FLOWERS FOODS INC
Form 10-Q/A
September 12, 2003

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q/A

(Mark One)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 12, 2003

OR

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

For the transition period from _____________ to _____________

Commission file number 1-16247

FLOWERS FOODS, INC.

(Exact name of registrant as specified in its charter)

GEORGIA	58-2582379
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

1919 FLOWERS CIRCLE, THOMASVILLE, GEORGIA

(Address of principal executive offices)
31757

(Zip Code)
229/226-9110

(Registrant s telephone number, including area code)
N/A

(Former name, former address and former fiscal year,
if changed since last report)

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

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

TITLE OF EACH CLASS	OUTSTANDING AT August 22, 2003
Common Stock, $.01 par value with Preferred Share Purchase Rights	45,171,170

Explanatory Note:

Flowers Foods, Inc. (the company) is filing this Form 10-Q/A solely to correct certain amounts in Part I, Item 1 (Financial Statements) of its Form 10-Q for the period ended July 12, 2003 filed with the Securities and Exchange Commission on August 26, 2003. Specifically this amendment corrects the following classification errors that resulted from the incorrect summarization of the costs and accumulated depreciation of certain assets within the property, plant and equipment category of the condensed consolidated balance sheet as of July 12, 2003 during the consolidation process. These classification errors were limited to the property, plant and equipment category.

	Amount as Previously Reported in the Company s Form 10-Q filed August 26, 2003	Corrected Amount as Reported in this Amendment to the Company s Form 10-Q
Property, Plant and Equipment:		
Land	$ 86,990	$ 33,300
Buildings	178,340	204,676
Machinery and equipment	447,369	518,383
Furniture, fixtures and transportation equipment	41,866	43,286
Construction in Progress	15,812	22,374
	770,377	822,019
Less accumulated depreciation	(341,990)	(393,632)
	$ 428,387	$ 428,387

This amendment has no effect on the net amount of property, plant and equipment or any other balance sheet items, or the company s condensed consolidated statements of income or cash flows. This amendment amends only the specified items in the Form 10-Q and does not otherwise update the disclosures in the Form 10-Q as originally filed and does not reflect events occurring after the original filing of the Form 10-Q.

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FLOWERS FOODS, INC.
CONDENSED CONSOLIDATED BALANCE SHEET
(Amounts in thousands except share data)
(Unaudited)

	JULY 12, 2003 (Restated)	DECEMBER 28, 2002
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 36,351	$ 69,826
Accounts and notes receivable, net of allowances of $2,454 and $1,475, respectively	104,144	104,121
Inventories, net:		
Raw materials	9,743	7,872
Packaging materials	7,725	7,806
Finished goods	13,846	14,311
	31,314	29,989
Spare parts and supplies	19,496	19,840
Assets held for sale	15,957	18,563
Assets to be disposed of discontinued operations		243,061
Deferred taxes	8,585	
Other	20,066	10,009
	235,913	495,409
Property, Plant and Equipment:		
Land	33,300	33,073
Buildings	204,676	200,713
Machinery and equipment	518,383	509,879
Furniture, fixtures and transportation equipment	43,286	43,689
Construction in progress	22,374	12,174
	822,019	799,528
Less: accumulated depreciation	(393,632)	(363,403)
	428,387	436,125
Notes Receivable	72,605	71,599
Deferred Taxes	15,712	22,267
Other Assets	4,354	10,225
Goodwill, net	63,482	54,249

Other Intangible Assets, net	7,857	6,506
	$ 828,310	$ 1,096,380
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities:		
Current maturities of long-term debt and capital leases	$ 1,528	$ 27,231
Accounts payable	86,668	82,827
Facility closing costs and severance	2,123	4,516
Liabilities related to assets to be disposed of discontinued operations		2,553
Other accrued liabilities	71,928	89,151
	162,247	206,278
Long-Term Debt and Capital Leases	5,095	223,133
Other Liabilities:		
Facility closing costs and severance	3,225	7,337
Postretirement/postemployment obligations	60,605	54,486
Other	18,701	12,150
	82,531	73,973
Shareholders Equity:		
Preferred stock-$100 par value, 100,000 authorized and none issued		
Preferred stock-$.01 par value, 900,000 authorized and none issued		
Common stock-$.01 par value, 100,000,000 authorized 45,185,121 and 29,985,375 shares issued	452	300
Treasury stock	(283)	
Capital in excess of par value	486,834	483,142
Retained earnings	110,325	131,388
Accumulated other comprehensive loss	(18,891)	(21,834)
	578,437	592,996
	$ 828,310	$ 1,096,380

(See Accompanying Notes to Condensed Consolidated Financial Statements)

FLOWERS FOODS, INC.
CONDENSED CONSOLIDATED STATEMENT OF INCOME
(Amounts in thousands except per share data)
(Unaudited)

	FOR THE TWELVE WEEKS ENDED		FOR THE TWENTY EIGHT WEEKS ENDED	
	JULY 12, 2003	JULY 13, 2002	JULY 12, 2003	JULY 13, 2002
Sales	$337,193	$317,945	$ 771,745	$ 714,103
Materials, supplies, labor and other production costs (exclusive of depreciation and amortization shown separately below)	165,565	153,900	379,202	344,292
Selling, marketing and administrative expenses	137,695	129,549	320,180	297,383
Depreciation and amortization	12,489	13,089	29,651	30,518
Income from continuing operations before interest, income taxes and cumulative effect of a change in accounting principle	21,444	21,407	42,712	41,910
Interest income	1,295	1,295	3,021	3,032
Interest expense	(342)	(786)	(1,136)	(1,684)
Interest income, net	953	509	1,885	1,348
Income from continuing operations before income taxes and cumulative effect of a change in accounting principle	22,397	21,916	44,597	43,258
Income tax expense	8,623	8,437	17,170	16,654
Income from continuing operations before cumulative effect of a change in accounting principle	13,774	13,479	27,427	26,604
Discontinued operations, net of tax	(23,118)	(7,430)	(42,431)	(18,832)
(Loss) income before cumulative effect of a change in accounting principle	(9,344)	6,049	(15,004)	7,772
Cumulative effect of a change in accounting principle, net of tax				(23,078)
Net (loss) income	$ (9,344)	$ 6,049	$ (15,004)	$ (15,306)
Net (loss) Income Per Common Share:				
Basic:				
Income from continuing operations before cumulative effect of a change in accounting principle	$ 0.31	$ 0.30	$ 0.61	$ 0.60
Discontinued operations, net of tax	(0.52)	(0.16)	(0.94)	(0.42)
Cumulative effect of a change in accounting principle, net of tax				(0.52)
Net (loss) income per share	$ (0.21)	$ 0.14	$ (0.33)	$ (0.34)
Weighted average shares outstanding	45,082	44,697	45,030	44,697
Diluted:				

Income from continuing operations before cumulative effect of a change in accounting principle	$ 0.30	$ 0.30	$ 0.60	$ 0.58
Discontinued operations, net of tax	(0.50)	(0.17)	(0.93)	(0.41)
Cumulative effect of a change in accounting principle, net of tax				(0.50)
Net (loss) income per share	$ (0.20)	$ 0.13	$ (0.33)	$ (0.33)
Weighted average shares outstanding	45,861	45,650	45,691	46,110
Cash dividends paid per common share	$ 0.100	$ 0.000	$ 0.130	$ 0.000

(See Accompanying Notes to Condensed Consolidated Financial Statements)

FLOWERS FOODS, INC.
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
(Amounts in thousands)
(Unaudited)

	FOR THE TWENTY EIGHT WEEKS ENDED	
	JULY 12, 2003	JULY 13, 2002
CASH FLOWS PROVIDED BY (DISBURSED FOR) OPERATING ACTIVITIES:		
Net loss	$ (15,004)	$ (15,306)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Discontinued operations	18,145	8,040
Goodwill impairment		23,078
Stock appreciation rights	776	(224)
Depreciation and amortization	29,651	30,518
Deferred income taxes	3,694	4,452
Provision for inventory obsolescence	916	1,845
Allowances for accounts receivable	2,408	1,869
Other	427	1,782
Payment of legal settlement	(9,000)	
Changes in assets and liabilities:		
Accounts and notes receivable, net	(2,321)	(10,735)
Inventories, net	(2,126)	(16,312)
Other assets	(4,082)	(5,428)
Accounts payable and other accrued liabilities	11,132	(1,772)
Facility closing costs and severance	(6,505)	(1,046)
NET CASH PROVIDED BY OPERATING ACTIVITIES	28,111	20,761
CASH FLOWS PROVIDED BY (DISBURSED FOR) INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(24,232)	(31,843)
(Purchase of) proceeds from notes receivable	(1,116)	1,772
Acquisition of business, net of cash received	(14,534)	
Proceeds from sale of Mrs. Smith s Bakeries frozen dessert business	231,551	
Other	110	625
NET CASH PROVIDED BY (DISBURSED FOR) INVESTING ACTIVITIES	191,779	(29,446)
CASH FLOWS PROVIDED BY (DISBURSED FOR) FINANCING ACTIVITIES:		
Dividends paid	(6,062)	
Exercise of stock options	1,695	
Payment for termination of derivative instruments	(5,330)	
Debt and capital lease obligation (payments) proceeds	(243,668)	59
NET CASH (DISBURSED FOR) PROVIDED BY FINANCING ACTIVITIES:	(253,365)	59
Net decrease in cash and cash equivalents	(33,475)	(8,626)
Cash and cash equivalents at beginning of period	69,826	12,280
Cash and cash equivalents at end of period	$ 36,351	$ 3,654

(See Accompanying Notes to Condensed Consolidated Financial Statements)

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FLOWERS FOODS, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

1. BASIS OF PRESENTATION

INTERIM FINANCIAL STATEMENTS The accompanying unaudited condensed consolidated financial statements of Flowers Foods, Inc. (the company) have been prepared by the company s management in accordance with generally accepted accounting principles for interim financial information and applicable rules and regulations of the Securities Exchange Act of 1934. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for annual financial statements. The unaudited condensed consolidated financial statements included herein contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of July 12, 2003 and December 28, 2002, the results of operations for the twelve and twenty eight week periods ended July 12, 2003 and July 13, 2002 and statement of cash flows for the twenty eight week periods ended July 12, 2003 and July 13, 2002. The results of operations for the twelve and twenty eight week periods ended July 12, 2003 and July 13, 2002 are not necessarily indicative of the results to be expected for a full year. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the company s Annual Report on Form 10-K for the fiscal year ended December 28, 2002.

ESTIMATES The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The company believes the following critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements: revenue recognition, allowance for doubtful accounts, derivative instruments, reserves for obsolete and unmarketable inventory, valuation of long-lived assets and goodwill and other intangibles, deferred tax asset valuation allowances and pension obligations. These policies are the same as those summarized in the company s Annual Report on Form 10-K for the fiscal year ended December 28, 2002.

REPORTING PERIODS Fiscal 2003 will consist of 53 weeks, with the company s quarterly reporting periods as follows: first quarter ended April 19, 2003 (sixteen weeks), second quarter ended July 12, 2003 (twelve weeks), third quarter ending October 4, 2003 (twelve weeks) and fourth quarter ending January 3, 2004 (thirteen weeks).

RECLASSIFICATIONS Certain reclassifications of prior period data have been made to conform with the current period reporting.

STOCK SPLIT On May 30, 2003, the board of directors declared a 3 for 2 stock split of the company s common stock in the form of a stock dividend. The record date for the split was June 13, 2003 and new shares were issued on June 27, 2003. Earnings (loss) per common share have been restated for all periods presented giving retroactive effect to the stock split.

SEGMENTS On April 24, 2003, the company announced it had completed the sale of substantially all the assets of its Mrs. Smith s Bakeries, LLC (Mrs. Smith s Bakeries) frozen dessert business to The Schwan Food Company (Schwan). The company retained the frozen bread and roll portion of the Mrs. Smith s Bakeries business. As a result, the frozen bread and roll business as well as the Birmingham, Alabama production facility, formerly a part of Flowers Foods Bakeries Group, LLC (Flowers Bakeries), became a part of our Flowers Snack, LLC (Flowers Snack) segment, with Flowers Snack being renamed Flowers Foods Specialty Group, LLC (Flowers Specialty). For purposes of this Form 10-Q, discussion will relate to our Flowers Bakeries and Flowers Specialty business units as such businesses are currently operated. The frozen dessert business of Mrs. Smith s Bakeries that was sold is reported as a discontinued operation. Because Mrs. Smith s Bakeries frozen dessert and frozen bread and roll businesses historically shared certain administrative and division expenses, certain allocations and assumptions have been made in order to present historical comparative information for them as separate segments. In most instances, administrative and division expenses have been allocated between the two segments based on cases of product sold. Management believes that the amounts are reasonable estimations of the costs that would have been incurred had the Mrs. Smith s Bakeries frozen dessert and frozen bread and rolls businesses performed these functions as separate divisions.

SIGNIFICANT CUSTOMER During the twelve weeks ended July 12, 2003, sales to the company s largest customer, Wal-Mart, represented 12.1% of the consolidated company s sales with 10.9% attributable to Flowers Bakeries and 1.2% attributable to Flowers

Specialty. During the twenty eight weeks ended July 12, 2003, sales to the company s largest customer, Wal-Mart, represented 11.8% of the consolidated company s sales with 10.6% attributable to Flowers Bakeries and 1.2% attributable to Flowers Specialty.

2. DISCONTINUED OPERATIONS

On January 30, 2003, the company entered into an agreement to sell its Mrs. Smith s Bakeries frozen dessert business to Schwan. Included in those assets were the Stilwell, Oklahoma and Spartanburg, South Carolina production facilities and a portion of the company s Suwanee, Georgia property. On that date, the assets and liabilities related to the portion of the Mrs. Smith s Bakeries business to be sold were classified as held for sale in accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* and recorded at estimable fair value less costs to dispose. On April 24, 2003, the company announced the completion of the sale of substantially all the assets of its Mrs. Smith s Bakeries frozen dessert business to Schwan. The value received by the company was determined on the basis of arm s length negotiations between the parties. For accounting purposes, the frozen dessert business sold to Schwan is presented as discontinued operations for the twelve and twenty eight weeks ended July 12, 2003 and July 13, 2002. Accordingly, the operations and certain transaction costs are included in Discontinued operations, net of tax in the Condensed Consolidated Statement of Income. An analysis of this line item is as follows:

	For the Twelve Weeks Ended		For the Twenty Eight Weeks Ended	
	July 12, 2003	**July 13, 2002**	**July 12, 2003**	**July 13, 2002**
		(amounts in thousands)		
Operating loss	$ (3,779)	$ (7,435)	$(22,569)	$(20,102)
Financial advisor fees			(1,870)	
Legal, accounting and other			(1,454)	
Lease termination fees (see Note 7)	(53)		(4,281)	
Interest (see Note 7)	(132)	(4,646)	(5,664)	(10,519)
Derivative activity (see Note 6)	73		543	
Loss on sale of assets	(6,224)		(6,224)	
Deferred financing costs	(4,191)		(4,191)	
Derivative terminations (see Note 6)	(5,776)		(5,776)	
Separation and severance payments	(4,962)		(4,962)	
SAP license transfer fees	(1,214)		(1,214)	
Indemnification insurance premium	(2,691)		(2,691)	
Other	(546)		(546)	
Pre-tax discontinued operations	(29,495)	(12,081)	(60,899)	(30,621)
Tax benefit	6,377	4,651	18,468	11,789
Discontinued operations, net of tax	$(23,118)	$ (7,430)	$(42,431)	$(18,832)

On April 24, 2003, in connection with the sale of the Mrs. Smith s Bakeries frozen dessert business to Schwan, the company agreed to provide customary indemnifications to Schwan for matters such as breaches of representations and warranties, certain tax matters and liabilities arising prior to the consummation of the transaction. In most, but not all, circumstances the indemnity is limited to an 18 month period and a maximum liability of $70 million. The fair value of the indemnification was determined as the insurance premium paid by the company. A related prepaid asset was recorded for the payment of the insurance premium and, together with the indemnification liability, are being amortized over the eighteen month indemnification period. The balance as of July 12, 2003 was $2.3 million.

Revenue related to the discontinued operation of $3.6 million and $60.4 million are included in the operating losses above for the twelve weeks ended July 12, 2003 and July 13, 2002, respectively. Revenue related to the discontinued operation of $68.0 million and $127.9 million are included in the operating losses above for the twenty eight weeks ended July 12, 2003 and July 13, 2002, respectively.

As of July 12, 2003, substantially all of the costs associated with the operation and sale of the Mrs. Smith s Bakeries frozen dessert business have been reported.

At December 28, 2002, Net assets to be disposed of discontinued operations and Liabilities related to assets to be disposed of discontinued operations were comprised of (amounts in thousands):

	December 28, 2002
Net assets to be disposed of:	
Inventory	$ 51,908
Spare parts	3,628
Prepaid assets	5,844
Property, plant and equipment	143,614
Intangible assets	38,067
	$243,061
Liabilities related to assets to be disposed of:	
Market access fee liability	$ 2,553

On April 24, 2003, the company relieved Net assets to be disposed of - discontinued operations and Liabilities related to assets to be disposed of discontinued operations of $241.0 million with an offsetting entry to cash and loss on the sale of assets identified in Discontinued operations, net of tax in the Condensed Consolidated Statement of Income.

3. COMPREHENSIVE INCOME

The company has other comprehensive income resulting from its accounting for derivative financial instruments and additional minimum pension liabilities. Total comprehensive (loss) income, determined as net (loss) income adjusted by other comprehensive income, was $(5.9) million and $6.2 million for the twelve weeks ended July 12, 2003 and July 13, 2002, respectively. Total comprehensive loss, determined as net loss adjusted by other comprehensive income, was $12.1 million and $13.3 million for the twenty eight weeks ended July 12, 2003 and July 13, 2002, respectively.

During the twenty eight weeks ended July 12, 2003, changes to accumulated other comprehensive income, net of tax, were as follows (amounts in thousands):

	2003
Accumulated other comprehensive loss, beginning balance	$21,834
Derivative transactions:	
Net deferred gains on closed contracts, net of tax of $191	306
Reclassified to earnings (materials, labor and other production costs), net of tax of $0.6	1
Reclassified to discontinued operations, net of tax of $(2,035)	(3,250)
Accumulated other comprehensive loss ending balance	$18,891

4. GOODWILL AND OTHER INTANGIBLE ASSETS

The changes in the carrying amount of goodwill for the twenty eight weeks ended July 12, 2003 are as follows (amounts in thousands):

	Flowers Bakeries	Flowers Specialty	Total

Balance as of December 28, 2002	$53,362	$ 887	$54,249
Segment change (see Note 1)	(4,344)	4,344	
Acquisition (see Note 12)		9,233	9,233
Balance as of July 12, 2003	$49,018	$14,464	$63,482

The company adopted Statement of Financial Accounting Standards No. 142, (SFAS 142), *Goodwill and Other Intangible Assets* on December 30, 2001 (the first day of fiscal 2002). A transitional impairment that resulted from the company s adoption of this statement was recorded as of December 30, 2001 at Mrs. Smith s Bakeries for $23.1 million, net of tax of $1.8 million as a cumulative effect of a change in accounting principle.

The changes in the carrying amount of intangible assets, which consist primarily of trademarks and non-compete agreements, for the twenty eight weeks ended July 12, 2003 are as follows (amounts in thousands):

	Flowers Bakeries
Balance as of December 28, 2002	$6,506
Purchase accounting adjustment	1,850
Amortization expense	(499)
Balance as of July 12, 2003	$7,857

The purchase accounting adjustment of $1.9 million was related to the completion of the final independent valuations prepared as a result of the Ideal Baking acquisition which occurred in fiscal 2002.

5. NEW ACCOUNTING PRONOUNCEMENTS

Asset Retirement. In June 2001, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 143, *Accounting for Asset Retirement Obligations,* which addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This statement was effective for the company beginning in the first quarter of fiscal 2003. This statement did not have a material effect on the company s results of operations or financial position.

Extraordinary Gain on Early Extinguishment of Debt. In April 2002, the FASB issued SFAS No. 145, (SFAS 145), *Recission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections* . SFAS 145 rescinds FASB Statement No. 4, *Reporting Gains and Losses from Extinguishment of Debt* , and an amendment of that Statement, FASB Statement No. 64, *Extinguishments of Debt Made to Satisfy Sinking-Fund Requirements* . SFAS 145 also rescinds FASB Statement No. 13, *Accounting for Leases* , to eliminate an inconsistency between the required accounting for sale-leaseback transactions and the required accounting for certain lease modifications that have economic effects that are similar to sale-leaseback transactions. SFAS 145 also amends other existing authoritative pronouncements to make various technical corrections, clarify meanings, or describe their applicability under changed conditions. This statement was effective for the company beginning in fiscal 2003. The application of this statement will result in the company reclassifying in its consolidated financial statements, the $6.4 million ($4.0 million, net of tax) fiscal 2001 extraordinary gain on the early extinguishment of debt to continuing operations in its January 3, 2004 Consolidated Financial Statements. This statement did not affect net income.

Guarantees. In November 2002, the FASB issued FASB Interpretation No. 45 (FIN 45), *Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, an Interpretation of FASB Statements No. 5, 57 and 107 and Rescission of FASB Interpretation No. 34.* FIN 45 clarifies the requirements of SFAS No. 5, *Accounting for Contingencies,* relating to the guarantor s accounting for, and disclosure of, the issuance of certain types of guarantees. The disclosure provisions of FIN 45 were effective for fiscal 2002. The provisions for initial recognition and measurement are effective on a prospective basis for guarantees that are issued or modified after December 31, 2002, irrespective of a guarantor s year-end. On April 24, 2003, in connection with the sale of the Mrs. Smith s Bakeries frozen dessert business to Schwan, the company agreed to provide customary indemnifications to Schwan for matters such as breaches of representations and warranties, certain tax matters and liabilities arising prior to the consummation of the transaction. In most, but not all, circumstances the indemnity is limited to an 18 month period and a maximum liability of $70 million. The company has purchased insurance to cover possible claims (or occurrences) under this indemnification. In the second quarter of fiscal 2003, a liability of $2.7 million was recorded representing the fair value of the indemnification agreement (see Note 2). The fair value was determined as the insurance premium paid by the company. A related prepaid asset was recorded for the payment of the insurance premium and, together with the indemnification liability, is being amortized over the eighteen month indemnification period. No other guarantees or indemnifications have been entered into by the company through July 12, 2003.

Stock Based Compensation. In December 2002, the FASB issued SFAS No. 148 (SFAS 148), *Accounting for Stock-Based Compensation Transition and Disclosure, Amendment of FASB Statement No. 123.* SFAS 148 provides additional transition guidance for those entities that elect to voluntarily adopt the provisions of SFAS No. 123 (SFAS 123), *Accounting for Stock-Based Compensation.* Furthermore, SFAS 148 mandates new disclosures in both interim and year-end financial statements. The company has elected not to adopt the recognition provisions of SFAS 123, as amended by SFAS 148. However, as permitted by SFAS 123, the company continues to apply intrinsic value accounting for its stock option plans under Accounting Principles Board Opinion No. 25 (APB 25), *Accounting for Stock Issued to Employees.* Compensation cost for stock options, if any, is measured as the excess of the market price of the company s common stock at the date of grant over the exercise price to be paid by the grantee to acquire the stock. The company s pro forma net earnings and pro forma earnings per share based upon the fair value at the grant dates for awards under the company s plans are disclosed below.

If the company had elected to recognize compensation expense based upon the fair value at the grant dates for awards under these plans, the company s net (loss) income and (loss) income per share would have been affected as follows (amounts in thousands except per share data):

	FOR THE TWELVE WEEKS ENDED		FOR THE TWENTY EIGHT WEEKS ENDED	
	July 12, 2003	**July 13, 2002**	**July 12, 2003**	**July 13, 2002**
Net (loss) income, as reported	$ (9,344)	$ 6,049	$ (15,004)	$ (15,306)
Deduct: Total additional stock-based employee compensation cost, net of tax, that would have been included in net (loss) income under fair value method	(437)	(486)	(1,085)	(1,159)
Pro forma net (loss) income	$ (9,781)	$ 5,563	$ (16,089)	$ (16,465)
Basic (loss) income per share as reported	$ (0.21)	$ 0.14	$ (0.33)	$ (0.34)
pro forma	$ (0.22)	$ 0.12	$ (0.36)	$ (0.37)
Diluted (loss) income per share as reported	$ (0.20)	$ 0.13	$ (0.33)	$ (0.33)
pro forma	$ (0.21)	$ 0.12	$ (0.35)	$ (0.36)

Variable Interest Entities. In January 2003, the FASB issued FASB Interpretation No. 46 (FIN 46), *Consolidation of Variable Interest Entities.* FIN 46 clarifies the application of Accounting Research Bulletin No. 51, Consolidated Financial Statements, to certain entities in which equity 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. FIN 46 applies immediately to variable interest entities (VIE s) created after January 31, 2003, and to VIE s in which an enterprise obtains an interest after that date. It applies in the first fiscal year or interim period beginning after June 15, 2003 to VIE s in which an enterprise holds a variable interest that it acquired before February 1, 2003. FIN 46 applies to public enterprises as of the beginning of the applicable interim or annual period. The company currently has an interest in one potential VIE. The assets and liabilities of this entity are not consolidated within the company s consolidated financial statements. Flowers Bakeries maintains a transportation agreement with this entity, which represents substantially all of the entity s revenue. We are in the process of assessing the impact of FIN 46 on the company s relationship with this entity. If it is determined that this entity is a VIE, the company has the following options under FIN 46: (i) consolidate the VIE into the company s financial statements; (ii) purchase selected assets from the VIE; or (iii) modify or replace the financing sources currently being utilized. None of these options, if required, are expected to have a material impact on the company s consolidated financial position, liquidity, or results of operations.

In April 2003, the FASB issued SFAS No. 149 (SFAS 149), *Amendment of Statement 133 on Derivative Instruments and Hedging Activities.* SFAS 149 amends and clarifies financial accounting and reporting for derivative instruments including certain derivative instruments embedded in other contracts and for hedging activities under SFAS No. 133 (SFAS 133), *Accounting for Derivative Instruments and Hedging Activities.* SFAS 149 is effective for contracts entered into or modified after June 30, 2003. The company is currently assessing the impact of this statement.

In May 2003, the FASB issued SFAS No. 150 (SFAS 150), *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity.* SFAS 150 improves the accounting for certain financial instruments that, under previous guidance, issuers could account for as equity. SFAS 150 requires that those instruments be classified as liabilities in statements of financial position. SFAS 150 is effective for all financial instruments entered into or modified after May 31, 2003 and is otherwise effective at the beginning of the first interim period beginning after June 15, 2003. The company is currently assessing the impact of this statement and does not anticipate any material changes to its financial statements.

6. DERIVATIVE FINANCIAL INSTRUMENTS

The company enters into commodity derivatives, designated as cash flow hedges of existing or future exposure to changes in commodity prices. The company s primary raw materials are flour, sugar, shortening and dairy products, along with pulp and paper and petroleum-based packaging products. The company also enters into interest rate derivatives to hedge exposure to changes in interest rates.

Of the $1.6 million in accumulated other comprehensive loss, approximately $0.8 million and $0.4 million were related to instruments expiring in fiscal 2003 and 2004, respectively, and $0.4 amount was related to deferred gains and losses on cash-flow hedge positions.

As of July 12, 2003, the company s hedge portfolio contained commodity derivatives with a fair value of $(2.0) million, which is primarily recorded in other current liabilities and other long term liabilities. The positions held in the portfolio are used to hedge economic exposure to changes in various raw material prices and effectively fix the price, or limit increases in prices, for a period of time extending into fiscal 2004. Under SFAS 133, instruments with a fair value of $(2.0) million on July 12, 2003 are designated as cash-flow hedges. The effective portion of changes in fair value for these derivatives is recorded each period in other comprehensive income, and any ineffective portion of the change in fair value is recorded to current period earnings in selling, marketing and administrative expenses. The company held no commodity derivatives at July 12, 2003 that do not qualify for hedge accounting under SFAS 133.

In April 2001, the company entered into an interest rate swap transaction with a notional amount of $150.0 million, expiring on December 31, 2003, in order to effectively convert a designated portion of its borrowings under its credit agreement dated March 26, 2001 to a fixed rate instrument. On December 26, 2002, that swap was amended to reduce the notional value to $105.0 million. In addition, the company entered into a new interest rate swap with a notional amount of $45.0 million, expiring on December 31, 2003, in order to effectively convert variable rate interest payments on a designated portion of its capital lease obligations to fixed rate payments. In accordance with SFAS 133, on January 30, 2003, pursuant to the announcement of the sale of the Mrs. Smith s Bakeries frozen dessert business, hedge accounting was discontinued for these swaps, since the hedged debt and capital leases would be paid off and the swaps would be terminated at the close of the transaction. On April 24, 2003, at the close of the transaction, the interest rate swaps were terminated for cash, and the related balance in other accumulated comprehensive income of $3.3 million, net of tax of $2.0 million, was reclassified to discontinued operations.

Additionally, on October 25, 2002, in conjunction with the acquisition of Ideal Baking Company, the company acquired two interest rate swaps with notional amounts of $1.7 million each, designated as cash flow hedges of the outstanding borrowings of that company.

The interest rate swap agreements result in the company paying or receiving the difference between the fixed and floating rates at specified intervals calculated based on the notional amounts. The interest rate differential to be paid or received is accrued as interest rates change and is recorded as interest expense. Under SFAS 133, these swap transactions are designated as cash-flow hedges. Accordingly, the effective portion of the change in the fair value of the swap transaction is recorded each period in other comprehensive income. The ineffective portion of the change in fair value is recorded to current period earnings in selling, marketing and administrative expenses. The fair value of the interest rate swaps on July 12, 2003 was a liability of $(0.1) million which is recorded in other accrued liabilities and other long term liabilities. During the twelve and twenty eight weeks ended July 12, 2003, interest expense was not materially impacted by periodic settlements of the swaps. However, $2.2 million of interest expense was recognized in discontinued operations during the twenty eight weeks ended July 12, 2003, as a result of periodic settlements of the swaps. Additionally, $0.5 million was recorded as a credit to discontinued operations resulting from the change in fair value of the swaps between January 30, 2003, when hedging accounting was discontinued, and April 24, 2003, when the swaps were terminated. An immaterial amount was recorded to current continuing earnings during the twenty eight weeks ended July 12, 2003.

7. DEBT AND OTHER OBLIGATIONS

Long-term debt consisted of the following at July 12, 2003 and December 28, 2002 (amounts in thousands):

	JULY 12, 2003	DECEMBER 28, 2002
Senior secured credit facilities	$	$ 180,258
Capital lease obligations	107	56,887
Other notes payable	6,516	13,219
	6,623	250,364
Less current maturities	1,528	27,231
Total long-term debt	$ 5,095	$ 223,133

The company s credit agreement provides for total borrowings of up to $130.0 million on its revolving loan facility.

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As of December 28, 2002, the company was not in compliance with certain restrictive financial covenants under the credit agreement. Subsequent to December 28, 2002, the company completed an amendment to the credit agreement, which among other things, permitted the company to exclude the effects of the SFAS 142 and SFAS 144 impairment charges from its fiscal 2002 covenant calculations, bringing the company into compliance with all financial covenants under the credit agreement. The credit agreement was also amended to allow for completion of the sale of Mrs. Smith s Bakeries frozen dessert business to Schwan, an increase in the amount of dividends the company can pay, an increase in the company s ability to repurchase its common stock and make acquisitions within certain limits and an increase in the amount of allowable capital expenditures. With the completion of the amendment, the company was in compliance with all covenants under the credit agreement and believes that, given its current cash position, its cash flow from operating activities and its available credit facilities, it can comply with the current terms of its credit facilities and can meet presently foreseeable financial requirements. Pursuant to the amendment to the company s credit agreement, upon the closing of the transaction with Schwan, proceeds from the sale, net of certain outstanding debt and lease obligations, transaction costs and post closing adjustments, were applied to the outstanding Term Loan A and Term Loan B balances on a pro rata basis. On April 24, 2003, $159.7 million of the net proceeds from the Schwan transaction and $13.7 million of the company s cash were used to payoff Term Loan A and Term Loan B. Therefore, the balance on the credit facility was $0 as of April 24, 2003. Also on April 24, 2003, proceeds from the Schwan transaction were used to payoff $54.8 million in capital leases and $6.1 million in other notes payable. As such, debt of $6.6 million, primarily related to the acquisition of Ideal Baking, remains outstanding at July 12, 2003.

In anticipation of the pending transactions, during the first quarter of fiscal 2003, the company gave notice to lessors of its intent to payoff certain equipment leases. As a result, the company accrued $4.8 million in lease termination fees, of which $4.3 million was included in discontinued operations during the first quarter of fiscal 2003 (see Note 2).

Interest expense related to the debt and lease obligations required to be repaid of $5.7 million and $10.5 million for the twenty eight weeks ended July 12, 2003 and July 13, 2002, respectively, was included in discontinued operations (see Note 2).

8. FACILITY CLOSING COSTS AND SEVERANCE

The company has continuing obligations in connection with certain plant closings completed in the current and prior years. Activity with respect to these obligations is as follows (amounts in thousands):

	December 28, 2002	Spending	July 12, 2003
Noncancelable lease obligations and other facility closing costs	$ 10,195	$ (5,882)	$ 4,313
Severance	537	(537)	
Other	1,121	(86)	1,035
Total	$ 11,853	$ (6,505)	$ 5,348

On April 24, 2003, the company used a portion of the proceeds from the sale of the Mrs. Smith s Bakeries frozen dessert business to extinguish the remaining $4.3 million equipment lease obligation associated with the closed facility in Pottstown, Pennsylvania. These lease payments had been accrued for at the time of the plant closing in fiscal 1997. The payoff of the lease was recorded to the reserve in the second quarter of fiscal 2003 and is reflected in spending above.

9. LITIGATION

The company and its subsidiaries from time to time are parties to, or targets of, lawsuits, claims, investigations and proceedings, including personal injury, commercial, contract, environmental, antitrust, product liability, health and safety and employment matters, which are being handled and defended in the ordinary course of business. While the company is unable to predict the outcome of these matters, it believes, based upon currently available facts, that it is remote that the ultimate resolution of any such pending matters will have a material adverse effect on its overall financial condition, results of operations or cash flows in the future. However, adverse developments could negatively impact earnings in a particular future fiscal period.

On March 25, 2002, in Trans American Brokerage, Inc. (TAB) vs. Mrs. Smith s Bakeries, Inc., an arbitration brought before the American Arbitration Association, an arbitrator found against Mrs. Smith s Bakeries and issued an interim award for damages in the amount of $9.8 million plus approximately $0.8 million representing costs and attorneys fees incurred relating to an alleged breach of a distributorship agreement. The company recorded a $10.0 million charge ($6.2 million after tax) against its results for the fiscal year ended December 29, 2001 for estimated total probable costs (including attorney s fees and expenses) of this dispute. On June 11, 2002, an arbitrator issued a final award for damages in the amount of the interim award. The award also provided for the accrual of interest until it was settled or paid. As of December 28, 2002, the company had accrued a total of $11.5 million related to this award. On April 22, 2003, the company paid $9.0 million to TAB to settle the arbitration award. As a result, the company reversed $2.5 million from accrued reserves into discontinued operations under Mrs. Smith s Bakeries operating loss for the first quarter of fiscal 2003.

10. EARNINGS PER SHARE

On May 30, 2003, the board of directors declared a 3 for 2 stock split of the company s common stock in the form of a stock dividend. The record date for the split was June 13, 2003 and new shares were issued on June 27, 2003. Earnings (loss) per common share have been restated for all periods presented giving retroactive effect to the stock split.

The following table calculates basic earnings per common share and diluted earnings per common share at July 12, 2003 and July 13, 2002 (amounts in thousands, except per share data):

	FOR THE TWELVE WEEKS ENDED		FOR THE TWENTY EIGHT WEEKS ENDED	
	JULY 12, 2003	JULY 13, 2002	JULY 12, 2003	JULY 13, 2002
Basic Earnings Per Common Share:				
Income from continuing operations	$ 13,774	$ 13,479	$ 27,427	$ 26,604
Basic weighted average shares outstanding	45,082	44,697	45,030	44,697
Basic earnings per common share	$ 0.31	$ 0.30	$ 0.61	$ 0.60
Diluted Earnings Per Common Share:				
Income from continuing operations	$ 13,774	$ 13,479	$ 27,427	$ 26,604
Basic weighted average shares outstanding	45,082	44,697	45,030	44,697
Add: Shares of common stock assumed upon exercise of stock options	641	577	521	863
Add: Shares of common stock assumed upon contingent stock agreement	138	376	140	550
Diluted weighted average shares outstanding	45,861	45,650	45,691	46,110
Diluted earnings per common share	$ 0.30	$ 0.30	$ 0.60	$ 0.58

11. SEGMENT REPORTING

On April 24, 2003, the company announced it had completed the sale of substantially all the assets of Mrs. Smith s Bakeries frozen dessert business to Schwan. The company retained the frozen bread and roll portion of the Mrs. Smith s Bakeries business. As a result, the frozen bread and roll business as well as the Birmingham, Alabama production facility, formerly a part of Flowers Bakeries, became a part of our Flowers Snack segment, with Flowers Snack being renamed Flowers Specialty. For purposes of this Form 10-Q, discussion will relate to our Flowers Bakeries and Flowers Specialty business units as such businesses are currently operated. Prior year data has been restated to reflect the segment reorganization.

The segments are managed as strategic business units due to their distinct production processes and marketing strategies. The company evaluates each segment s performance based on income or loss before interest and income taxes, excluding unallocated expenses and charges which the company s management deems to be unusual and not reflective of the segments core operating businesses. Information regarding the operations in these reportable segments is as follows (amounts in thousands):

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	FOR THE TWELVE WEEKS ENDED		FOR THE TWENTY EIGHT WEEKS ENDED	
	JULY 12, 2003	JULY 13, 2002	JULY 12, 2003	JULY 13, 2002
SALES:				
Flowers Bakeries	$261,031	$249,378	$599,046	$565,050
Flowers Specialty	76,162	68,567	172,699	149,053
	$337,193	$317,945	$771,745	$714,103
DEPRECIATION AND AMORTIZATION:				
Flowers Bakeries	$ 10,130	$ 10,126	$ 23,679	$ 23,618
Flowers Specialty	2,480	2,920	5,968	6,799
Unallocated corporate expenses	(121)	43	4	101
	$ 12,489	$ 13,089	$ 29,651	$ 30,518
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES:				
Flowers Bakeries	$ 25,137	$ 24,450	$ 51,378	$ 50,639
Flowers Specialty	4,575	2,824	8,035	4,224
Unallocated corporate expenses	(8,268)	(5,867)	(16,701)	(12,953)
Unallocated interest income, net	953	509	1,885	1,348
	$ 22,397	$ 21,916	$ 44,597	$ 43,258

12. ACQUISITION

On December 30, 2002 (fiscal 2003), the company acquired certain assets of Bishop Baking Company, Inc. (Bishop) from Kellogg Company. Bishop has annual sales of approximately $30.0 million from its sole bakery in Cleveland, Tennessee. Bishop s products, which include a line of snack cake items that the company did not previously produce, are distributed nationwide.

13. SUBSEQUENT EVENTS

Subsequent to the close of the second quarter, on July 30, 2003, the company issued a product recall of certain bread products due to the possibility that they contained small pieces of metal mesh screen. The product and other costs incurred related to the recall will be approximately $1.2 million and will be reflected in the company s third quarter fiscal 2003 financial statements in materials, supplies, labor and other production costs. These costs do not include any potential legal claims, as the company does not anticipate any material impact from such possible claims.

On August 20, 2003, the Board of Directors declared a dividend of $0.10 per share on the company s common stock to be paid on September 18, 2003 to shareholders of record on September 4, 2003.

14. RESTATEMENT OF THE CONDENSED CONSOLIDATED BALANCE SHEET AS OF JULY 12, 2003

The company is filing this Form 10-Q/A solely to correct certain amounts in Part I, Item 1 (Financial Statements) of its Form 10-Q for the period ended July 12, 2003 filed with the Securities and Exchange Commission on August 26, 2003. Specifically this amendment corrects the following classification errors that resulted from the incorrect summarization of the costs and accumulated depreciation of certain assets within the property, plant and equipment category of the condensed consolidated balance sheet as of July 12, 2003 during the consolidation process. These classification errors were limited to the property, plant and equipment category.

	Amount as Previously	Corrected Amount as

	Reported in the Company s Form 10-Q filed August 26, 2003	Reported in this Amendment to the Company s Form 10-Q
Property, Plant and Equipment:		
Land	$ 86,990	$ 33,300
Buildings	178,340	204,676
Machinery and equipment	447,369	518,383
Furniture, fixtures and transportation equipment	41,866	43,286
Construction in Progress	15,812	22,374
	770,377	822,019
Less accumulated depreciation	(341,990)	(393,632)
	$ 428,387	$ 428,387

This amendment has no effect on the net amount of property, plant and equipment or any other balance sheet items, or the company s condensed consolidated statements of income or cash flows. This amendment amends only the specified items in the Form 10-Q and does not otherwise update the disclosures in the Form 10-Q as originally filed and does not reflect events occurring after the original filing of the Form 10-Q.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS

(a) Exhibits filed as part of this report are listed in the Exhibit Index attached hereto.

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.

FLOWERS FOODS, INC

By: /s/ Amos R. McMullian

Name: Amos R. McMullian
Title: Chairman of the Board and
Chief Executive Officer

By: /s/ Jimmy M. Woodward

Name: Jimmy M. Woodward
Title: Senior Vice President,
Chief Financial Officer and Chief Accounting Officer
Date: September 12, 2003

EXHIBIT INDEX

Exhibit No.	Name of Exhibit
*31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*32	Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, by Amos R. McMullian, Chief Executive Officer, and Jimmy M. Woodward, Chief Financial Officer.

* Filed herewith