This ASU also allows only the service cost component of net periodic pension benefit cost to be eligible for capitalization when applicable. The provisions of this ASU are effective for years

beginning after December 15, 2017, and we adopted the new standard effective January 1, 2018. Provisions related to presentation of the service cost components versus other cost components must be applied retrospectively, while provisions related to service cost component eligibility for capitalization must be applied prospectively. This ASU primarily impacts the presentation of net periodic pension cost/benefit and therefore we do not expect this ASU to have a material impact on net income; however, it will result in changes to reported operating profit.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)* and in July 2018, the FASB issued ASU 2018-10, *Codification Improvements to Topic 842, Leases.* The new standard establishes a right-of-use (ROU) model that requires a lessees to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the Combined Statement of Income. In addition, this standard requires a lessor to classify leases as either sales-type, finance or operating. A lease will be treated as a sale if it transfers all the risks and reward, as well as control of the underlying asset, to the lessee. If risk and rewards are conveyed without the transfer of control, the lease is treated as financing. If the lessor does not convey risks and rewards or control, the lease is treated as operating.

ASU 2016-02 and ASU 2018-10 are effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. A modified retrospective transition approach is required for lessees for capital and operating leases and lessors for sales-type, direct financing, and operating leases existing at or entered into after, the beginning of the earliest comparative period presented in the financial statements, with certain practical expedients available. We are still evaluating the impact of our pending adoption of the new standard on our financial statements. We do not expect these ASU's to have a material impact on our cash flows or results of operations.

NOTE 4: RELATED PARTIES

Historically, Taylor has been managed and operated in the normal course of business with other affiliates of Carrier. Accordingly, certain shared costs have been allocated to Taylor and reflected as expenses in the stand-alone audited Combined Financial Statements.

Related Party Purchases and Sales

Throughout the period covered by the audited Combined Financial Statements, Taylor sold product to Carrier and its non-Taylor businesses. Sales in the Combined Statement of Operations include sales to affiliates of Carrier of $4.4 million for the year ended December 31, 2017. Cost of goods sold in the audited Combined Statement of Operations includes purchases from affiliates of Carrier and UTC of $3.3 million for the year ended December 31, 2017.

Allocated Centralized Costs

Both Carrier and UTC incur corporate costs for services provided to Taylor as well as other Carrier and UTC businesses. These services include treasury, tax, accounting, human resources, audit, legal, corporate research and development, purchasing, information technology and other such services. The costs associated with these services generally include all payroll and benefit costs, as well as overhead costs related to the support functions. UTC also allocates costs associated with corporate insurance coverage and medical, pension, post-retirement and other health plan costs for employees participating in UTC sponsored plans. Allocations are based on a number of utilization measures including headcount, proportionate usage and relative revenues. All such amounts have been deemed to have been incurred and settled by Taylor in the period in which the costs were recorded.

The allocated functional service expenses and general corporate expenses for the year ended December 31, 2017 are as follows:

(dollars in thousands)		2017
Selling, general and administrative expenses	$	5,163
Research and development expenses		275
Total allocated expenses	$	5,438

In the opinion of the management of Carrier and Taylor the expense and cost allocations have been determined on a basis considered to be a reasonable reflection of the utilization of services provided or the benefit received by Taylor during the period presented. The amounts that would have been, or will be incurred, on a stand-alone basis could differ from the amounts allocated due to economies of scale, difference in management judgment, a requirement for more or fewer employees or other factors. Management does not believe, however, that it is practicable to estimate what these expenses would have been had Taylor operated as an independent entity, including any expenses associated with obtaining any of these services from unaffiliated entities. In addition, the future results of operations, financial position and cash flows could differ materially from the historical results presented herein.

Cash Management and Financing

Taylor participates in UTC's centralized cash management and financing programs. Disbursements are made through centralized accounts payable systems which are operated by UTC. Cash receipts are transferred to centralized accounts, which are also maintained by UTC. As cash is received and disbursed by UTC, it is accounted for by Taylor through UTC's Net Investment. All short and long-term debt is financed by UTC and financing decisions for wholly and majority owned subsidiaries is determined by central UTC treasury operations. As such, none of the cash, debt or related interest expense has been allocated to Taylor in the audited Combined Financial Statements other than cash associated primarily with certain foreign entities that do not participate in the centralized cash management program.

Accounts Receivable and Payable

Accounts receivable and payable between Taylor and Carrier and its non-Taylor businesses are settled on a current basis and have primarily been accounted for through the UTC's Net Investment account in the audited Combined Financial Statements. The UTC Net Investment includes intercompany receivables due from Carrier and its affiliates of $469 million as of December 31, 2017. The UTC Net Investment includes intercompany payables due to Carrier and its affiliates of $27 million as of December 31, 2017.

NOTE 5: ACCOUNTS RECEIVABLE, NET

The accounts receivable as of December 31, 2017 are as follows:

(dollars in thousands)	2017
Trade receivables	$ 27,770
Miscellaneous	282
Total receivables	28,052
Allowance for bad debts	(157)
Accounts receivable, net	$ 27,895

Bad debt expense was $79 thousand for the year ended December 31, 2017.

NOTE 6: INVENTORIES, NET

The inventory as of December 31, 2017 are as follows:

(dollars in thousands)	2017
Raw materials	$ 1,260
Work-in-process	16,446
Finished goods	13,700
Inventory reserves	(3,981)
Inventories, net	$ 27,425

NOTE 7: FIXED ASSETS, NET

Fixed assets are recorded at cost and are depreciated over the estimated useful lives of individual assets. Fixed assets as of December 31, 2017 are as follows:

(dollars in thousands)	Estimated Useful Lives	2017
Land		$ 63
Buildings and improvements	10-28 years	22,610
Machinery, tools and equipment	3-10 years	32,263
Assets under construction		1,233
		56,169
Accumulated depreciation		(36,354)
Fixed assets, net		$ 19,815

Depreciation expense was $3.3 million for the year ended December 31, 2017.

NOTE 8: GOODWILL AND INTANGIBLE ASSETS

Goodwill. Goodwill as of December 31, 2017 was $186.3 million. There were no changes to goodwill in 2017.

Intangible Assets. Identifiable intangible assets as of December 31, 2017 are comprised of the following:

	2017	
(dollars in thousands)	Gross Amount	Accumulated Amortization
Patents and trademarks	$ 27,400	$ (12,218)
Other intangibles	2,897	(997)
Total Intangibles	$ 30,297	$ (13,215)

Amortization of intangible assets was $763 thousand for the year ended December 31, 2017. The following is the expected amortization of intangible assets for 2018 through 2022:

(dollars in thousands)	2018	2019	2020	2021	2022

Amortization expense	$ 1,063	$ 1,063	$ 1,063	$ 1,063	$ 963

NOTE 9: CUSTOMER ADVANCES AND DEFERRED REVENUES & ACCRUED LIABILITIES

Current Customer advances and deferred revenue and Accrued liabilities as of December 31, 2017 are as follows:

(dollars in thousands)	2017
Customer advances and deferred revenues	$ 10,187
Accrued salaries, wages and employee benefits	$ 6,747
Warranty accruals	4,790
Environmental reserves	570
Other	10,879
Accrued liabilities	$ 22,986

As is customary in the industry, in light of the long-term nature of some of our contracts, we may receive advances from customers which will subsequently be liquidated to sales upon delivery of product or other satisfaction of the revenue earning process. Deferred revenues largely represents these customer payments received in advance of the provision of related services, and will generally be recognized as sales upon the provision of related services. See Note 12, Other Long-term Liabilities, for information on the long-term components of Deferred revenue and Environmental reserves.

NOTE 10: INCOME TAXES

Income Before Income Taxes. For year ended December 31, 2017 the sources of income from continuing operations before income taxes are:

(dollars in thousands)	2017
United States	$ 51,929
Foreign	2,921
	$ 54,850

The Company recorded a tax benefit of ($2.3) million in connection with the passage of the TCJA. This amount relates to U.S. income tax attributable to previously undistributed earnings of Taylor's international subsidiaries and equity investments, net of foreign tax credits, and the revaluation of U.S. deferred income taxes. In accordance with SAB 118 issued on December 22, 2017, the U.S. income tax attributable to the TCJA's deemed repatriation provision, the revaluation of U.S. deferred taxes and the tax consequences relating to states with current conformity to the Internal Revenue Code are provisional amounts. Due to the enactment date and tax complexities of the TCJA, the Company has not completed its accounting related to these items.

To complete the accounting associated with the TCJA, the Company will continue to review the technical interpretations of the underlying law, monitor state legislative changes, and review U.S. federal and state guidance as it is issued. Further, the Company will continue to accumulate and refine the relevant data and computational elements needed to finalize its accounting for the effects of the TCJA by December 22, 2018.

Prior to enactment of the TCJA, with few exceptions, U.S. income taxes had not been provided on undistributed earnings of Taylor's international subsidiaries as the Company had intended to reinvest such earnings permanently outside the U.S. or to repatriate such earnings only when it was tax effective to do so. As of December 31, 2017 such undistributed earnings were approximately $14.9 million. The Company is evaluating the impact of the TCJA on its existing accounting position related to the undistributed earnings. Due to the inherent complexities in determining any incremental U.S. Federal and State taxes and the non-U.S. taxes that may be due if the earnings were remitted to the U.S. and in accordance with SAB 118 this evaluation has not been completed and no provisional amount has been recorded in regard to this amount.

Provision for Income Taxes. The income tax expense (benefit) for the year ended December 31, 2017, consisted of the following components:

(dollars in thousands)	2017
Current:	
United States:	
Federal	$ 14,917
State	3,356
Foreign	607
	18,880
Future:	
United States:	
Federal	(1,692)
State	269
Foreign	(34)
	(1,457)
Income tax expense	$ 17,423

Reconciliation of Effective Income Tax Rate. Differences between effective income tax rates and the statutory U.S. federal income tax rate for the year ended December 31, 2017 are as follows:

	2017

Statutory U.S. federal income tax rate	35.0%
Tax on international activities	(0.8)
State income taxes	4.3
U.S. tax reform	(4.3)
Domestic Production Activities	(2.3)
Other	(0.1)
Effective income tax rate	31.8%

The effective income tax rates for the year ended December 31, 2017 reflect tax benefits associated to the passage of the TCJA, lower tax rates on international earnings permanently reinvested outside the United States, credits related to research and development and deductions related to domestic production activities.

Deferred Tax Assets and Liabilities. Future income taxes represent the tax effects of transactions which are reported in different periods for tax and financial reporting purposes. These amounts consist of the tax effects of temporary differences between the tax and financial reporting balance sheet and tax carry-forwards. Current and non-current future income tax benefits and payables within the same tax jurisdiction are generally offset for presentation in the Combined Balance Sheet. The amounts have been provisionally adjusted for the impact of the TCJA.

The tax effects of net temporary differences and tax carry-forwards which gave rise to future income tax benefits and payables at December 31, 2017 are as follows:

(dollars in thousands)		**2017**
Future income tax benefits:		
Insurance and employee benefits	$	1,661
Other asset basis differences		2,277
Other liability basis differences		8,128
	$	12,066
Future income taxes payable:		
Other asset basis differences	$	17,647
	$	17,647

Unrecognized Tax Benefits. At December 31, 2017, we had gross tax-effected unrecognized tax benefits of $481 thousand, all of which, if recognized, would impact the effective tax rate. A reconciliation of the beginning and ending amounts of unrecognized tax benefits and interest expense related to unrecognized tax benefits for the year ended December 31, 2017 are as follows:

(dollars in thousands)		**2017**
Balance at December 31, 2016	$	310
Additions for tax positions related to the current year		171
Balance at December 31, 2017	$	481
Gross interest expense related to unrecognized tax benefits	$	13
Total accrued interest balance at December 31	$	28

We conduct business globally and, as a result one or more of our subsidiaries files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. In the normal course of business we are subject to examination by taxing authorities throughout the world, including such major jurisdictions as China and the United States. With few exceptions, we are no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations for years before 2008.

NOTE 11: EMPLOYEE BENEFIT PLANS

UTC sponsors numerous employee benefit plans, which certain employees of Taylor participate in as discussed below.

Employee Savings Plans. UTC sponsors and contributes to defined contribution employee savings plans. Certain employees of Taylor are also eligible to receive profit sharing contributions under a defined contributions plan. Our contributions to employee savings plans were $859 thousand for the year ended December 31, 2017.

Pension and Postretirement Benefits. UTC sponsors both funded and unfunded domestic and foreign defined benefit pension plans that cover a large number of employees. Benefits for union employees are generally based on a stated amount for each year of service. For non-union employees, benefits are generally based on an employee's years of service and compensation near retirement. Effective January 1, 2015, the formula changed to the existing cash balance formula that was adopted in 2003 for newly hired non-union employees and for other non-union employees who made a one-time voluntary election to have future benefit accruals determined under this formula. Taylor participates in UTC's U.S. plans as though they are participants in a multi-employer plan with the other businesses of UTC. The risks of participating in a multiemployer plan is different from single-employer plan in that assets contributed are pooled and may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. Lastly, if UTC chooses to stop participating in some of the multiemployer plans, UTC may be required to pay those plans a withdrawal liability based on the underfunded status of the plan.

An employer that participates in a multi-employer defined benefit plan is not required to report a liability beyond the contributions currently due and unpaid to the plan. Therefore, no assets or liabilities related to these plans have been included in the Combined Balance Sheet. For purposes of these combined financial statements, the amounts in the following table represent the allocation of cost to Taylor for the significant plans in which Taylor participates. These pension and post retirement expenses were allocated to Taylor and reported in cost of goods sold, selling, general and administrative expenses and non-service pension costs. The amounts for pension and retirement expenses for the year ended December 31, 2017 were as follows:

(dollars in thousands)	**2017**

Service cost	$	1,600
Non-Service pension (income)		(2,621)
Total	$	(1,021)

Taylor was not allocated any portion of UTC contributions in 2017. UTC is not required to make additional contributions in their domestic defined benefit plans through the end of 2028.

UTC sponsors a number of post-retirement plans that provide health and life benefits to eligible retirees. Such benefits are provided primarily from domestic plans. The post-retirement plans are unfunded.

NOTE 12: OTHER LONG-TERM LIABILITIES

Other long-term liabilities as of December 31, 2017 are as follows:

(dollars in thousands)		2017
Non-current tax liability	$	5,954
Environmental reserves		9,259
Deferred revenue		6,016
Other		2,142
Total long-term liabilities	$	23,371

NOTE 13: WARRANTIES

The changes in the carrying amount of service and product warranties for the year ended December 31, 2017 are as follows:

(Dollars in thousands)		2017
Balance as of December 31, 2016	$	5,454
Warranties issued		2,772
Settlements made		(3,443)
Other		7
Balance as of December 31, 2017	$	4,790

NOTE 14: COMMITMENTS & CONTINGENT LIABILITIES

Except as otherwise noted, while we are unable to predict the final outcome, based on information currently available, we do not believe that resolution of any of the following matters will have a material adverse effect upon our competitive position, results of operations, cash flows or financial condition.

Leases. We occupy space and use certain equipment under lease arrangements. Rental commitments at December 31, 2017 under long-term non-cancelable operating leases are payable as follows: $562 thousand in 2018, $437 thousand in 2019, $359 thousand in 2020, $291 thousand in 2021 and $205 thousand in 2022. Rent expense was $1.0 million in the year ended December 31, 2017.

Environmental. Our operations are subject to environmental regulation by federal, state and local authorities in the United States and regulatory authorities with jurisdiction over our foreign operations. As described in Note 3 to the audited Combined Financial Statements, we have accrued for the costs of environmental remediation activities and periodically reassess these amounts. We believe that the likelihood of incurring losses materially in excess of amounts accrued is remote. As of December 31, 2017, the outstanding liability for environmental obligations was $9.8 million and is included in Accrued liabilities and Other Long-Term Liabilities in the accompanying audited Combined Balance Sheet.

Other. We have accrued for environmental investigatory, remediation, operating and maintenance costs, performance guarantees and other litigation and claims based on our estimate of the probable outcome of these matters. While it is possible that the outcome of these matters may differ from the recorded liability, we believe that resolution of these matters will not have a material impact on our competitive position, results of operations, cash flows or financial condition.

We also have other commitments and contingent liabilities related to legal proceedings and other matters arising out of the normal course of business. We accrue contingencies based upon a range of possible outcomes. If no amount within this range is a better estimate than any other, then we accrue the minimum amount.

We are also subject to a number of routine lawsuits, investigations and claims (some of which involve substantial amounts) arising out of the ordinary course of our business. We do not believe that these matters will have a material adverse effect upon our competitive position, results of operations, cash flows or financial condition.

NOTE 15: SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 20, 2018, the date the financial statements were available to be issued. As of such date, the subsequent events identified that required recognition or disclosure are below.

On May 10, 2018 and May 11, 2018, Taylor Foodservice Equipment Trading (Shanghai) Co. Ltd, declared dividends payable to Carrier Asia Limited for $2.3 million and $3.5 million, respectively. These dividends were paid on May 30, 2018 and May 31, 2018, respectively.

On June 8, 2018 and June 21, 2018, the directors of Carrier Commercial Refrigeration, Inc. declared a dividend on issued and outstanding common shares of $424.4 million and $1.3 million payable to Carrier Corporation. These dividends were accounted for through UTC's Net Investment.

On June 22, 2018, Carrier Corporation sold Taylor to The Middleby Corporation for $1 billion, subject to certain adjustments set forth in the Stock Purchase Agreement dated May 18, 2018. Following the sale, UTC will no longer consolidate Taylor into its operating results.

CONDENSED COMBINED FINANCIAL STATEMENTS
TAYLOR
(A Business of United Technologies Corporation)

As of March 31, 2018 and December 31, 2017
and for the three months ended March 31, 2018 and March 31, 2017

CONDENSED COMBINED FINANCIAL STATEMENTS
TAYLOR
(A Business of United Technologies Corporation)

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Report of Independent Auditors

To Management and the Board of Directors of United Technologies Corporation,

We have reviewed the accompanying condensed combined interim financial information of Carrier Commercial Refrigeration, Inc., Taylor Food Service Equipment Trading (Shanghai) Co. Ltd., Taylor Company S.r.l and certain assets of Shanghai Carrier Transicold Co. Ltd (collectively "Taylor"), which comprise the condensed combined balance sheets as of March 31, 2018, and the related condensed combined statements of operations, of comprehensive income, of changes in net investment and of cash flows for the three-month periods ended March 31, 2018 and 2017.

Management's Responsibility for the Condensed Combined Interim Financial Information

The Company's management is responsible for the preparation and fair presentation of the condensed combined interim financial information in accordance with accounting principles generally accepted in the United States of America; this responsibility includes the design, implementation, and maintenance of internal control sufficient to provide a reasonable basis for the preparation and fair presentation of the condensed combined interim financial information in accordance with accounting principles generally accepted in the United States of America.

Auditors' Responsibility

Our responsibility is to conduct our review in accordance with auditing standards generally accepted in the United States of America applicable to reviews of interim financial information. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in the United States of America, the objective of which is the expression of an opinion regarding the financial information taken as a whole. Accordingly, we do not express such an opinion.

Conclusion

Based on our review, we are not aware of any material modifications that should be made to the accompanying condensed combined interim financial information for it to be in accordance with accounting principles generally accepted in the United States of America.

Other Matter

We previously audited, in accordance with auditing standards generally accepted in the United States of America, the combined balance sheet of Taylor as of December 31, 2017, and the related combined statements of operations, of comprehensive income, of changes in net investment and of cash flows for the year then ended (not presented herein), and in our report dated August 20, 2018, we expressed an unmodified opinion on those combined financial statements. In our opinion, the information set forth in the accompanying condensed combined balance sheet information as of December 31, 2017, is consistent, in all material respects, with the audited combined balance sheet from which it has been derived.

/s/ PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP
Hartford, Connecticut
August 20, 2018

PricewaterhouseCoopers LLP, 185 Asylum Street, Suite 2400, Hartford, CT 06103-3404
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TAYLOR

CONDENSED COMBINED STATEMENTS OF OPERATIONS

(dollars in thousands)	Three Months Ended March 31, 2018	2017
Net Sales:		
Product sales	$ 70,402	$ 74,147
Service sales	3,753	3,683
	74,155	77,830
Costs and Expenses:		
Cost of products sold	49,250	52,445
Cost of services sold	3,045	3,136
Research and development	1,603	1,384
Selling, general and administrative	8,511	8,482
	11,746	12,383
Other (expense) income, net	(102)	53
Operating profit	11,644	12,436
Non-service pension (benefit)	(981)	(592)
Interest expense, net	17	33
Income from operations before income taxes	12,608	12,995
Income tax expense	3,226	4,850
Net income	$ 9,382	$ 8,145

See accompanying Notes to Condensed Combined Financial Statements

TAYLOR

CONDENSED COMBINED STATEMENTS OF COMPREHENSIVE INCOME

(dollars in thousands)	Three Months ended March 31, 2018	2017
Net income	$ 9,382	$ 8,145
Other comprehensive income		
Foreign currency translation adjustments arising during period	735	106
Comprehensive income	$ 10,117	$ 8,251

See accompanying Notes to Condensed Combined Financial Statements

TAYLOR

CONDENSED COMBINED BALANCE SHEETS

(dollars in thousands)	As of March 31, 2018	December 31, 2017
Assets		
Cash	$ 11,925	$ 10,184
Accounts receivable, net	37,791	27,895
Inventories, net	30,232	27,425

Other assets, current	603	297
Total Current Assets	80,551	65,801
Future income tax benefits	390	373
Fixed assets, net	19,419	19,815
Goodwill	186,290	186,290
Intangible assets, net	16,817	17,082
Total Assets	$ 303,467	$ 289,361
Liabilities and UTC Net Investment		
Accounts payable	$ 21,335	$ 20,518
Accrued liabilities	20,968	22,986
Customer advances and deferred revenues	—	10,187
Contract liabilities, current	9,166	—
Total Current Liabilities	51,469	53,691
Other long-term liabilities	25,058	23,371
Total Liabilities	76,527	77,062
Commitments and contingent liabilities (Note 14)		
UTC Net Investment:		
UTC net investment	226,307	212,401
Accumulated other comprehensive income (loss)	633	(102)
Total UTC Net Investment	226,940	212,299
Total Liabilities and UTC Net Investment	$ 303,467	$ 289,361

See accompanying Notes to Condensed Combined Financial Statements

TAYLOR

CONDENSED COMBINED STATEMENTS OF CHANGES IN NET INVESTMENT

(dollars in thousands)	UTC net investment	Accumulated other comprehensive (loss) income	Total Equity
Balance at December 31, 2017	$ 212,401	$ (102)	$ 212,299
Net income	9,382	—	9,382
Common stock dividend	(2,490)	—	(2,490)
Other comprehensive income	—	735	735
Net transactions with affiliates	7,014	—	7,014
Balance at March 31, 2018	$ 226,307	$ 633	$ 226,940

See accompanying Notes to Condensed Combined Financial Statements

TAYLOR

CONDENSED COMBINED STATEMENTS OF CASH FLOWS

(dollars in thousands)	Three Months Ended March 31, 2018	2017
Operating Activities:		
Net income	$ 9,382	$ 8,145
Adjustments to reconcile net income to net cash flows provided by operating activities:		
Depreciation and amortization	1,190	1,002
Deferred income tax provision	638	553
Change in:		
Accounts receivable	(9,632)	(6,645)
Inventories and contracts in progress	(3,076)	(1,526)
Contract asset, current	(669)	—
Accounts payable and accrued liabilities	(1,679)	3,205
Contract liabilities, current	9,172	—
Other current liabilities	(10,161)	(97)
Other operating activities, net	(440)	(5,092)
Net cash flows used in operating activities	(5,275)	(455)
Investing Activities:		
Capital expenditures	(402)	(706)
Net transactions with affiliates	7,014	81
Other investing activities	(500)	—
Net cash flows provided by (used in) investing activities	6,112	(625)

Effect of foreign exchange rate changes on cash and cash equivalents		904		126
Net increase (decrease) in cash and cash equivalents		1,741		(954)
Cash and cash equivalents, beginning of year		10,184		10,432
Cash and cash equivalents, end of year	$	11,925	$	9,478
Supplemental Disclosure of Cash Flow Information:				
Non-cash investing activities				
Fixed assets acquired included in accrued liabilities	$	170	$	28
Cash paid during the period				
Interest paid	$	127	$	92
Income taxes paid, net of refunds	$	2,666	$	4,351

See accompanying Notes to Condensed Combined Financial Statements

TAYLOR

NOTES TO CONDENSED COMBINED FINANCIAL STATEMENTS

NOTE 1: DESCRIPTION OF THE BUSINESS

Carrier Commercial Refrigeration, Inc., Taylor Foodservice Equipment Trading (Shanghai) Co. Ltd., Taylor Company S.r.l are wholly owned subsidiaries of Carrier Corporation (Carrier). Included in these financial statements are the financial statements of Carrier Commercial Refrigeration, Inc., Taylor Foodservice Equipment Trading (Shanghai) Co. Ltd., Taylor S.r.l and certain assets of Shanghai Carrier Transicold Co. Ltd, a part of Carrier performing manufacturing service on behalf of Taylor (collectively “Taylor”). Carrier is a wholly owned subsidiary of United Technologies Corporation (UTC).

Taylor co-designs, manufactures and sells two sided cooking grills, continuous dispensing batch freezers, specialty blenders, frozen beverage dispensers, shake freezers, smoothie mixers, and soft serve and frozen yogurt freezers and related parts for food service under the Taylor Company, Flavor Burst, BRAS, Vitamix/Razzle, Henny Penny, Frigomat and Hamilton Beach brands.

NOTE 2: BASIS OF PRESENTATION

Historically, Taylor operated as a part of UTC and not a standalone company; consequently, stand-alone financial statements have not historically been prepared for Taylor. The accompanying Condensed Combined Financial Statements have been prepared from Carrier and UTC’s historical accounting records and are presented on a stand-alone basis as if Taylor’s operations had been conducted independently from Carrier and UTC.

The Condensed Combined Statements of Operations include all revenues and costs as well as assets and liabilities directly attributable to Taylor, including costs for facilities, functions and services used by Taylor. Costs for certain functions and services performed by centralized Carrier and UTC organizations are directly charged to Taylor based on usage or other allocation methods. The results of operations include allocations of (i) costs for administrative functions and services performed on behalf of Taylor by centralized groups within Carrier and UTC; (ii) Carrier and UTC’s general corporate expenses; and (iii) certain pension and other post-retirement benefit costs (see Note 4 for a description of the allocation methodologies employed). As more fully described in Note 10, current and deferred income taxes and related tax expense have been determined based on the stand-alone results of Taylor.

All charges and allocations for facilities, functions and services performed by Carrier and UTC organizations have been deemed paid by Taylor to Carrier and UTC in the period in which the cost was recorded in the Condensed Combined Statement of Operations. Taylor’s portion of its domestic and certain non-US income taxes payable is deemed to have been remitted to UTC in the period the related tax expense was recorded. Taylor’s portion of current domestic and certain non-U.S. income taxes receivable is deemed to have been remitted to Taylor by UTC in the period to which the receivable applies only to the extent that a refund of such taxes could have been recognized by Taylor on a stand-alone basis under the law of the relevant taxing jurisdiction.

UTC uses a centralized approach to cash management and financing its operations. Accordingly, none of the cash, debt or related interest expense on UTC’s books has been allocated to Taylor in the Condensed Combined Financial Statements. However, cash balances primarily associated with certain foreign entities that do not participate in UTC’s cash management program have been included in the Condensed Combined Financial Statements. Transactions between Carrier, UTC and Taylor are accounted for through UTC’s Net Investment (see Note 4 for additional information). Transactions between UTC and Taylor are deemed to have been settled immediately through UTC’s Net Investment.

All of the allocations and estimates in the Condensed Combined Financial Statements are based on assumptions that management believes are reasonable. However, the Condensed Combined Financial Statements included herein may not be indicative of the financial position, results of operations and cash flows of Taylor in the future, or if Taylor had been a separate, stand-alone entity during the periods presented.

NOTE 3: REVENUE RECOGNITION

Accounting Standards Update (ASU) 2014-09, *Revenue from Contracts with Customers (Topic 606)* and its related amendments (collectively, the “New Revenue Standard”) are effective for reporting periods beginning after December 15, 2017, and interim periods therein. We adopted the New Revenue Standard effective January 1, 2018 and elected the modified retrospective approach. The results for periods before 2018 were not adjusted for the new standard with no cumulative effect of adoption having to be recognized by Taylor.

Revenue Recognition Accounting Policy Summary. We account for revenue in accordance with Accounting Standards Codification (ASC) Topic 606: *Revenue from Contracts with Customers*. Under Topic 606, a performance obligation is a promise in a contract with a customer to transfer a distinct good or service to the customer. Our contracts with customers generally contain a single performance obligation. A contract's transaction price is allocated to each distinct performance obligation and recognized as revenue when, or as, the performance obligation is satisfied.

We consider the contractual consideration payable by the customer and assess variable consideration that may affect the total transaction price, including contractual discounts, contract incentive payments, estimates of award fees, and other sources of variable consideration, when determining the transaction price of each contract. We include variable consideration in estimated transaction price when there is a basis to reasonably estimate the amount. These estimates are based on historical experience, anticipated performance and our best judgment at the time.

Point in time revenue recognition. Performance obligations are satisfied as of a point in time for products. Revenue is recognized when control of the product transfers to the customer, generally upon product shipment.

Over-time revenue recognition. Performance obligations are satisfied over-time if the customer receives the benefits as we perform work, if the customer controls the asset as it is being produced, or if the product being produced for the customer has no alternative use and we have a contractual right to payment. We recognize revenue on an over-time basis on service contracts. Service revenue is primarily recognized on a straight-line basis over the contract period.

Allocation of transaction costs. Taylor enters into arrangements that can include a combination of services and products. Where elements are delivered over different periods of time, and when allowed under generally accepted accounting principles of the United States of America (U.S. GAAP), revenue is allocated to the respective elements based on their relative selling prices at the inception of the arrangement, and revenue is recognized as each element is delivered. We use a hierarchy to determine the fair value to be used for allocating revenue to elements: (i) vendor-specific objective evidence of fair value (VSOE), (ii) third-party evidence, and (iii) best estimate of selling price (ESP). Generally, VSOE is the price charged when the deliverable is sold separately or the price established by management for a product that is not yet sold if it is probable that the price will not change before introduction into the marketplace. ESPs are established as best estimates of what the selling prices would be if the deliverables were sold regularly on a stand-alone basis. Our process for determining ESPs requires judgment and considers multiple factors that may vary over time depending upon the unique facts and circumstances related to each deliverable.

The New Revenue Standard. The New Revenue Standard resulted in the establishment of contract asset and contract liability balance sheet accounts.

The following schedule reflects the effect of the New Revenue Standard on our balance sheet as of March 31, 2018:

(dollars in thousands)	March 31, 2018 under previous standard	Effect of the New Revenue Standard	March 31, 2018 as reported
Liabilities			
Customer advances and deferred revenues	$ 9,166	$ (9,166)	$ —
Contract liabilities, current	$ —	$ 9,166	$ 9,166

Contract Assets. Contract assets reflect revenue recognized and performance obligations satisfied in advance of customer billing.

Contract Liabilities. Contract liabilities relate to payments received in advance of the satisfaction of performance under the contract. We receive payments from customers based on the terms established in our contracts.

Net contract liabilities as of March 31, 2018 are as follows:

(dollars in thousands)	Three Months ended March 31, 2018
Contract assets, current (included in Accounts receivable, net)	$ 663
Total contract assets	663
Contract liabilities, current	(9,166)
Contract liabilities, noncurrent (included within Other long-term liabilities)	(7,587)
Total contract liabilities	16,753
Total contract liabilities, net	$ (16,090)

Under the New Revenue Standard, during the three months ended March 31, 2018 net contract liabilities increased to $16.1 million. This reflects the establishment of $15.8 million of contract liabilities upon the adoption, and $0.4 million of advance payments from customers upon adoption. The decrease of $0.1 million during the three months ended March 31, 2018 is the result of $4.0 million of new billings and an increase in advance payments offset by the liquidation of beginning of period contract liabilities of $4.1 million as a result of revenue recognition.

Remaining performance obligations (RPO) are the aggregate amount of total contract transaction price that is unsatisfied or partially unsatisfied. As of March 31, 2018, our total RPO are $42.6 million. Of this total, we expect approximately 91% will be recognized as sales over the following 24 months.

The New Revenue Standard requires ongoing incremental disclosures including explanation of significant changes in the contract asset and contract liability balances, and disaggregation of revenue into categories that depict how the nature, amount timing and uncertainty of revenue and cash flows are affected by economic factors.

NOTE 4: RELATED PARTIES

Historically, Taylor has been managed and operated in the normal course of business with other affiliates of Carrier. Accordingly, certain shared costs have been allocated to Taylor and reflected as expenses in the stand-alone Condensed Combined Financial Statements.

Related Party Purchases and Sales

Throughout the periods covered by the Condensed Combined Financial Statements, Taylor sold product to Carrier and its non-Taylor businesses. Sales in the Combined Statement of Operations include sales to affiliates of Carrier and UTC of $1.0 million and $1.4 million for the three months ended March 31, 2018 and 2017, respectively. Cost of goods sold in the Condensed Combined Statement of Operations includes purchases from affiliates of Carrier and UTC of $0.8 million and $1.1 million for the three months ended March 31, 2018 and 2017, respectively.

Allocated Centralized Costs

Both Carrier and UTC incur corporate costs for services provided to Taylor as well as other Carrier and UTC businesses. These services include treasury, tax, accounting, human resources, audit, legal, corporate research and development, purchasing, information technology and other such services. The costs associated with these services generally include all payroll and benefit costs, as well as overhead costs related to the support functions. UTC also allocates costs associated with corporate insurance coverage and medical, pension, post-retirement and other health plan costs for employees participating in UTC sponsored plans. Allocations are based

on a number of utilization measures including headcount, proportionate usage and relative revenues. All such amounts have been deemed to have been incurred and settled by Taylor in the period in which the costs were recorded.

The allocated functional service expenses and general corporate expenses for the three months ended March 31, 2018 and 2017 are as follows:

(dollars in thousands)	Three Months Ended March 31, 2018	Three Months Ended March 31, 2017
Selling, general and administrative expenses	$ 1,267	$ 1,218
Research and development expenses	46	69
Total allocated expenses	$ 1,313	$ 1,287

In the opinion of the management of Carrier and Taylor the expense and cost allocations have been determined on a basis considered to be a reasonable reflection of the utilization of services provided or the benefit received by Taylor during the period presented. The amounts that would have been, or will be incurred, on a stand-alone basis could differ from the amounts allocated due to economies of scale, difference in management judgment, a requirement for more or fewer employees or other factors. Management does not believe, however, that it is practicable to estimate what these expenses would have been had Taylor operated as an independent entity, including any expenses associated with obtaining any of these services from unaffiliated entities. In addition, the future results of operations, financial position and cash flows could differ materially from the historical results presented herein.

Cash Management and Financing

Taylor participates in UTC's centralized cash management and financing programs. Disbursements are made through centralized accounts payable systems which are operated by UTC. Cash receipts are transferred to centralized accounts, which are also maintained by UTC. As cash is received and disbursed by UTC, it is accounted for by Taylor through UTC's Net Investment. All short and long-term debt is financed by UTC and financing decisions for wholly and majority owned subsidiaries is determined by central UTC treasury operations. As such, none of the cash, debt or related interest expense has been allocated to Taylor in the Condensed Combined Financial Statements other than cash associated primarily with certain foreign entities that do not participate in the centralized cash management program.

Accounts Receivable and Payable

Accounts receivable and payable between Taylor and Carrier and its non-Taylor businesses are settled on a current basis and have been accounted for through the UTC's Net Investment account in the Condensed Combined Financial Statements. The UTC Net Investment includes intercompany receivables due from Carrier and its affiliates of $462 million and $469 million as of March 31, 2018 and December 31, 2017, respectively. The UTC Net Investment includes intercompany payables due to Carrier and its affiliates of $28 million and $27 million as of March 31, 2018 and December 31, 2017, respectively.

NOTE 5: ACCOUNTS RECEIVABLE, NET

The accounts receivable as of March 31, 2018 and December 31, 2017 are as follows:

(dollars in thousands)	March 31, 2018	December 31, 2017
Trade receivables	$ 37,074	$ 27,770
Contract assets, current	663	—
Miscellaneous	300	282
Total receivables	38,037	28,052
Allowance for bad debts	(246)	(157)
Accounts receivable, net	$ 37,791	$ 27,895

Bad debt expense was $86 thousand and $18 thousand for the three months ended March 31, 2018 and 2017, respectively.

NOTE 6: INVENTORIES, NET

The inventory as of March 31, 2018 and December 31, 2017 are as follows:

(dollars in thousands)	March 31, 2018	December 31, 2017
Raw materials	$ 4,196	$ 1,260
Work-in-process	18,260	16,446
Finished goods	11,757	13,700
Inventory reserves	(3,981)	(3,981)
Inventory, net	$ 30,232	$ 27,425

NOTE 7: FIXED ASSETS, NET

Fixed assets are recorded at cost and are depreciated over the estimated useful lives of individual assets. Fixed assets as of March 31, 2018 and December 31, 2017 are as follows:

(dollars in thousands)	Estimated Useful Lives	March 31, 2018	December 31, 2017
Land		$ 63	$ 63
Buildings and improvements	10-28 years	22,740	22,610
Machinery, tools and equipment	3-10 years	32,624	32,263
Assets under construction		1,159	1,233
		56,586	56,169
Accumulated depreciation		(37,167)	(36,354)
Fixed assets, net		$ 19,419	$ 19,815

Depreciation expense was $925 thousand and $836 thousand for the three months ended March 31, 2018 and 2017, respectively.

NOTE 8: GOODWILL AND INTANGIBLE ASSETS

Goodwill. Goodwill as of March 31, 2018 and December 31, 2017 was $186.3 million and $186.3 million, respectively.

Intangible Assets. Identifiable intangible assets as of March 31, 2018 and December 31, 2017 are comprised of the following:

	As of March 31, 2018	
(dollars in thousands)	Gross Amount	Accumulated Amortization
Patents and trademarks	$ 27,400	$ (12,383)
Other intangibles	2,897	(1,097)
Total Intangibles	$ 30,297	$ (13,480)

	As of December 31, 2017	
(dollars in thousands)	Gross Amount	Accumulated Amortization
Patents and trademarks	$ 27,400	$ (12,218)
Other intangibles	2,897	(997)
Total Intangibles	$ 30,297	$ (13,215)

Amortization of intangible assets was $265 thousand and $165 thousand in the three months ended March 31, 2018 and 2017, respectively.

NOTE 9: ACCRUED LIABILITIES

Accrued liabilities as of March 31, 2018 and December 31, 2017 are as follows:

(dollars in thousands)	March 31, 2018	December 31, 2017
Accrued salaries, wages and employee benefits	$ 4,190	$ 6,747
Warranty accruals	4,612	4,790
Environmental reserves	570	570
Other	11,596	10,879
Accrued liabilities	$ 20,968	$ 22,986

See Note 12, Other Long-term Liabilities, for information on the long-term components of Environmental reserves. See Note 13 for additional details on the warranty accruals.

NOTE 10: INCOME TAXES

On December 22, 2017 Public Law 115-97 "*An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018*" was enacted. This law is commonly referred to as the Tax Cuts and Jobs Act of 2017 (TCJA). In accordance with Staff Accounting Bulletin 118 (SAB 118) issued on December 22, 2017, the U.S. income tax amounts recorded attributable to the TCJA's deemed repatriation provision, the revaluation of U.S. deferred taxes and the tax consequences relating to states with current conformity to the Internal Revenue Code are provisional amounts. Due to the enactment date and tax complexities of the TCJA, the Company has not completed its accounting related to these items. Prior to enactment of the TCJA, with few exceptions, U.S. income taxes had not been provided on undistributed earnings of Taylor's international subsidiaries as the Company had intended to reinvest such earnings permanently outside the U.S. or to repatriate such earnings only when it was tax effective to do so. The Company continues to evaluate the impact of the TCJA on its existing accounting position related to the undistributed earnings. Due to the inherent complexities in determining any incremental U.S. Federal and State taxes and the non-U.S. taxes that may be due if all of these earnings were remitted to the U.S. and in accordance with SAB

118 this evaluation has not been completed and no provisional amount has been recorded in regard to the undistributed amounts. After completing its evaluation, the Company will accrue any additional taxes due on previously undistributed earnings to be distributed in the future. The Company will continue to accumulate and refine the relevant data and computational elements needed to finalize its accounting for the effects of the TCJA by December 22, 2018.

We conduct business globally and, as a result one or more of our subsidiaries files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. In the normal course of business we are subject to examination by taxing authorities throughout the world. With few exceptions, we are no longer subject to U.S. federal, state and local, or non-U.S. income tax examinations for years before 2008.

In the ordinary course of business, there is inherent uncertainty in quantifying our income tax positions. We assess our income tax positions and record tax benefits for all years subject to examination based upon management's evaluation of the facts, circumstances, and information available at the reporting date. It is reasonably possible that a net reduction within the range of $0 and $310 thousand of unrecognized tax benefit may occur within the next 12 months as a result of additional worldwide uncertain tax positions, the revaluation of current uncertain tax positions arising from developments in examinations, in appeals or in the courts, or the closure of tax statutes.

NOTE 11: EMPLOYEE BENEFIT PLANS

UTC sponsors numerous employee benefit plans, which certain employees of Taylor participate in as discussed below.

Employee Savings Plans. UTC sponsors and contributes to defined contribution employee savings plans. Certain employees of Taylor are also eligible to receive profit sharing contributions under a defined contributions plan. Our contributions to

employee savings plans were $258 thousand and $275 thousand for the three months ended March 31, 2018 and 2017, respectively.

Pension and Postretirement Benefits. UTC sponsors both funded and unfunded domestic and foreign defined benefit pension plans that cover a large number of employees. Benefits for union employees are generally based on a stated amount for each year of service. For non-union employees, benefits are generally based on an employee's years of service and compensation near retirement. Effective January 1, 2015, the formula changed to the existing cash balance formula that was adopted in 2003 for newly hired non-union employees and for other non-union employees who made a one-time voluntary election to have future benefit accruals determined under this formula. Taylor participates in UTC's U.S. plans as though they are participants in a multi-employer plan with the other businesses of UTC. The risks of participating in a multiemployer plan is different from single-employer plan in that assets contributed are pooled and may be used to provide benefits to employees of other participating employers. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers. Lastly, if UTC chooses to stop participating in some of the multiemployer plans, UTC may be required to pay those plans a withdrawal liability based on the underfunded status of the plan.

An employer that participates in a multi-employer defined benefit plan is not required to report a liability beyond the contributions currently due and unpaid to the plan. Therefore, no assets or liabilities related to these plans have been included in the Condensed Combined Balance Sheets. For purposes of these condensed combined financial statements, the amounts in the following table represent the allocation of cost to Taylor for the significant plans in which Taylor participates. These pension and post retirement expenses were allocated to Taylor and reported in cost of goods sold, selling, general and administrative expenses and non-service pension costs. The amounts for pension and retirement expenses for three months ended March 31, 2018 and 2017 were as follows:

(dollars in thousands)	Three Months Ended March 31, 2018	2017
Service cost	$ 432	$ 400
Non-Service pension (income)	(981)	(592)
Total	$ (549)	$ (192)

Taylor was not allocated any portion UTC contributions for the three months ending March 31, 2018 or during 2017. UTC is not required to make additional contributions in their domestic defined benefit plans through the end of 2028.

UTC sponsors a number of post-retirement plans that provide health and life benefits to eligible retirees. Such benefits are provided primarily from domestic plans. The post-retirement plans are unfunded.

NOTE 12: OTHER LONG-TERM LIABILITIES

Other long-term liabilities as of March 31, 2018 and December 31, 2017 are as follows:

(dollars in thousands)	March 31, 2018	December 31, 2017
Non-current tax liability	$ 6,591	$ 5,954
Environmental reserves	9,234	9,259
Deferred revenue and contract liabilities	7,587	6,016
Other	1,646	2,142
Total long-term liabilities	$ 25,058	$ 23,371

Deferred revenues largely represents the customer payments received in advance of the provision of related services, and will generally be recognized as sales upon the provision of related services.

As of March 31, 2018 and December 31, 2017, the outstanding liability for asset retirement obligations was $163 thousand and $161 thousand and is included in Other Long-term Liabilities in the accompanying Condensed Combined Balance Sheets, respectively.

NOTE 13: WARRANTIES

The changes in the carrying amount of service and product warranties for the three months ended March 31, 2018 and 2017 are as follows:

(Dollars in thousands)	Three Months Ended March 31, 2018
Balance as of December 31, 2017	$ 4,790
Warranties issued	695
Settlements made	(877)
Other	4
Balance as of March 31, 2018	$ 4,612

NOTE 14: COMMITMENTS & CONTINGENT LIABILITIES

Except as otherwise noted, while we are unable to predict the final outcome, based on information currently available, we do not believe that resolution of any matters will have a material adverse effect upon our competitive position, results of operations, cash flows or financial condition.

We have accrued for environmental investigatory, remediation, operating and maintenance costs, performance guarantees and other litigation and claims based on our estimate of the probable outcome of these matters. While it is possible that the outcome of these matters may differ from the recorded liability, we believe that resolution of these matters will not have a material impact on our competitive position, results of operations, cash flows or financial condition. As of March 31, 2018 and December 31, 2017, the outstanding liability for environmental obligations was $9.8 million and $9.8 million, respectively, and is included in Accrued liabilities and Other Long-Term Liabilities in the accompanying Condensed Combined Balance Sheets.

We also have other commitments and contingent liabilities related to legal proceedings and other matters arising out of the normal course of business. We accrue contingencies based upon a range of possible outcomes. If no amount within this range is a better estimate than any other, then we accrue the minimum amount.

We are also subject to a number of routine lawsuits, investigations and claims (some of which involve substantial amounts) arising out of the ordinary course of our business. We do not believe that these matters will have a material adverse effect upon our competitive position, results of operations, cash flows or financial condition.

NOTE 15: SUBSEQUENT EVENTS

Subsequent events have been evaluated through August 20, 2018, the date the financial statements were available to be issued. As of such date, the subsequent events identified that required recognition or disclosure are below.

On May 10, 2018 and May 11, 2018, Taylor Foodservice Equipment Trading (Shanghai) Co. Ltd, declared dividends payable to Carrier Asia Limited for $2.3 million and $3.5 million, respectively. These dividends were paid on May 30, 2018 and May 31, 2018, respectively.

On June 8, 2018 and June 21, 2018 the directors of Carrier Commercial Refrigeration, Inc. declared a dividend on issued and outstanding common shares of $424.4 million and $1.3 million, respectively, payable to Carrier Corporation. These dividends were accounted for through UTC’s Net Investment.

On June 22, 2018, Carrier Corporation sold Taylor to The Middleby Corporation for $1 billion, subject to certain adjustments set forth in the Stock Purchase Agreement dated May 18, 2018. Following the sale, UTC will no longer consolidate Taylor into its operating results.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL DATA OF THE MIDDLEBY CORPORATION

On June 22, 2018, The Middleby Corporation, (the "Company" or "Middleby") and Middleby Marshall Inc., a direct wholly owned subsidiary of the Company ("Purchaser"), completed their previously announced acquisition (the "Acquisition") of the Taylor Company ("Taylor") pursuant to a Stock Purchase Agreement, dated as of May 18, 2018 (the "Stock Purchase Agreement"), with United Technologies Corporation, a Delaware corporation ("UTC"), Carrier Corporation, a Delaware corporation and a wholly owned subsidiary of UTC ("Parent"), and Carrier Asia Limited, a company limited by shares registered in Hong Kong and a wholly owned subsidiary of UTC (together with Parent, "Sellers").

The Company, through Purchaser and other affiliates, acquired the Taylor business from Sellers for approximately $1.0 billion in cash, subject to certain adjustments set forth in the Stock Purchase Agreement. In connection with the Acquisition, the Company borrowed approximately $1.0 billion under its five-year, $2.5 billion amended and restated multi-currency revolving credit agreement (the "Credit Agreement").

The unaudited pro forma condensed combined financial information is presented to illustrate the estimated effects of the transaction and the other activities contemplated by the Stock Purchase Agreement based on the historical financial position and results of operations of Middleby and Taylor. The unaudited pro forma condensed combined financial information is presented as follows:

- the unaudited pro forma condensed combined balance sheet as of March 31, 2018, prepared based on (i) the historical unaudited consolidated balance sheet of Middleby as of March 31, 2018 and (ii) the historical unaudited combined balance sheet of Taylor as of March 31, 2018.

- the unaudited pro forma condensed combined statement of income for the three months ended March 31, 2018 prepared based on (i) the historical unaudited consolidated statement of income of Middleby for the three months ended March 31, 2018 and (ii) the historical unaudited condensed combined statement of operations of Taylor for the three months ended March 31, 2018.

- the unaudited pro forma condensed combined statement of income for the year ended December 30, 2017 prepared based on (i) the historical audited consolidated statement of income of Middleby for the year ended December 30, 2017 with revisions from previously issued audited financial statements to reflect the adoption of certain Accounting Standards Updates as further described in Note 2 and (ii) the historical audited combined statement of operations of Taylor for the year ended December 31, 2017.

The transaction will be accounted for using the acquisition method of accounting in accordance with Accounting Standards Codification ("ASC") 805, "Business Combinations," ("ASC 805") with Middleby designated as the accounting acquirer of Taylor. The unaudited pro forma condensed combined financial information set forth below primarily gives effect to the following:

- the alignment of accounting policies and financial statement classifications of Taylor to those of Middleby;

- the application of the acquisition method of accounting in connection with the transaction;

- the drawdown of additional borrowings against Middleby's existing Credit Agreement in connection with the transaction, the proceeds of which were used to finance the approximately $1.0 billion cash consideration comprising the purchase price; and

- the application of transaction costs in connection with the transaction.

The unaudited pro forma condensed combined financial information has been presented for informational purposes only and is not necessarily indicative of what the combined company's financial position or results of operations actually would have been had the transaction been completed as of the dates indicated. In addition, the unaudited pro forma condensed combined financial information does not purport to project the future financial position or operating results of the combined company. The accompanying unaudited pro forma condensed combined statements of income do not include any pro forma adjustments to reflect expected cost savings or restructuring actions which may be achievable or the impact of any non-recurring activity and one-time transaction related costs.

The unaudited pro forma condensed combined financial information has been prepared using the acquisition method of accounting under existing United States generally accepted accounting principles ("GAAP"), which is subject to change. The acquisition accounting is dependent upon certain valuations and other studies. Middleby has completed an initial valuation and other relevant studies. Middleby will finalize the purchase price allocation as soon as practicable within the measurement period, but in no event later than one year following the closing date of the transaction. The assets and liabilities of Taylor have been measured based on various initial estimates using assumptions that Middleby believes are reasonable, based on information that is currently available. Accordingly, the pro forma adjustments are preliminary and have been made solely for the purpose of providing pro forma condensed combined financial information prepared in accordance with the rules and regulations of the U.S. Securities and Exchange Commission ("SEC"). Differences between these preliminary estimates and the final acquisition accounting will exist, and these differences could have a material impact on the accompanying unaudited pro forma condensed combined financial information and the combined company's future results of operations and financial position.

The unaudited pro forma condensed combined financial information has been compiled in a manner consistent with the accounting policies adopted by Middleby in all material aspects. Middleby has performed a detailed review of Taylor's accounting policies. Subsequent to the Acquisition, Middleby may identify additional differences between the accounting policies of the two companies that, when conformed, could have a material impact on the financial statements of the combined company.

Additionally, certain financial information of Taylor as presented in its historical financial statements has been reclassified to conform to the historical presentation in Middleby's financial statements for purposes of preparation of the unaudited pro forma condensed combined financial information (see Note 8).

The unaudited pro forma condensed combined financial information gives effect to the transaction, as if the transaction had been completed on March 31, 2018, for balance sheet purposes and January 1, 2017, for statement of income purposes. This unaudited pro forma condensed combined financial information was derived from and should be read in conjunction with the separate (i) unaudited financial statements of Middleby as of and for the three months ended

March 31, 2018 and the related notes included in Middleby's Quarterly Report on Form 10-Q for the three months ended March 31, 2018 that Middleby filed with the SEC on May 10, 2018, (ii) audited financial statements of Middleby as of and for the year ended December 30, 2017 and the related notes included in Middleby's Annual Report on Form 10-K for the year ended December 30, 2017 that Middleby filed with the SEC on February 28, 2018, (iii) Taylor's audited combined financial statements as of and for the year ended December 31, 2017 included in this Current Report on Form 8-K, and (iv) and Taylor's unaudited condensed combined financial statements as of and for the three months ended March 31, 2018 included in this Current Report on Form 8-K.

The Middleby Corporation
Unaudited Pro Forma Condensed Combined Balance Sheet
As of March 31, 2018
(amounts in thousands, except share data)

	Historical Middleby Corporation	Historical Taylor Company (Note 8)	Pro Forma Adjustments	Note	Pro Forma Combined
ASSETS					
Current assets:					
Cash and cash equivalents	$ 103,290	$ 13,469	$ (17,508)	6A	$ 99,251
Accounts receivables, net of reserve of doubtful accounts	331,609	37,791	(500)		368,900
Inventories, net	459,151	30,232	(583)		488,800
Prepaid expenses and other	48,464	603	2,232		51,299
Prepaid taxes	17,141	—	—		17,141
Total current assets	959,655	82,095	(16,359)		1,025,391
Property, plant and equipment, net of accumulated depreciation	296,473	19,419	1,768	6B	317,660
Goodwill	1,293,896	186,290	299,326	6C	1,779,512
Other intangibles, net of amortization	787,513	16,817	467,393	6D	1,271,723
Long-term deferred tax assets	46,284	390	—		46,674
Other assets	43,073	—	—		43,073
Total assets	$ 3,426,894	$ 305,011	$ 752,128		$ 4,484,033
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Current maturities of long-term debt	$ 5,113	$ —	$ —		$ 5,113
Accounts payable	145,366	22,879	(737)	6F	167,508
Accrued expenses	305,132	30,134	(570)	6F	334,696
Total current liabilities	455,611	53,013	(1,307)		507,317
Long-term debt	1,043,885	—	1,000,000	6E	2,043,885
Long-term deferred tax liability	91,433	6,591	(6,591)	6H	91,433
Accrued pension benefits	338,843	—	—		338,843
Other non-current liabilities	56,464	18,467	(9,397)	6F	65,534
Shareholders' equity:					
Preferred stock	—	—	—		—
Common stock	145	—	—		145
Paid-in capital	375,067	226,307	(226,307)	6G	375,067
Treasury stock	(445,118)	—	—		(445,118)
Retained earnings	1,757,500	—	(3,637)	6G	1,753,863
Accumulated other comprehensive income	(246,936)	633	(633)	6G	(246,936)
Total shareholders' equity	1,440,658	226,940	(230,577)		1,437,021
Total liabilities and shareholders' equity	$ 3,426,894	$ 305,011	$ 752,128		$ 4,484,033

The Middleby Corporation
Unaudited Pro Forma Condensed Combined Statement of Income
For the Three Months Ended March 31, 2018
(amounts in thousands, except per share data)

	Historical Middleby Corporation	Historical Taylor Company (Note 8)	Pro Forma Adjustments	Note	Pro Forma Combined
Net sales	$ 584,800	$ 74,155	$ —		$ 658,955
Cost of sales	373,167	53,633	(366)	7A, 7B	426,434
Gross profit	211,633	20,522	366		232,521
Selling, general, and administrative expenses	122,948	8,776	5,860	7A, 7C	137,584
Restructuring expenses	1,693	—	—		1,693
Gain on sale of plant	—	—	—		—
Impairment of intangible asset	—	—	—		—
Income from operations	86,992	11,746	(5,494)		93,244
Interest expense and deferred financing amortization,	8,823	17	9,923	7D	18,763

	Historical Middleby Corporation	Historical Taylor Company (Note 8)	Pro Forma Adjustments	Note	Pro Forma Combined
net					
Net periodic pension benefit (other than service cost)	(9,705)	(981)	981	7C	(9,705)
Other expense (income), net	1,173	102	—		1,275
Earnings before income taxes	86,701	12,608	(16,398)		82,911
Provision for income taxes	21,281	3,226	(4,269)	7E	20,238
Net earnings	$ 65,420	$ 9,382	$ (12,129)		$ 62,673
Net earnings per share:					
Basic	$ 1.18				$ 1.13
Diluted	$ 1.18				$ 1 .13
Weighted average number of shares					
Basic	55,573				55,573
Dilutive common stock equivalents	—				—
Diluted	55,573				55,573

The Middleby Corporation
Unaudited Pro Forma Condensed Combined Statement of Income
For the Year Ended December 30, 2017
(amounts in thousands, except per share data)

	Historical Middleby Corporation	Historical Taylor Company (Note 8)	Pro Forma Adjustments	Note	Pro Forma Combined
Net sales	$ 2,335,542	$ 308,180	$ —		$ 2,643,722
Cost of sales	1,422,801	219,520	(992)	7A, 7B	1,641,329
Gross profit	912,741	88,660	992		1,002,393
Selling, general, and administrative expenses	468,219	36,104	23,580	7A, 7C	527,903
Restructuring expenses	19,951	305	—		20,256
Gain on sale of plant	(12,042)	—	—		(12,042)
Impairment of intangible asset	58,000	—	—		58,000
Income from operations	378,613	52,251	(22,588)		408,276
Interest expense and deferred financing amortization, net	25,983	146	39,693	7D	65,822
Net periodic pension benefit (other than service cost)	(31,728)	(2,621)	2,621	7C	(31,728)
Other expense (income), net	829	(124)	—		705
Earnings before income taxes	383,529	54,850	(64,902)		373,477
Provision for income taxes	85,401	17,423	(24,815)	7E	78,009
Net earnings	$ 298,128	$ 37,427	$ (40,087)		$ 295,468
Net earnings per share:					
Basic	$ 5.26				$ 5.21
Diluted	$ 5.26				$ 5.21
Weighted average number of shares					
Basic	56,715				56,715
Dilutive common stock equivalents	4				4
Diluted	56,719				56,719

Note 1. Description of the Transaction

Purchase Agreement

On May 18, 2018, Middleby entered into the Stock Purchase Agreement by and among Middleby, Purchaser and the Sellers, pursuant to which Middleby acquired Taylor. The transaction was completed on June 22, 2018.

Subject to the terms and conditions of the Stock Purchase Agreement, as consideration for the acquisition of Taylor, Middleby paid to the Sellers approximately $1.0 billion in cash (the “Cash Considerations”). The completion of the transaction was subject to certain customary closing conditions.

Credit Agreement Borrowing

On July 28, 2016, the Company entered into an amended and restated five-year $2.5 billion multi-currency senior secured revolving credit agreement, the Credit Agreement, with the potential under certain circumstances to increase the amount of the Credit Agreement to $3.0 billion. In connection with the Acquisition, the Company borrowed $1.0 billion on June 22, 2018, pursuant to terms of the Credit Agreement. Borrowings under the Credit Agreement accrue interest at a rate of 1.63% above LIBOR per annum.

Additionally, the Company uses floating-to-fixed interest rate swap agreements to hedge variable interest rate risk associated with the Credit Agreement. In connection with the Acquisition, the Company executed floating-to-fixed interest rate swaps totaling $500.0 million notional amount carrying an interest rate of 2.68% that mature in more than 36 months but less than 84 months. See Note 6E for further discussion.

Note 2. Basis of Pro Forma Presentation

The accompanying unaudited pro forma condensed combined financial information has been prepared in accordance with Article 11 of Regulation S-X and has been derived from the audited and unaudited financial information of Middleby and Taylor. The financial information has been adjusted in the accompanying unaudited pro forma condensed combined financial information to give effect to pro forma events that are (1) directly attributable to the transaction, (2) factually supportable and (3) with respect to the unaudited pro forma condensed combined statement of income, expected to have a continuing impact on the combined results of operations of Middleby.

The unaudited pro forma condensed combined financial information was prepared using the acquisition method of accounting in accordance with ASC 805, which requires, among other things, that assets acquired and liabilities assumed in a business combination be recognized at their fair values as of the acquisition date. The acquisition method of accounting, in accordance with ASC 805, uses the fair value concepts defined in ASC 820, "*Fair Value Measurement*" ("ASC 820").

ASC 820 defines fair value, establishes the framework for measuring fair value for any asset acquired or liability assumed under GAAP, expands disclosures about fair value measurements, and specifies a hierarchy of valuation techniques based on the nature of the inputs used to develop the fair value measurements. Fair value is defined in ASC 820 as "the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date." This is an exit price concept for the valuation of an asset or liability. Market participants are assumed to be buyers or sellers in the most advantageous market for the asset or liability. Fair value measurement for an asset assumes the highest and best use by these market participants, and as a result, assets may be required to be recorded which are not intended to be used or sold. Additionally, the fair value may not reflect management's intended use for those assets.

Fair value measurements can be highly subjective and it is possible the application of reasonable judgment could develop different assumptions resulting in a range of alternative estimates using the same facts and circumstances.

Fair value estimates were determined based on discussions between Middleby and Taylor management, due diligence efforts, and information available in public filings. The allocation of the aggregate transaction consideration used in the preliminary unaudited pro forma condensed combined financial information is based on initial estimates. The final determination of the allocation of the aggregate transaction consideration will be based on the actual tangible and intangible assets and the liabilities of Taylor at the effective time of the transaction (see Note 5).

Taylor's assets acquired and liabilities assumed were recorded at their fair value at the transaction date. ASC 805 establishes that the consideration transferred shall be measured at the closing date of the transaction at the then-current market price. Middleby acquired Taylor for approximately $1.0 billion of contractual cash consideration with additional cash considerations of $13.9 million paid at close related to the preliminary net working capital adjustment and a cash holdback related to foreign taxes to be paid by Sellers.

The unaudited pro forma condensed combined financial information is presented solely for informational purposes and is not necessarily indicative of the combined results of operations or financial position that might have been achieved for the periods or dates indicated, nor is it necessarily indicative of the future results of the combined company. The unaudited pro forma condensed combined financial information has not been adjusted to give effect to certain expected financial benefits of the transaction, such as tax savings, cost synergies or revenue synergies, or the anticipated costs to achieve these benefits, including the cost of integration activities. Also, the unaudited pro forma condensed combined financial information does not reflect possible adjustments related to restructuring or integration activities that have yet to be determined or transaction or other costs following the combination that are not expected to have a continuing impact on the business of the combined company. Further, one-time transaction-related expenses anticipated to be incurred prior to, or concurrent with, the closing of the transaction are not included in the unaudited pro forma condensed combined statement of income. For the three months ended March 31, 2018 and the year ended December 30, 2017, such transaction expenses were determined not to be significant. Management has identified $3.6 million of transaction-related expenses, not yet incurred as of the pro forma balance sheet date, March 31, 2018, primarily related to deal advisory and legal fees.

Certain amounts from the historical financial statements of Taylor were reclassified to conform their presentation to that of Middleby (see Note 8).

The statement of income of Middleby for the year ended December 30, 2017 has been modified to reflect the retrospective adoption of ASU 2017-07, Compensation - Retirement Benefits. Accordingly, $31.7 million of benefit has been reclassified out of "Selling, general, and administrative expenses" to "Net periodic pension benefit (other than service costs)".

Note 3: Accounting Policies

For purposes of presenting the unaudited pro forma condensed combined financial statements and related information, Middleby has completed a review of Taylor's significant accounting policies (e.g., accounts receivable allowance for doubtful accounts, inventory reserves, warranty reserves) for purposes of identifying adjustments to align with Middleby accounting policies. At this time, the Company has not identified any material differences in these policies. Review of such accounting policies will continue and policy differences may be identified at a later date and may be deemed material at that time.

Note 4: Estimated Transaction Consideration

The estimate of consideration transferred and reflected in this unaudited pro forma condensed combined financial information does not purport to represent what the actual consideration transferred was when the transaction was completed. ASC 805 requires acquirers of a business to recognize the consideration transferred for the acquiree and the assets acquired and liabilities assumed in the exchange for the acquiree as part of applying the acquisition method. The consideration transferred in a business combination shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree, and the equity interests issued by the acquirer.

The Company, through Purchaser and other affiliates, acquired the Taylor business from Sellers for approximately $1.0 billion in cash. In connection with the Acquisition, the Company borrowed approximately $1.0 billion under its five-year Credit Agreement. There were no liabilities incurred to former owners or equity interests issued by the acquirer to be considered a component of the transaction consideration. As result, the fair value of the consideration transferred in exchanged for the business is the cash value of approximately $1.0 billion exchanged on the date of the acquisition. For purposes of these unaudited pro forma

condensed combined financial statements, the estimated net working capital adjustment to the purchase price based on the June 18, 2018 calculation in accordance with provisions of the Stock Purchase Agreement of $17.7 million was used to calculate the estimate of consideration expected to be transferred, less a cash holdback related to foreign taxes to be paid by Sellers of $3.8 million. This final cash consideration transferred at close was measured using the estimated net working capital adjustment to the purchase price based on the calculation included in an estimated closing statement prepared by Sellers in accordance with provisions of the Stock Purchase Agreement yielding a consideration adjustments of $13.9 million.

Note 5: Purchase Accounting Adjustments

The following is a preliminary estimate of the assets to be acquired and the liabilities to be assumed by Middleby in the transaction, reconciled to the estimated transaction consideration:

		Amounts as of Acquisition Date
Book value of net assets acquired at March 31, 2018	$	226,940
Adjusted for:		
Elimination of environmental and other obligations (1)		9,967
Elimination of existing intangible assets		(16,817)
Elimination of existing goodwill		(186,290)
Adjusted book value of net assets acquired		**33,800**
Adjustments to:		
Inventories and other assets		1,886
Property, plant and equipment		1,768
Intangible assets		484,210
Goodwill		485,616
Deferred taxes		6,591
Estimate of consideration expected to be transferred	**$**	**1,013,871**

(1) In accordance with the provisions of the Stock Purchase Agreement, Middleby received certain indemnifications from the historical environmental, health, and safety obligations associated with Taylor. As such, these obligations were removed from the adjusted book value of net assets acquired.

Note 6: Balance Sheet Adjustments

The following represents an explanation of the various adjustments to the unaudited pro forma condensed combined balance sheet.

A — Cash and cash equivalents:

Net proceeds from Middleby revolver draw down (1)	$	1,000,000
Cash paid for transaction expenses (2)		(3,637)
Cash paid by Middleby to Sellers		(1,013,871)
Total pro forma adjustment to cash and cash equivalents	**$**	**(17,508)**

(1) Amount represent net proceeds from a $1.0 billion drawdown on Middleby's existing Credit Agreement. Refer to Note 6E.

(2) Amount represents transaction costs not incurred or recognized by Middleby as of the pro forma balance sheet date of March 31, 2018. Unrecognized transaction costs are reflected as a reduction to cash for pro forma purposes. Refer to Note 2.

B—Property, plant and equipment

Represents the adjustment in carrying value of Taylor's property, plant and equipment from its recorded net book value to its preliminary estimated fair value. The estimated fair value is expected to be depreciated or amortized based on management's estimates of the period over which the assets will be utilized to benefit the operations of the company. The preliminary amounts assigned to property, plant and equipment are as follows:

	Estimated Life (1)		Taylor Historical Carrying Amount		Fair Value Adjustment		Estimated Fair Value
Land	N/A	$	63	$	397	$	460
Building and improvements	20-40 years		22,740		(12,671)		10,069
Furniture and fixtures	3-7 years		7,456		(3,637)		3,819
Machinery and equipment	3-10 years		26,327		(19,488)		6,839
			56,586		(35,399)		21,187
Less: Accumulated Depreciation			(37,167)		37,167		—

	$ 19,419	**$ 1,768**	**$ 21,187**

(1) Represents preliminary estimated life of assets to be acquired.

The final determination of fair value of property, plant and equipment, as well as estimated useful lives, remains subject to change. The finalization may have a material impact on the valuation of property, plant and equipment and the purchase price allocation, which is expected to be finalized subsequent to the closing of the transaction but within the measurement period.

To estimate the fair value of Taylor's property, plant and equipment, the Company considered valuation analyses of the assets using the sales comparison approach and the cost approach. The Company considered the highest and best use of the assets in selecting a valuation approach for each asset category. The estimated fair value of acquired land was determined with the sales comparison approach. The estimated fair value of the finite-lived real property including building and improvements was determined with a depreciated replacement cost method, which is a form of the "cost approach," using currently available information regarding an asset's replacement cost new and information used to estimate existing depreciation of the asset. Depreciation for both physical deterioration and functional obsolescence was factored into the calculation. Physical deterioration is estimated based on an age-life analysis. The estimated fair value of the acquired personal property was determined with an indirect cost approach, using cost indices to establish replacement cost trends and also life estimates and depreciation tables to calculate existing depreciation of the assets. Additional personal property factors were also considered in the valuation including condition of equipment, current maintenance programs associated with the equipment, and operational status of equipment.

The useful lives are estimated based on Middleby's historical experience with similar assets, taking into account anticipated technological or other changes. Middleby 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.

C—Goodwill

Goodwill represents the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognized. Goodwill is calculated as the excess of consideration transferred in the acquisition over the fair value of the tangible assets, identifiable intangible assets acquired, and liabilities assumed in a business combination. Goodwill acquired in the transaction is estimated to be $485.6 million and Taylor's historical goodwill of $186.3 million is eliminated, for a net adjustment of $299.3 million. The estimated goodwill to be recognized is attributable primarily to expected synergies, expanded opportunities in the commercial food service markets, and other benefits that Middleby believes will result from combining its operations with the operations of Taylor. The U.S. goodwill created in the transaction is expected to be deductible for tax purposes.

Purchase Price of Acquisition	$ 1,013,871
Fair value of net assets acquired:	
Cash	13,469
Current assets	69,775
Property, plant and equipment	21,187
Other intangibles	484,210
Current liabilities	(51,706)
Other non-current liabilities	(9,070)
Deferred tax balances	390
	528,255
Pro forma Goodwill	**$ 485,616**

D—Intangible assets

Represents adjustments to record the preliminary estimated fair value of intangibles of approximately $484.2 million, which is an increase of $467.4 million over Taylor's historical book value of intangibles of $16.8 million prior to the transaction.

Identified intangibles assets expected to be acquired consist of the following:

	Estimated Life (1)	Estimated Fair Value
Trade names and trademarks	indefinite	$ 230,000
Customer relationships	10 years	237,500
Developed technology	7 years	15,000
Other technologies	5 years	1,710
Estimated fair value of identified intangible assets		**$ 484,210**

(1) Represents preliminary estimated life of assets to be acquired.

The fair value estimate for all identifiable intangible assets is based on assumptions that market participants would use in pricing an asset, based on the most advantageous market for the asset (i.e., its highest and best use). The estimated fair value of trade names and trademarks was determined with the relief from royalty method, which is a commonly-used variation of the income approach. The Company considered the return on assets and market comparable methods when estimating an appropriate royalty rate for the trade names and trademarks. The estimated fair value of acquired customer relationships was determined with the excess earnings method, which is a variation of the income approach. This approach calculates the excess of the future cash inflows (i.e., revenue from customers generated from the relationships) over the related cash outflows (i.e., customer servicing expenses) generated over the useful life of the relationship. The estimated fair value of developed technologies was determined utilizing the relief from royalty method under the income approach with additional consideration given to asset deterioration rates.

The final determination of fair value of intangible assets, as well as estimated useful lives, remains subject to change. The finalization may have a material impact on the valuation of intangible assets and the purchase price allocation, which is expected to be finalized subsequent to the transaction but within the measurement period.

E—Long-term debt:

In connection with the Acquisition, the Company borrowed $1.0 billion on June 22, 2018, pursuant to terms of the Credit Agreement. Borrowings under the Credit Agreement accrue interest at a rate of 1.63% above LIBOR per annum.

Additionally, the company uses floating-to-fixed interest rate swap agreements to hedge variable interest rate risk associated with the Credit Agreement. In connection with the Acquisition, the company executed floating-to-fixed interest rate swaps totaling $500.0 million notional amount carrying an interest rate of 2.68% that mature over a range of time periods from 36 months to 84 months.

For the purposes of presenting pro forma financial statements, the company considered financing transactions at or near the close of the Acquisition and in alignment with the long-term financing needs associated with the Acquisition. In the pro forma financial statements, the approximately $1.0 billion drawdown is split into two sets: a $500.0 million floating rate borrowing and a $500.0 million floating-to-fixed borrowing using the interest rate swap agreements discussed above. Interest rate assumptions for pro forma purposes are discussed below:

- The $500.0 million floating debt was borrowed under a 6-month LIBOR option. The pro forma financial statements assume a 2.50% rate plus a 1.63% spread for an all-in rate of 4.13%.

- The $500.0 million floating-to-fixed debt was borrowed under a 1-month LIBOR option but converted to fixed rate debt using interest rate swap agreements. The pro forma financial statements use the contractual swap agreement rate of 2.68% plus a 1.63% spread for an all-in rate of 4.31%

Additionally, a commitment fee based upon the company's funded debt less unrestricted cash to pro forma EBITDA (the "Leverage Ratio") is charged on the unused portion of the commitments under the Credit Agreement. This variable commitment fee was estimated to be 0.25% per annum for pro forma purposes; therefore, the approximately $1.0 billion additional borrowings reduces the pro forma interest expense impact from undrawn amounts.

F—Other liabilities:

In accordance with the provisions of the Stock Purchase Agreement, Middleby received certain indemnifications from the historical environmental, health, and safety obligations associated with Taylor. As such, pro forma adjustments were drafted to remove certain liabilities primarily related to these environmental, health, and safety obligations. The adjustments reduced short-term and long-term obligation balances: $0.6 million of accrued expenses and $9.4 million of other non-current liabilities, respectively.

G—Total shareholders' equity

Represents the elimination of Taylor capital, accumulated deficit, and accumulated other comprehensive loss, as well as the following adjustments to reflect the capital structure of the combined company:

		Estimated Amounts as of Acquisition Date
Elimination of historical Taylor paid-in capital (1)	$	(226,307)
Estimate of transaction expenses (2)		(3,637)
Elimination of historical Taylor accumulated other comprehensive loss		(633)
Total adjustments to shareholders' equity	**$**	**(230,577)**

(1) Represents the reduction to paid-in capital related to the elimination of Taylor's historical equity, specifically the net parent investment and related retained earnings of Taylor held by the Sellers.

(2) Represents $3.6 million of transaction-related expenses, not yet incurred as of the pro forma balance sheet date, March 31, 2018. Refer to Note 2.

H—Income taxes

For U.S. federal tax purposes, the transaction is structured as stock acquisitions of the U.S. operations and foreign operations of Taylor, with a Section 338(h)(10) election being made for the U.S. acquisition. The Section 338(h)(10) election treats the U.S. acquisition as a deemed asset acquisition allowing a depreciable and amortizable step-up in tax basis at the transaction close. The valuation relating to the purchase accounting is preliminary; therefore the final impact on the deferred tax assets and liabilities cannot be determined at this time. Preliminary tax adjustments have been made to remove the Taylor U.S. deferred tax balances. Upon finalization of the purchase price allocation and detailed analysis of the acquired assets and assumed liabilities, there may be adjustments to the deferred tax balances, and these adjustments could be material.

Note 7: Statement of Income Adjustments

The following represents an explanation of the various adjustments to the unaudited pro forma condensed combined statement of income.

A—Depreciation of fixed assets and amortization of other intangibles

In conjunction with the acquisition accounting, the Company performed a fair value assessment of the property, plant and equipment and definite-lived intangible assets. These valuations generate estimated depreciation and amortization expense related to the pro forma valuation adjustments to property, plant and equipment (see Note 6B) and intangible assets (see Note 6D). Pro forma depreciation and amortization has been estimated on a preliminary basis as follows:

	Three Months Ended 3/31/2018	Fiscal Year Ended 12/30/2017
Estimated depreciation for acquired property, plant and equipment	$ 518	$ 1,745
Estimated amortization for acquired definite-lived intangibles assets	6,572	25,993
Historical Taylor depreciation expense	(925)	(3,286)
Historical Taylor definite-lived intangible amortization expense	(265)	(763)
Total pro forma adjustment to depreciation and amortization of other intangibles	**$ 5,900**	**$ 23,689**

The estimated depreciation expense was calculated using weighted average useful lives of 30 years for buildings and improvements, 5 years for furniture and fixtures, and 10 years for machinery and equipment. The estimated intangible amortization expense for customer relationships, developed technology, and existing developed oven technology was calculated using remaining useful lives of 10 years, 7 years, and 5 years, respectively. All depreciation of property, plant and equipment and definite-live intangibles assets are depreciated and amortized, respectively, on a straight-line basis.

B—Cost of sales

The pro forma impact to cost of sales includes the depreciation impact associated with the fair value measurement of Taylor property, plant and equipment. Cost of sales depreciation was reduced by $0.4 million and $1.5 million for three months ended March 31, 2018 and fiscal year ended December 30, 2017, respectively.

Additionally, a pro forma adjustment was drafted to remove the income statement impact of certain obligations written off in purchase accounting primarily related to the environmental, health, and safety obligations that will be retained by Seller. This adjustment resulted in a $0.5 million increase to cost of sales for fiscal year ended December 30, 2017.

C—Selling, general, and administrative

The pro forma impact to selling, general, and administrative expenses (SG&A) includes the intangible amortization impact associated with the fair value measurement of definite-lived intangible assets. Definite-lived assets include customer relationships and other developed technologies. Intangible amortization was increased by $6.3 million and $25.2 million for three months ended March 31, 2018 and fiscal year ended December 30, 2017, respectively.

Additionally, a pro forma adjustment was drafted to remove the net periodic pension cost (or benefit) attributable to the Seller's pension plan that historically supported certain Taylor employees. Taylor-employee participation in that plan ceased at Acquisition. As such, Middleby will not incur the continuing cost associated with supporting or sponsoring that plan. Removal of the pension service cost in the pro forma income statement resulted in a SG&A reduction of $0.4 million and $1.6 million for three months ended March 31, 2018 and fiscal year ended December 30, 2017, respectively.

Additionally, net periodic pension benefits other than service cost were also removed from the pro forma income statement. This resulted in a non-operating income reduction of $1.0 million and $2.6 million for three months ended March 31, 2018 and fiscal year ended December 30, 2017, respectively. There were no pension assets or obligations on the balance sheet of the Taylor audited financial statements as the plan was historically accounted for as a multi-employer plan.

D—Interest expense

The increase in interest expense is comprised of the following:

	Three Months Ended 3/31/2018	Fiscal Year Ended 12/30/2017
Floating borrowing of $500 million (six-month LIBOR USD plus 1.63%)	$ 5,166	$ 20,663
Floating-to-fixed borrowing of $500 million (hedged, monthly LIBOR USD plus 1.63%)	5,382	21,530
Removal of estimated commitment fee related to used portion of borrowings	(625)	(2,500)
Total interest expense adjustment	**$ 9,923**	**$ 39,693**

The interest rates used for the new Middleby debt for purposes of the pro forma condensed combined financial information are based on the contractual variable interest rates reflected in the addendums to the Credit Agreement related to the debt financing for the transaction (See Note 1) and the market rates associated with LIBOR USD borrowings at the time of this filing. The LIBOR USD rates for the floating debt that rolls over on a six-month basis are assumed to be 2.50%. As such, the variable interest rates inclusive of a 1.63% spread for the debt that rolls over on a six-month basis is 4.13%. For purposes of pro forma financials, the floating-to-fixed debt utilizes the contractual interest rate from the swap agreement of 2.68%. As such, the comprehensive floating-to-fixed interest rates inclusive of a 1.63% spread for the hedged debt is 4.31%. A 1/8 percent increase or decrease in the interest rates applicable to the approximately $1.0 billion borrowing would result in an aggregate increase or decrease to interest expense of $3.1 million and $12.5 million for the three months ended March 31, 2018 and for the year ended December 30, 2017, respectively.

Additionally, a commitment fee based upon the company's funded debt less unrestricted cash to pro forma EBITDA (the "Leverage Ratio") is charged on the unused portion of the commitments under the Credit Agreement. This variable commitment fee was estimated to be 0.25% per annum for pro forma purposes; therefore, the approximately $1.0 billion of additional borrowings reduces the pro forma interest expense impact from undrawn amounts.

E—Income taxes

Represents the income tax effect for unaudited pro forma condensed combined statement of income adjustments related to the transaction using statutory tax rates in each jurisdiction, less any applicable valuation allowances for the three months ended March 31, 2018 and the year ended December 30, 2017.

Because the adjustments contained in this unaudited pro forma condensed combined financial information are based on estimates, the effective tax rate could vary from the effective rate in periods subsequent to the transaction. The transaction includes expected cash tax benefits of approximately $17 million annually

that are associated with a section 338(h)(10) election that creates a depreciable and amortizable "stepped-up" tax basis (to fair market value) in certain Taylor U.S. assets. These unaudited pro forma financial statements depict an estimate of the tax impacts of the Acquisition.

This amount represents the tax impact of the pro forma adjustments on the income statement of $4.3 million and $24.8 million at the estimated statutory rate of 26.0% for the three months ended March, 31, 2018 and 38.2% for the year ended December 30, 2017, specifically applicable to the aggregate of pro forma adjustments. The effective tax rate of the combined company is 24.4% for the three months ended March 31, 2018 and 20.9% for the year ended December 30, 2017. These rates could be significantly different (either higher or lower) depending on post-transaction activities and impact due to U.S. tax reform.

Note 8: Reclassifications

Middleby has completed an initial review of the financial statement presentation of Taylor for purposes of the unaudited pro forma condensed combined financial information. During this review, the following financial statement reclassifications were performed in order to align the presentation of Taylor's financial information with that of Middleby:

Taylor Presentation March 31, 2018			Presentation Reclassification				Middleby Presentation March 31, 2018
Assets:							**Assets:**
							Current assets:
Cash	$	11,925	1,544	a	$	13,469	Cash and cash equivalents
Accounts receivable, net		37,791				37,791	Accounts receivable, net of reserve of doubtful accounts
Inventories, net		30,232				30,232	Inventories, net
Other assets, current		603				603	Prepaid expenses and other
Total Current Assets		80,551				82,095	**Total current assets**
Future income tax benefits		390	(390)	b		—	
Fixed assets, net		19,419				19,419	Property, plant and equipment, net of accumulated depreciation
Goodwill		186,290				186,290	Goodwill
Intangible assets, net		16,817				16,817	Other intangibles, net of amortization
			390	b		390	Long-term deferred tax assets
Total Assets	$	303,467			$	305,011	**Total assets**
Liabilities and UTC's Net Investment:							**Liabilities and stockholders' equity:**
							Current liabilities:
Accounts payable		21,335	1,544	a		22,879	Accounts payable
Accrued liabilities		20,968	9,166	c		30,134	Accrued expenses
Contract liabilities, current		9,166	(9,166)	c		—	
Total Current Liabilities		51,469				53,013	**Total current liabilities**
			6,591	d		6,591	Long-term deferred tax liability
Other long-term liabilities		25,058	(6,591)	d		18,467	Other noncurrent liabilities
Total Liabilities		76,527					
UTC's Net Investment:							**Shareholders' equity:**
UTC's net investment		226,307				226,307	Paid-in capital
Accumulated other comprehensive income (loss)		633				633	Accumulated other comprehensive loss
Total Carrier's Net Investment		226,940				226,940	Total shareholders' equity
Total Liabilities, Carrier's Net Investment	$	303,467			$	305,011	**Total liabilities and shareholders' equity**

Presentation reclassification notes:

(a) Reclassification of $1,544 thousand cash credit overdraft balance from "Cash and cash equivalents" to "Accounts payable."

(b) Reclassification of entire "Future income tax benefits" asset balance to "Long-term deferred tax assets."

(c) Reclassification of entire "Contract liabilities, current" balance to "Accrued expenses."

(d) Reclassification of $6,591 thousand deferred tax liability from "Other long-term liabilities" to "Long-term deferred tax liability."

Taylor Presentation March 31, 2018		Presentation Reclassification		Middleby Presentation March 31, 2018	
Net Sales:					
Product sales	$ 70,402	(70,402)	a		
Service sales	3,753	(3,753)	a		
	74,155	74,155	a	$ 74,155	**Net sales**
Costs and Expenses:					
Cost of products sold	49,250	(49,250)	b		
Cost of services sold	3,045	(3,045)	b		
Research and development	1,603	(1,603)	b		
		53,633	b, e	53,633	Cost of sales
				20,522	**Gross profit**
Selling, general and administrative	8,511	265	e	8,776	Selling, general, and administrative expenses
	11,746				
				—	Restructuring expenses
Other income, net	(102)	102	c		
Operating profit	11,644			11,746	**Income from operations**
		17	d	17	Interest expense and deferred financing amortization, net
Non-service pension(benefit)	(981)			(981)	Net periodic pension benefit (other than service costs)
Interest expense, net	17	(17)	d		
		102	c	102	Other expense (income), net
Income from operations before income taxes	12,608			12,608	**Earnings before income taxes**
Income tax expense	3,226			3,226	Provision for income taxes
Net income attributable to Taylor	$ 9,382			$ 9,382	**Net earnings attributable to Middleby Corp.**

Presentation reclassification notes:

(a) Aggregation of “Product sales” and “Service sales” into “Net sales.”

(b) Aggregation of “Cost of products sold,” “Cost of services sold,” and “Research and development” into “Cost of sales.”

(c) Reclassification of entire “Other income, net” balance to “Other expense (income), net.”

(d) Reclassification of entire “Interest expense, net” balance to “Interest expense and deferred financing amortization, net.”

(e) Reclassification of intangible amortization from “Cost of products sold” to “Selling, general, and administrative expenses.”

Taylor Presentation December 31, 2017		Presentation Reclassification		Middleby Presentation December 30, 2017	
Net sales:					
Product sales	$ 292,220	(292,220)	a		
Service Sales	15,960	(15,960)	a		
	308,180	308,180	a	$ 308,180	**Net sales**
Costs and expenses:					
Cost of products sold	202,434	(202,434)	b		
Cost of services sold	12,825	(12,825)	b		
Research and development	5,329	(5,329)	b		
		219,520	b, e, f	219,520	Cost of sales
				88,660	**Gross profit**
Selling, general and administrative	35,341	763	e	36,104	Selling, general, and administrative expenses
	52,251				
		305	f	305	Restructuring expenses
Other income, net	124	(124)	c		
Operating profit	52,375			52,251	**Income from operations**
		146	d	146	Interest expense and deferred financing amortization, net
Non-service pension(benefit)	(2,621)			(2,621)	Net periodic pension benefit (other than service costs)
Interest expense	146	(146)	d		
		(124)	c	(124)	Other expense (income), net
Income from operations before income taxes	54,850			54,850	**Earnings before income taxes**
Income tax expense	17,423			17,423	Provision for income taxes
Net income attributable to Taylor	$ 37,427			$ 37,427	**Net earnings attributable to**

Presentation reclassification notes:

(a) Aggregation of “Product sales” and “Service sales” into “Net sales.”

(b) Aggregation of “Cost of products sold,” “Cost of services sold,” and “Research and development” into “Cost of sales.”

(c) Reclassification of entire “Other income, net” balance to “Other expense (income), net.”

(d) Reclassification of entire “Interest expense, net” balance to “Interest expense and deferred financing amortization, net.”

(e) Reclassification of intangible amortization from “Cost of products sold” to “Selling, general, and administrative expenses.”

(f) Reclassification of restructuring costs from “Cost of products sold” to “Interest expense and deferred financing amortization, net.”