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J&J SNACK FOODS CORP
Form 10-Q/A
September 13, 2004

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the period ended March 27, 2004

or

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

Commission File Number: 0-14616

J & J SNACK FOODS CORP.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| New Jersey | 22-1935537 |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

6000 Central Highway, Pennsauken, NJ 08109
(Address of principal executive offices)

Telephone (856) 665-9533

Indicate by check mark whether the registrant (1) has
filed all reports required to be filed by Section 13 or
15(d) of the Securities Exchange Act of 1934 during the
preceding 12 months (or for such shorter period that the
registrant was required to file such reports), and (2) has
been subject to such filing requirements for the past 90
days.

| | |
|---|-----------------------------|
| <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
|---|-----------------------------|

Indicate by check mark whether the registrant is an
accelerated filer (as defined in Rule 12b-2 of the Exchange
Act)

| | |
|---|-----------------------------|
| <input checked="" type="checkbox"/> Yes | <input type="checkbox"/> No |
|---|-----------------------------|

As of April 20, 2004, there were 8,910,940 shares of the
Registrant's Common Stock outstanding.

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| PART I. FINANCIAL INFORMATION | |
| Item 1. Consolidated Financial Statements | |

| J & J SNACK FOODS CORP. AND SUBSIDIARIES CONSOLIDATED BALANCE SHEETS (in thousands) | | |
|---|-------------------|-----------------------|
| | ASSETS | |
| | March 27, 2004 | September 27, 2003 |
| | (Unaudited) | |
| Current assets | | |
| Cash and cash equivalents | \$ 34,665 | \$ 37,694 |
| Accounts receivable | 41,665 | 38,161 |
| Inventories | 29,129 | 23,202 |
| Prepaid expenses and other | 1,567 | 1,348 |
| | 107,026 | 100,405 |
| Property, plant and equipment, at cost | | |
| Land | 606 | 606 |
| Buildings | 5,106 | 5,106 |
| Plant machinery and equipment | 98,824 | 93,122 |
| Marketing equipment | 175,743 | 173,360 |
| Transportation equipment | 950 | 909 |
| Office equipment | 8,181 | 7,394 |

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| | | |
|--|-----------|-----------|
| Improvements | 15,069 | 15,654 |
| Construction in progress | 3,910 | 2,458 |
| | 308,389 | 298,609 |
| Less accumulated depreciation and amortization | 219,525 | 211,494 |
| | 88,864 | 87,115 |
| Other assets | | |
| Goodwill | 46,477 | 45,850 |
| Other intangible assets, less accumulated amortization | 2,656 | 1,231 |
| Long term investment securities held to maturity | - | 275 |
| Other | 1,577 | 1,807 |
| | 50,710 | 49,163 |
| | \$246,600 | \$236,683 |

See accompanying notes to the consolidated financial statements.

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J & J SNACK FOODS CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS Continued
(in thousands)

| LIABILITIES AND STOCKHOLDERS' EQUITY | March 27, 2004 (Unaudited) | September 27, 2003 |
|---|-------------------------------|--------------------|
| Current liabilities | | |
| Accounts payable | \$ 30,889 | \$ 27,252 |
| Accrued liabilities | 11,690 | 12,806 |
| | 42,579 | 40,058 |
| Deferred income taxes | 13,374 | 13,374 |
| Other long-term liabilities | 598 | 687 |
| | 13,972 | 14,061 |
| Stockholders' equity | | |
| Capital stock | | |
| Preferred, \$1 par value; authorized, 5,000 shares; none issued | - | - |
| Common, no par value; authorized 25,000 shares; issued and outstanding, 8,906 and 8,757, respectively | 30,479 | 28,143 |
| Accumulated other comprehensive loss | (1,975) | (1,957) |
| Retained earnings | 161,545 | 156,378 |
| | 190,049 | 182,564 |
| | \$246,600 | \$236,683 |

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See accompanying notes to the consolidated financial statements.

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J & J SNACK FOODS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(in thousands, except per share amounts)

| | Three months ended | | Six months ended | |
|---|--------------------|-------------------|-------------------|-------------------|
| | March 27, 2004 | March 29, 2003 | March 27, 2004 | March 29, 2003 |
| Net Sales | \$95,214 | \$81,408 | \$175,159 | \$158,652 |
| Cost of goods sold | 64,468 | 54,532 | 119,775 | 109,711 |
| Gross profit | 30,746 | 26,876 | 55,384 | 48,941 |
| Operating expenses | | | | |
| Marketing | 12,898 | 11,870 | 24,122 | 22,733 |
| Distribution | 7,889 | 6,490 | 14,849 | 12,618 |
| Administrative | 4,633 | 3,887 | 8,341 | 7,209 |
| Other general | | | | |
| (income) expense | 203 | 6 | 170 | (52) |
| | 25,623 | 22,253 | 47,482 | 42,508 |
| Operating income | 5,123 | 4,623 | 7,902 | 6,433 |
| Other income (expenses) | | | | |
| Investment income | 112 | 88 | 229 | 186 |
| Interest expense | (28) | (22) | (57) | (54) |
| Earnings before income taxes | 5,207 | 4,689 | 8,074 | 6,565 |
| Income taxes | 1,865 | 1,688 | 2,907 | 2,363 |
| NET EARNINGS | \$ 3,342 | \$ 3,001 | \$ 5,167 | \$ 4,202 |
| Earnings per diluted share | \$.36 | \$.33 | \$.57 | \$.46 |
| Weighted average number of diluted shares | 9,170 | 9,069 | 9,105 | 9,152 |
| Earnings per basic share | \$.38 | \$.34 | \$.58 | \$.48 |
| Weighted average number | | | | |

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of basic shares 8,877 8,737 8,834 8,734

See accompanying notes to the consolidated financial statements.

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J & J SNACK FOODS CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited) (in thousands)

| | Six months ended | |
|---|-------------------|-------------------|
| | March 27, 2004 | March 29, 2003 |
| Operating activities: | | |
| Net earnings | \$ 5,167 | \$ 4,202 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |
| Depreciation and amortization of fixed assets | 11,688 | 12,836 |
| Amortization of intangibles and deferred costs | 474 | 384 |
| Other | 83 | (291) |
| Changes in assets and liabilities, net of effects from purchase of companies | | |
| (Increase)decrease in accounts receivable | (1,059) | 2,181 |
| Increase in inventories | (2,225) | (4,812) |
| Increase in prepaid expenses | (130) | (210) |
| Increase in accounts payable and accrued liabilities | 1,254 | 103 |
| Net cash provided by operating activities | 15,252 | 14,393 |
| Investing activities: | | |
| Purchases of property, plant and equipment | (8,482) | (8,262) |
| Payments for purchase of companies, net of cash acquired | (12,668) | - |
| Proceeds from investments held to maturity | 275 | 305 |
| Proceeds from disposals of property and equipment | 424 | 1,880 |
| Other | 24 | (200) |
| Net cash used in investing activities | (20,427) | (6,277) |
| Financing activities: | | |
| Proceeds from issuance of stock | 2,146 | 882 |
| Payments to repurchase common stock | - | (6,210) |
| Net cash provided by (used in) financing activities | 2,146 | (5,328) |
| Net (decrease) increase in cash and cash equivalents | (3,029) | 2,788 |
| Cash and cash equivalents at beginning of period | 37,694 | 14,158 |
| Cash and cash equivalents at end of period | \$ 34,665 | \$ 16,946 |

See accompanying notes to the consolidated financial statements.

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J & J SNACK FOODS CORP. AND SUBSIDIARIES

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Note 1 In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position and the results of operations and cash flows. Certain prior year amounts have been reclassified to conform to the current period presentation. These reclassifications had no effect on reported net earnings.

The results of operations for the three months and six months ended March 27, 2004 and March 29, 2003 are not necessarily indicative of results for the full year. Sales of our retail stores are generally higher in the first quarter due to the holiday shopping season. Sales of our frozen beverages and frozen juice bars and ices are generally higher in the third and fourth quarters due to warmer weather.

While we believe that the disclosures presented are adequate to make the information not misleading, it is suggested that these consolidated financial statements be read in conjunction with the consolidated financial statements and the notes included in the Company's Annual Report on Form 10-K for the year ended September 27, 2003.

Note 2 We recognize revenue from Food Service, Retail Supermarkets, The Restaurant Group and Frozen Beverage products at the time the products are shipped to third parties. When we perform services for others under time and material agreements, revenue is recognized upon the completion of the services. We also sell fixed-fee service contracts. The terms of coverage range between 12 and 60 months. We record deferred income on service contracts which is amortized by the straight-line method over the term of the contracts. We provide an allowance for doubtful receivables after taking into account historical experience and other factors.

Note 3 Depreciation of equipment and buildings is provided for by the straight-line method over the assets' estimated useful lives. Amortization of improvements is provided for by the straight-line method over the term of the lease or the assets' estimated useful lives, whichever is shorter. Licenses and rights arising from acquisitions are amortized by the

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straight-line method over periods ranging from 4 to 20 years.

Note 4 Our calculation of earnings per share in accordance with SFAS No. 128, "Earnings Per Share," is as follows:

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Three Months Ended March 27, 2004
 Income Shares Per Share
 (Numerator) (Denominator) Amount
 (in thousands, except per share amounts)

Basic EPS
 Net Earnings available
 to common stockholders \$3,342 8,877 \$.38

Effect of Dilutive Securities
 Options - 293 (.02)

Diluted EPS
 Net Earnings available to
 common stockholders plus
 assumed conversions \$3,342 9,170 \$.36

Six Months Ended March 27, 2004
 Income Shares Per Share
 (Numerator) (Denominator) Amount
 (in thousands, except per share amounts)

Basic EPS
 Net Earnings available
 to common stockholders \$5,167 8,834 \$.58

Effect of Dilutive Securities
 Options - 271 (.01)

Diluted EPS
 Net Earnings available to
 common stockholders plus
 assumed conversions \$5,167 9,105 \$.57

92,394 anti-dilutive weighted shares have been excluded in
 the computation of the six months ended March 27, 2004
 diluted EPS because the options' exercise price is greater
 than the average market price of the common stock.

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 Three Months Ended March 29, 2003
 Income Shares Per Share
 (Numerator) (Denominator) Amount
 (in thousands, except per share amounts)

Basic EPS
 Net Earnings available
 to common stockholders \$ 3,001 8,737 \$.34

Effect of Dilutive Securities
 Options - 332 (.01)

Diluted EPS
 Net Earnings available to
 common stockholders plus

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| | | | |
|---------------------|---------|-------|-------|
| assumed conversions | \$3,001 | 9,069 | \$.33 |
|---------------------|---------|-------|-------|

95,794 anti-dilutive weighted shares have been excluded in the computation of the three months ended March 29, 2003 diluted EPS because the options' exercise price is greater than the average market price of the common stock.

| Six Months Ended March 29, 2003 | | | |
|--|-------------|---------------|-----------|
| | Income | Shares | Per Share |
| | (Numerator) | (Denominator) | Amount |
| (in thousands, except per share amounts) | | | |

Basic EPS

| | | | |
|---|---------|-------|-------|
| Net Earnings available to common stockholders | \$4,202 | 8,734 | \$.48 |
|---|---------|-------|-------|

Effect of Dilutive Securities

| | | | |
|---------|---|-----|-------|
| Options | - | 418 | (.02) |
|---------|---|-----|-------|

Diluted EPS

| | | | |
|--|---------|-------|-------|
| Net Earnings available to common stockholders plus assumed conversions | \$4,202 | 9,152 | \$.46 |
|--|---------|-------|-------|

95,794 anti-dilutive weighted shares have been excluded in the computation of the six months ended March 29, 2003 diluted EPS because the options' exercise price is greater than the average market price of the common stock.

Note 5 The Company accounts for stock options under SFAS No. 123, "Accounting for Stock-Based Compensation", as amended by SFAS No. 148, which contains a fair value-based method for valuing stock-based compensation that entities may use, which measures

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compensation cost at the grant date based on the fair value of the award. Compensation is then recognized over the service period, which is usually the vesting period. Alternatively, SFAS No. 123 permits entities to continue accounting for employee stock options and similar equity instruments under Accounting Principles Board (APB) Opinion 25, "Accounting for Stock Issued to Employees". Entities that continue to account for stock options using APB Opinion 25 are required to make pro forma disclosures of net income and earnings per share, as if the fair value-based method of accounting defined in SFAS No. 123 had been applied.

At March 27, 2004, the Company has one stock-based employee compensation plan. The Company accounts for this plan under the recognition and measurement principles of APB No. 25, "Accounting for Stock Issued to Employees", and related interpretations. Stock-based employee compensation costs are not reflected in net income, as all options granted under the plans had an exercise price equal to the market value of the underlying common stock on the

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date of grant. The following table illustrates the effect on net income and earnings per share if the Company had applied the fair value recognition provisions of SFAS No. 123, to stock-based employee compensation.

| | 10 | | | |
|---|--------------------|-------------------|-------------------|-------------------|
| | Three Months Ended | | Six Months Ended | |
| | March 27, 2004 | March 29, 2003 | March 27, 2004 | March 29, 2003 |
| Net income, as reported | \$3,342 | \$3,001 | \$5,167 | \$4,202 |
| Less: stock-based compensation costs determined under fair value based method for all awards | 287 | 325 | 573 | 666 |
| Net income, pro forma | \$3,055 | \$2,676 | \$4,594 | \$3,536 |
| Earnings per share of common stock - basic: | | | | |
| As reported | \$.38 | \$.34 | \$.58 | \$.48 |
| Pro forma | \$.34 | \$.31 | \$.52 | \$.40 |
| Earnings per share of common stock diluted: | | | | |
| As reported | \$.36 | \$.33 | \$.57 | \$.46 |
| Pro forma | \$.33 | \$.30 | \$.50 | \$.39 |

The fair value of each option grant is estimated on the date of grant using the Black-Scholes options-pricing model with the following weighted average assumptions used for

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grants in fiscal 2003 and fiscal 2004: expected volatility of 43% and 15%; risk-free interest rates of 3.07% and 3.24%; and expected lives ranging between 5 and 10 years.

Note 6 In November 2002, FASB Interpretation 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" (FIN 45), was issued. FIN 45 requires a guarantor entity, at the inception of a guarantee covered by the measurement provisions of the interpretation, to record a liability for the fair value of the obligation undertaken in issuing the guarantee.

We previously did not record a liability when guaranteeing obligations unless it became probable that we would have to perform under the guarantee. FIN 45 applies prospectively to guarantees we issue or modify subsequent to December 31, 2002, but has

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certain disclosure requirements effective for interim and annual periods ending after December 15, 2002. The adoption of FIN 45 did not have a significant impact on our consolidated financial position, results of operations or cash flows.

In January 2003, the FASB issued Interpretation No. 46, Consolidation of Variable Interest Entities (FIN 46). In general, a variable interest entity is a corporation, partnership, trust or any other legal structure used for business purposes that either (a) does not have equity investors with voting rights or (b) has equity investors that do not provide sufficient financial resources for the entity to support its activities. FIN 46 requires certain variable interest entities to be consolidated by the primary beneficiary of the entity if the investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The consolidation requirements of FIN 46 apply immediately to variable interest entities created after January 31, 2003. We adopted the provisions of FIN 46 effective February 1, 2003 and such adoption did not have a material impact on our consolidated financial statements since we currently have no variable interest entities.

In December 2003, the FASB issued FIN 46R with respect to variable interest entities created before January 31, 2003, which among other things, revised the implementation date to the first fiscal year or interim period ending after March 15, 2004, with the exception of Special Purpose Entities (SPE). The consolidation requirements apply to all SPE's in the first fiscal year or interim period ending after December 15, 2003. We adopted the provisions of FIN 46R effective December 29, 2003 and such adoption did not have a material impact on our consolidated

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financial statements since we currently have no SPE's.

On May 15, 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity." SFAS No. 150 establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity.

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Most of the guidance in SFAS No. 150 is effective for all financial instruments entered into or modified after May 31, 2003, and otherwise is effective at the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS No. 150 did not have a material effect on our consolidated financial position, results of operations or cash flows.

Note 7 Inventories consist of the following:

| | March 27, 2004 | September 27, 2003 |
|-------------------------|-------------------|-----------------------|
| | (in thousands) | |
| | (unaudited) | |
| Finished goods | \$15,169 | \$10,537 |
| Raw materials | 3,335 | 2,775 |
| Packaging materials | 2,918 | 2,975 |
| Equipment parts & other | 7,707 | 6,915 |
| | \$29,129 | \$23,202 |

Note 8 We principally sell our products to the food service and retail supermarket industries. We also distribute our products directly to the consumer through our chain of retail stores referred to as The Restaurant Group. Sales and results of our frozen beverages business are monitored separately from the balance of our food service business and restaurant group because of different distribution and capital requirements. We maintain separate and discrete financial information for the four operating segments mentioned above which is available to our Chief Operating Decision Makers. We have applied no aggregate criteria to any of these operating segments in order to determine reportable segments. Our four reportable segments are Food Service, Retail Supermarkets, The Restaurant Group and Frozen Beverages. All inter-segment net sales and expenses have been eliminated in computing net sales and operating income (loss). These segments are described below.

Food Service

The primary products sold to the food service group are soft pretzels, frozen juice treats and desserts, churros and baked goods. Our customers in the food service industry include snack bars and food stands in chain, department and discount stores; malls and

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shopping centers; fast food outlets; stadiums and

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sports arenas; leisure and theme parks; convenience stores; movie theatres; warehouse club stores; schools, colleges and other institutions. Within the food service industry, our products are purchased by the consumer primarily for consumption at the point-of-sale.

Retail Supermarkets

The primary products sold to the retail supermarket industry are soft pretzel products, including SUPERPRETZEL, LUIGI'S Real Italian Ice, MINUTE MAID Juice Bars and Soft Frozen Lemonade, ICEE Squeeze Up Tubes and TIO PEPE'S Churros. Within the retail supermarket industry, our frozen and prepackaged products are purchased by the consumer for consumption at home.

The Restaurant Group

We sell direct to the consumer through our Restaurant Group, which operates BAVARIAN PRETZEL BAKERY and PRETZEL GOURMET, our chain of specialty snack food retail outlets.

Frozen Beverages

We sell frozen beverages to the food service industry, including our restaurant group, primarily under the names ICEE and ARCTIC BLAST in the United States, Mexico and Canada.

The Chief Operating Decision Maker for Food Service, Retail Supermarkets and The Restaurant Group and the Chief Operating Decision Maker for Frozen Beverages monthly review and evaluate operating income and sales in order to assess performance and allocate resources to each individual segment. In addition, the Chief Operating Decision Makers review and evaluate depreciation, capital spending and assets of each segment on a quarterly basis to monitor cash flow and asset needs of each segment. Information regarding the operations in these four reportable segments is as follows:

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| Three Months Ended | | Six Months Ended | |
|--------------------|-----------|------------------|-----------|
| March 27, | March 29, | March 27, | March 29, |
| 2004 | 2003 | 2004 | 2003 |
| (in thousands) | | | |

Sales to External Customers:

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| | | | | |
|--------------------|-----------|-----------|-----------|-----------|
| Food Service | \$ 60,747 | \$ 47,267 | \$108,688 | \$ 91,073 |
| Retail Supermarket | 9,289 | 9,393 | 15,566 | 15,132 |
| Restaurant Group | 1,971 | 2,353 | 4,539 | 5,443 |
| Frozen Beverages | 23,207 | 22,395 | 46,366 | 47,004 |
| | \$ 95,214 | \$ 81,408 | \$175,159 | \$158,652 |

Depreciation and Amortization:

| | | | | |
|--------------------|----------|----------|-----------|-----------|
| Food Service | \$ 3,506 | \$ 3,271 | \$ 6,788 | \$ 6,611 |
| Retail Supermarket | - | - | - | - |
| Restaurant Group | 99 | 147 | 210 | 304 |
| Frozen Beverages | 2,491 | 2,594 | 5,164 | 6,305 |
| | \$ 6,096 | \$ 6,012 | \$ 12,162 | \$ 13,220 |

Operating Income(Loss):

| | | | | |
|--------------------|----------|----------|----------|----------|
| Food Service | \$ 5,297 | \$ 4,869 | \$ 8,145 | \$ 7,532 |
| Retail Supermarket | 717 | 560 | 776 | 146 |
| Restaurant Group | (466) | (313) | (414) | (183) |
| Frozen Beverages | (425) | (493) | (605) | (1,062) |
| | \$ 5,123 | \$ 4,623 | \$ 7,902 | \$ 6,433 |

Capital Expenditures:

| | | | | |
|--------------------|----------|----------|----------|----------|
| Food Service | \$ 2,466 | \$ 2,869 | \$ 3,702 | \$ 4,267 |
| Retail Supermarket | - | - | - | - |
| Restaurant Group | 6 | 28 | 15 | 48 |
| Frozen Beverages | 2,758 | 2,169 | 4,765 | 3,947 |
| | \$ 5,230 | \$ 5,066 | \$ 8,482 | \$ 8,262 |

Assets:

| | | | | |
|--------------------|-----------|-----------|-----------|-----------|
| Food Service | \$162,166 | \$136,172 | \$162,166 | \$136,172 |
| Retail Supermarket | - | - | - | - |
| Restaurant Group | 1,654 | 2,542 | 1,654 | 2,542 |
| Frozen Beverages | 82,780 | 80,199 | 82,780 | 80,199 |
| | \$246,600 | \$218,913 | \$246,600 | \$218,913 |

Note 9 We follow SFAS No. 142 "Goodwill and Intangible Assets". SFAS No. 142 includes requirements to test goodwill and indefinite lived intangible assets for impairment rather than amortize them; accordingly, we no longer amortize goodwill.

Our four reporting units, which are also reportable segments, are Food Service, Retail Supermarkets, The Restaurant Group and Frozen Beverages. Each of the segments have goodwill and indefinite lived intangible assets.

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The carrying amount of acquired intangible assets for the Food Service, Retail Supermarkets, The Restaurant Group and Frozen Beverage segments as of March 27, 2004 are as follows:

| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
|--|-----------------------------|-----------------------------|---------------------------|
| | | | (in thousands) |

FOOD SERVICE

Amortized intangible assets

| | | | |
|---------------------|---------|---------|---------|
| Licenses and rights | \$3,730 | \$1,137 | \$2,593 |
|---------------------|---------|---------|---------|

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RETAIL SUPERMARKETS

| | | | |
|-----------------------------|------|------|------|
| Amortized intangible assets | | | |
| Licenses and rights | \$ - | \$ - | \$ - |

THE RESTAURANT GROUP

| | | | |
|-----------------------------|-------|-------|------|
| Amortized Intangible Assets | | | |
| Licenses and rights | \$ 20 | \$ 20 | \$ - |

FROZEN BEVERAGES

| | | | |
|-----------------------------|--------|--------|-------|
| Amortized intangible assets | | | |
| Licenses and rights | \$ 201 | \$ 138 | \$ 63 |

Licenses and rights are being amortized by the straight-line method over periods ranging from 4 to 20 years and amortization expense is reflected throughout operating expenses. The gross carrying amount of intangible assets for the three and six months ended March 27, 2004 increased by \$1,663,000 related to the acquisition of Country Home Bakers, Inc. Aggregate amortization expense of intangible assets for the three months ended March 27, 2004 and March 29, 2003 was \$161,000 and \$77,000, respectively and for the six months ended March 27, 2004 and March 29, 2003 was \$239,000 and \$155,000, respectively.

Estimated amortization expense for the next five fiscal years is approximately \$570,000 in 2004 and 2005, and \$500,000 in 2006, 2007 and 2008.

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Goodwill

The carrying amounts of goodwill for the Food Service, Retail Supermarket, Restaurant Group and Frozen Beverage segments are as follows:

| | Food Service | Retail Supermarket | Restaurant Group | Frozen Beverages | Total |
|---------------------------------|-----------------|-----------------------|---------------------|---------------------|----------|
| | (in thousands) | | | | |
| Balance at March 27, 2004 | \$14,241 | \$ - | \$386 | \$31,850 | \$46,477 |

As a result of the quarterly impairment testing performed, we deemed it necessary to record an impairment charge of \$52,000 within the Restaurant Group segment. The Restaurant Group segment is comprised solely of retail stores. The impairment charge is the result of diminished operating performance at certain of these stores.

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Item 2. Management's Discussion and Analysis of
Financial Condition and Results of Operations

Liquidity and Capital Resources

Our current cash and marketable securities balances and cash expected to be provided by future operations are our primary sources of liquidity. We believe that these sources, along with our borrowing capacity, are sufficient to fund future growth and expansion.

In the three months ended March 27, 2004 and March 29, 2003, fluctuations in the valuation of the Mexican peso caused an increase of \$49,000 and a decrease of \$70,000, respectively, in stockholders' equity because of the revaluation of the net assets of the Company's Mexican frozen beverage subsidiary. In the six month periods, there was a decrease of \$18,000 in fiscal year 2004 and a decrease of \$99,000 in fiscal year 2003.

On January 5, 2004, we acquired the assets of Country Home Bakers, Inc. for approximately \$13 million in cash. Country Home Bakers, Inc., with its manufacturing facility in Atlanta, GA, manufactures and distributes bakery

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products to the food service and supermarket industries. Its product line includes cookies, biscuits, and frozen doughs sold under the names READI-BAKE, COUNTRY HOME and private labels sold through supermarket in-store bakeries. Total annual sales are estimated to be approximately \$55 million.

Our general-purpose bank credit line provides for up to a \$50,000,000 revolving credit facility. The agreement contains restrictive covenants and requires commitment fees in accordance with standard banking practice. There were no outstanding balances under this facility at March 27, 2004. The expiration date of the credit line has been extended to December 2006.

Results of Operations

Net sales increased \$13,806,000 or 17% for the three months to \$95,214,000 and \$16,507,000 or 10% to \$175,159,000 for the six months ended March 27, 2004 compared to the three and six months ended March 29, 2003. Excluding sales from the acquisition of Country Home Bakers, Inc. in January 2004, net sales increased \$1,991,000 or 2% for the three months and \$4,692,000 or 3% for the six months ended March 27, 2004 compared to the three and six months ended March 29, 2003.

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FOOD SERVICE

Sales to food service customers increased \$13,480,000 or 29% in the second quarter to \$60,747,000 and increased \$17,615,000 or 19% for the six months. Excluding sales from the acquisition of Country Home Bakers, Inc., sales to food service customers increased \$1,665,000, or 4% in the second quarter and increased \$5,800,000, or 6% for the six months. Soft pretzel sales to the food service market decreased 1% to \$20,357,000 in the second quarter and increased 4% to \$39,241,000 in the six months. The 1% decrease in pretzel sales for the quarter compares to a 19% increase in the year ago quarter and resulted from a drop-off in sales to one customer which had increased significantly in the year ago quarter. Italian ice and frozen juice treat and dessert sales decreased 12% to \$6,763,000 in the three months and 4% to \$12,415,000 in the six months due to decreased sales to warehouse club stores who have replaced some of our products with low carb products. Churro sales to food service customers increased 3% to \$3,199,000 in the second quarter and were up 3% to \$6,382,000 in the six months. Sales of bakery products increased \$14,475,000 or 97% in the second quarter to \$29,358,000 and increased \$16,403,000 or 51% for the six months. Excluding sales from the acquisition of Country Home Bakers, Inc., sales of bakery products increased \$2,660,000 or 18% in the second quarter and \$4,588,000 or 14% for the six months due to increased sales to existing customers and sales to new customers. The changes in sales throughout the food service segment were from a combination of volume changes and price increases.

RETAIL SUPERMARKETS

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Sales of products to retail supermarkets decreased \$104,000 or 1% to \$9,289,000 in the second quarter and increased 3% to \$15,566,000 in the first half. Soft pretzel sales for the second quarter were up 3% to \$5,774,000 and were up 7% to \$9,981,000 for the six months due mainly to sales of our recently introduced PRETZELFILS. Sales of frozen juices and ices decreased \$141,000 or 4% to \$3,848,000 in the second quarter and were essentially unchanged at \$6,338,000 in the first half, although case sales of frozen juices and ices were down about 12% for the quarter and six months.

THE RESTAURANT GROUP

Sales of our Restaurant Group decreased 16% to \$1,971,000 in the second quarter and 17% to \$4,539,000 for the six month period. The sales decreases were caused primarily by decreased mall traffic and the closing or licensing of unprofitable stores. During the quarter, eight

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stores were closed or licensed to others, leaving a total of 38 open at quarter end. Operating income was impacted during the quarter by approximately \$160,000 of closing costs.

FROZEN BEVERAGES

Frozen beverage and related product sales increased 4% to \$23,207,000 in the second quarter and decreased \$638,000 or 1% to \$46,366,000 in the six month period. Excluding the sale of equipment to one customer in last year's first quarter, sales would have been up about 2% for the six months. Beverage sales alone increased 6% to \$17,629,000 in the second quarter and 2% to \$35,040,000 in the six months. Service revenue increased 2% to \$3,898,000 in the second quarter and 14% to \$8,013,000 for the six months.

CONSOLIDATED

Gross profit as a percentage of sales decreased to 32% in the current year's three month period from 33% last year and increased to 32% in the six months period from 31% a year ago. The decrease in the second quarter resulted primarily from increased sales of bakery products. The increase in the six months was caused primarily by a lower level of allowances in our retail supermarket business and reduced depreciation of our frozen beverage dispensing machines.

Total operating expenses increased \$3,370,000 in the second quarter but as a percentage of sales remained at 27%. For the first half, operating expenses increased \$4,974,000 but as a percentage of sales also remained at 27%. Marketing expenses decreased to 14% of sales in the second quarter from 15% last year and were 14% of sales in both years' six month periods. Distribution expenses were 8% of sales in all periods and Administrative expenses as a percent of sales were 5% for all periods.

Operating income increased \$500,000 or 11% to

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\$5,123,000 in the second quarter and \$1,469,000 or 23% to \$7,902,000 in the first half.

Operating income was impacted by approximately \$800,000 of higher group medical insurance costs in the first six months of the year compared to last year; we expect these costs to continue to increase for the foreseeable future. The trend in commodity costs has overall been moderately unfavorable; although recent sharp increases in the price of eggs, shortening, butter and cheese, if sustained, could have a significant impact on our operating income as long as prices remain at their high levels. Additionally, flour prices, currently 15-20% above
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prior year levels, could impact our operating income as well over the foreseeable future.

The effective income tax rate has been estimated at 36% for all periods reported.

Net earnings increased \$341,000 or 11% in the current three month period to \$3,342,000 and increased 23% to \$5,167,000 in the six months this year from \$4,202,000 last year.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There has been no material change in the Company's assessment of its sensitivity to market risk since its presentation set forth, in item 7a.

"Quantitative and Qualitative Disclosures About Market Risk," in its 2003 annual report on Form 10-K filed with the SEC.

Item 4. Controls and Procedures

Quarterly evaluation of the Company's Disclosure and Internal Controls. The Company evaluated (i) the effectiveness of the design and operation of its disclosure controls and procedures (the "Disclosure Controls") as of the end of the period covered by this Form 10-Q and (ii) any changes in internal controls over financial reporting that occurred during the second quarter of its fiscal year. This evaluation ("Controls Evaluation") was done under the supervision and with the participation of management, including the Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO").

Limitations on the Effectiveness of Controls. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been

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detected. Because of the inherent limitations in a cost effective control system, misstatements due to

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error or fraud may occur and not be detected. The Company conducts periodic evaluations of its internal controls to enhance, where necessary, its procedures and controls.

Conclusions. Based upon the Controls Evaluation, the CEO and CFO have concluded that the Disclosure Controls are effective in reaching a reasonable level of assurance that management is timely alerted to material information relating to the Company during the period when its periodic reports are being prepared. In accord with the U.S. Securities and Exchange Commission's requirements, the CEO and CFO conducted an evaluation of the Company's internal control over financial reporting (the "Internal Controls") to determine whether there have been any changes in Internal Controls that occurred during the quarter which have materially affected or which are reasonable likely to materially affect Internal Controls. Based on this evaluation, there have been no such changes in Internal Controls during the quarter covered by this report.

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PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders

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The results of voting at the Annual Meeting of Shareholders held on February 5, 2004 is as follows:

| | Votes Cast | | | Absentees |
|---|------------|---------|----------|-------------------------|
| | For | Against | Withheld | and Broker Non Votes |
| Election of Leonard Lodish as Director | 7,423,008 | - | 305,813 | - |
| Election of Sidney Brown as Director | 7,427,524 | - | 301,297 | - |
| Proposal to approve certain performance- based compensation for Gerald B. Shreiber | 6,385,899 | 323,246 | - | - |

The Company had 8,783,402 shares outstanding on December 8, 2003 the record date.

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits

- 4.4 Second Amendment to the Loan Agreement dated as of December 4, 2001 by and among J & J Snack Foods Corp. and Certain of its Subsidiaries and Citizens Bank of Pennsylvania, as Agent
- 31.1 & Certification Pursuant to Section 302 of
31.2 the Sarbanes-Oxley Act of 2002
- 99.5 Certification Pursuant to the 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

- b) Report on Form 8-K - Report on Form 8-K for the three months ended December 27, 2003 was filed on January 22, 2004.

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SIGNATURES

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

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J & J SNACK FOODS CORP.

Dated: September 9, 2004 /s/ Gerald B. Shreiber
Gerald B. Shreiber
President

Dated: September 9, 2004 /s/ Dennis G. Moore
Dennis G. Moore
Senior Vice President and
Chief Financial Officer

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Exhibit 31.1

CERTIFICATION PURSUANT TO
SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Dennis G. Moore, certify that:

1. I have reviewed this report on Form 10-Q of J & J Snack Foods Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial

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condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls and procedures for financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal controls and procedures for financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's second fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

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Date: September 9, 2004

/s/ Dennis G. Moore
Dennis G. Moore
Chief Financial Officer

Exhibit 31.2

CERTIFICATION PURSUANT TO
SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Gerald B. Shreiber, certify that:

1. I have reviewed this report on Form 10-Q of J & J Snack Foods Corp.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal controls and procedures for financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal controls and procedures for financial reporting, or caused such internal controls over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

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c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's second fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: September 9, 2004

/s/ Gerald B. Shreiber
Gerald B. Shreiber
Chief Executive Officer

Exhibit 99.5

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code), each of the undersigned officers of J & J Snack Foods Corp. (the "Company"), does hereby certify with respect to the Quarterly Report of the Company on Form 10-Q for the quarter ended March 27, 2004 (the "Report") that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

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Dated: September 9, 2004

/s/ Dennis G. Moore
Dennis G. Moore
Chief Financial Officer

Dated: September 9, 2004

/s/ Gerald B. Shreiber
Gerald B. Shreiber
Chief Executive Officer

The foregoing certification is being furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (Section 1350 of Chapter 63 of Title 18 of the United States Code) and is not being filed as part of the Report or as a separate disclosure document.