UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

# FORM 10-Q

(Mark One)

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

For the period ended March 26, 2005

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.

X Yes No

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

X Yes No

As of April 18, 2005, there were 9,074,251 shares of the Registrant's Common Stock outstanding.

INDEX


| | Page Number |
|---|---|
| Part I. Financial Information | |
| Item 1. Consolidated Financial Statements | |
| Consolidated Balance Sheets - March 26, 2005 (unaudited) and September 25, 2004 | 3 |
| Consolidated Statements of Operations (unaudited) - Three Months and Six Months Ended March 26, 2005 and March 27, 2004 | 5 |
| Consolidated Statements of Cash Flows (unaudited) - Six Months Ended March 26, 2005 and March 27, 2004 | 6 |
| Notes to the Consolidated Financial Statements | 7 |
| Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations | 20 |

| | | |
|---|---|---|
| Item 3. | Quantitative and Qualitative Disclosures About Market Risk | 24 |
| Item 4. | Controls and Procedures | 24 |
| Part II. | Other Information | |
| Item 4. | Submission of Matters to a Vote of Security Holders | 26 |
| Item 6. | Exhibits and Reports on Form 8-K | 26 |


PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements

J & J SNACK FOODS CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands)

ASSETS

| | March 26, 2005 (Unaudited) | September 25, 2004 |
|---|---|---|
| Current assets | | |
| Cash and cash equivalents | $ 8,137 | $ 19,600 |
| Marketable securities available for sale | 41,900 | 36,500 |
| Accounts receivable | 38,783 | 47,986 |
| Inventories | 34,739 | 29,587 |
| Prepaid expenses and other | 1,672 | 1,354 |
| Deferred income taxes | 3,385 | 3,385 |
| | 128,616 | 138,412 |
| Property, plant and equipment, at cost | | |
| Land | 556 | 556 |
| Buildings | 4,497 | 4,497 |
| Plant machinery and equipment | 104,387 | 100,442 |
| Marketing equipment | 186,697 | 182,136 |
| Transportation equipment | 1,191 | 1,037 |
| Office equipment | 8,609 | 8,411 |
| Improvements | 14,972 | 15,070 |
| Construction in progress | 1,853 | 2,731 |
| | 322,762 | 314,880 |
| Less accumulated depreciation and amortization | 233,824 | 225,406 |
| | 88,938 | 89,474 |
| Other assets | | |
| Goodwill | 51,477 | 46,477 |
| Other intangible assets, net | 9,751 | 1,804 |
| Other | 1,232 | 1,257 |
| | 62,460 | 49,538 |
| | $280,014 | $277,424 |

See accompanying notes to the consolidated financial statements.



J & J SNACK FOODS CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS - Continued
(in thousands)

| LIABILITIES AND STOCKHOLDERS' EQUITY | March 26, 2005 (Unaudited) | September 25, 2004 |
|---|---|---|
| Current liabilities | | |
| Accounts payable | $ 31,708 | $ 34,497 |
| Accrued liabilities | 13,403 | 13,149 |
| | 45,111 | 47,646 |

| | | |
|---|---|---|
| Deferred income taxes | 19,153 | 19,153 |
| Other long-term liabilities | 408 | 529 |
| | 19,561 | 19,682 |
| | | |
| 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, 9,074 and 9,006 shares, respectively | 34,247 | 33,069 |
| Accumulated other comprehensive loss | (2,005) | (2,061) |
| Retained earnings | 183,100 | 179,088 |
| | | |
| | 215,342 | 210,096 |
| | $280,014 | $277,424 |

See accompanying notes to the consolidated financial statements.



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 26, 2005 | March 27, 2004 | March 26, 2005 | March 27, 2004 |
| Net Sales | $99,350 | $95,214 | $197,871 | $175,159 |
| Cost of goods sold | 67,822 | 64,468 | 136,347 | 119,775 |
| Gross profit | 31,528 | 30,746 | 61,524 | 55,384 |
| Operating expenses | | | | |
| Marketing | 12,804 | 12,898 | 25,652 | 24,122 |
| Distribution | 8,631 | 7,889 | 17,554 | 14,849 |
| Administrative | 4,476 | 4,633 | 8,795 | 8,341 |
| Other general (income) expense | (76) | 203 | 176 | 170 |
| | 25,835 | 25,623 | 52,177 | 47,482 |
| Operating income | 5,693 | 5,123 | 9,347 | 7,902 |
| Other income (expenses) | | | | |
| Investment income | 392 | 112 | 714 | 229 |
| Interest expense | (34) | (28) | (58) | (57) |
| Earnings before income taxes | 6,051 | 5,207 | 10,003 | 8,074 |
| Income taxes | 2,261 | 1,865 | 3,731 | 2,907 |
| NET EARNINGS | $ 3,790 | $ 3,342 | $ 6,272 | $ 5,167 |
| Earnings per diluted share | $.41 | $.36 | $.68 | $.57 |
| Weighted average number of diluted shares | 9,290 | 9,170 | 9,263 | 9,105 |
| Earnings per basic share | $.42 | $.38 | $.69 | $ .58 |

| | | | | |
|---|---|---|---|---|
| Weighted average number of basic shares | 9,082 | 8,877 | 9,057 | 8,834 |

See accompanying notes to the consolidated financial statements.



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

| | Six months ended March 26, 2005 | Six months ended March 27, 2004 |
|---|---|---|
| Operating activities: | | |
| Net earnings | $ 6,272 | $ 5,167 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |
| Depreciation and amortization of fixed assets | 11,424 | 11,688 |
| Amortization of intangibles and deferred costs | 373 | 474 |
| Other | 83 | 83 |
| Changes in assets and liabilities, net of effects from purchase of companies | | |
| Decrease (increase) in accounts receivable | 9,205 | (1,059) |
| Increase in inventories | (4,598) | (2,225) |
| Increase in prepaid expenses | (318) | (130) |
| (Decrease) increase in accounts payable and accrued liabilities | (3,787) | 1,254 |
| Net cash provided by operating activities | 18,654 | 15,252 |
| Investing activities: | | |
| Purchases of property, plant and equipment | (9,828) | (8,464) |
| Payments for purchase of companies | (15,429) | (12,668) |
| Proceeds from investments held to maturity | - | 275 |
| Purchase of marketable securities | (14,400) | (18,000) |
| Proceeds from sale of marketable securities | 9,000 | 1,000 |
| Proceeds from disposal of property and equipment | 459 | 424 |
| Other | (25) | 24 |
| Net cash used in investing activities | (30,223) | (37,409) |
| Financing activities: | | |
| Proceeds from issuance of stock | 1,177 | 2,146 |
| Payment of cash dividend | (1,127) | - |
| Net cash provided by financing activities | 50 | 2,146 |
| Effect of exchange rate on cash and cash equivalents | 56 | (18) |
| Net (decrease) increase in cash and cash equivalents | (11,463) | (20,029) |
| Cash and cash equivalents at beginning of period | 19,600 | 37,694 |
| Cash and cash equivalents at end of period | $ 8,137 | $ 17,665 |

See accompanying notes to the consolidated financial statements.





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 26, 2005 and March 27, 2004 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' Annual Report on Form 10-K for the year ended September 25, 2004.

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 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:

| | Three Months Ended March 26, 2005 | | |
|---|---|---|---|
| | Income (Numerator) | Shares (Denominator) | Per Share Amount |
| | (in thousands, except per share amounts) | | |
| Basic EPS | | | |
| Net Earnings available to common stockholders | $3,790 | 9,082 | $.42 |
| Effect of Dilutive Securities | | | |
| Options | - | 208 | (.01) |
| Diluted EPS | | | |
| Net Earnings available to common stockholders plus assumed conversions | $3,790 | 9,290 | $.41 |

| | Six Months Ended March 26, 2005 | | |
|---|---|---|---|
| | Income (Numerator) | Shares (Denominator) | Per Share Amount |
| | (in thousands, except per share amounts) | | |
| Basic EPS | | | |
| Net Earnings available to common stockholders | $6,272 | 9,057 | $.69 |
| Effect of Dilutive Securities | | | |
| Options | - | 206 | (.01) |
| Diluted EPS | | | |
| Net Earnings available to common stockholders plus assumed conversions | $6,272 | 9,263 | $.68 |

Three Months Ended March 27, 2004

| | Income (Numerator) | Shares (Denominator) | Per Share 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 (Numerator) | Shares (Denominator) | Per Share 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.

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 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 (see Note 6).

At March 26, 2005, the Company has two stock-based employee compensation plans. The Company accounts for these plans 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 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.



| | Three Months Ended March 26, 2005 | Three Months Ended March 27, 2004 | Six Months Ended March 26, 2005 | Six Months Ended March 27, 2004 |
|---|---|---|---|---|
| Net income, as reported | $3,790 | $3,342 | $6,272 | $5,167 |
| Less: stock-based compensation costs determined under fair value based method for all awards | 210 | 287 | 419 | 573 |
| Net income, pro forma | $3,580 | $3,055 | $5,853 | $4,594 |
| Earnings per share of common stock - basic: | | | | |
| As reported | $ .42 | $ .38 | $ .69 | $ .58 |
| Pro forma | $ .39 | $ .34 | $ .65 | $ .52 |
| Earnings per share of common stock - diluted: | | | | |
| As reported | $ .41 | $ .36 | $ .68 | $ .57 |
| Pro forma | $ .39 | $ .33 | $ .63 | $ .50 |

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 grants in fiscal 2005 and 2004: expected volatility of 26% and 31%; risk-free interest rates of 3.7% and 3.3%; and expected lives ranging between 5 and 10 years.

Note 6 In December 2004, the FASB issued Statement 151, "Inventory Costs, an amendment of ARB No. 43, Chapter 4".

Statement 151 retains the general principle of ARB 43, Chapter 4, "Inventory Pricing (AC Section I78)", that inventories are presumed to be stated at cost; however, it amends ARB 43 to clarify that

- abnormal amounts of idle facilities, freight, handling costs, and spoilage should be recognized as charges of the current period

. allocation of fixed production overheads to inventories should be based on the normal capacity of the production facilities.

Statement 151 defines normal capacity as the production expected to be achieved over a number of periods or seasons under normal circumstances, taking into account the loss of capacity resulting from planned maintenance. The Board concluded that normal capacity refers to a range of production levels that will vary based on business- and industry-specific factors. Accordingly, an entity will have to use judgment to determine when production is outside the range of expected variation in production (either abnormally low or abnormally high). In periods of abnormally low production (for example, periods in which there is significantly lower demand, labor and material shortages exist, or there is unplanned equipment downtime) the amount of fixed overhead allocated to each unit of production should not be increased. However, in periods of abnormally high production the amount of fixed overhead allocated to each unit of production is decreased to assure inventories are not measured above cost.

The guidance in Statement 151 is effective for inventory costs during fiscal years beginning after June 15, 2005 and should be applied prospectively. Since we essentially follow the guidelines of Statement 151, we do not anticipate the adoption to have a material impact on our financial statements.

In December 2004, the FASB issued Statement No. 123 (revised 2004), Share-Based Payment. Statement 123(R) requires that the compensation cost relating to share-based payment transactions be recognized in financial statements. That cost will be measured based on the fair value of the equity or liability instruments issued.

This statement is effective as of the first annual reporting period that begins after June 15, 2005.

Statement 123(R) covers a wide range of share-based compensation arrangements including share options, restricted share plans, performance-based awards, share appreciation rights, and employee share purchase plans.



In addition to the accounting standard that sets forth the financial reporting objectives and related accounting principles, Statement 123(R) includes an appendix of implementation guidance that provides expanded guidance on measuring the fair value of share-based payment awards.

Statement 123(R) replaces FASB Statement No. 123, Accounting for Stock-Based Compensation, and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees. Statement 123, as originally issued in 1995, established as preferable a fair-value-based method of accounting for share-based payment transactions with employees. However, that Statement permitted entities the option of continuing to apply the guidance in Opinion 25, as long as the footnotes to financial statements disclosed what net income would have been had the preferable fair-value-based method been used. We anticipate implementing this new standard in the first quarter of our fiscal year 2006. The impact of this new standard, if it had been in effect, on the net earnings of our fiscal years ended in

September 2004, 2003 and 2002 were disclosed in Note A13 Accounting for Stock-Based Compensation of our Financial Statements included in our Form 10-k for the fiscal year ended September 25, 2004 and the impact on the net earnings of the current quarter and six months are disclosed in Note 5 of this Form 10-Q.

Note 7 Inventories consist of the following:

| | March 26, 2005 | September 25, 2004 |
|---|---|---|
| | (in thousands) (unaudited) | |
| Finished goods | $18,125 | $13,691 |
| Raw materials | 4,480 | 4,556 |
| Packaging materials | 3,590 | 2,984 |
| Equipment parts & other | 8,544 | 8,356 |
| | $34,739 | $29,587 |

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



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 shopping centers; fast food outlets; stadiums and 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:



| | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|
| | March 26, 2005 | March 27, 2004 | March 26, 2005 | March 27, 2004 |
| | (in thousands) | | | |
| Sales to External Customers: | | | | |
| Food Service | $ 63,463 | $ 60,747 | $124,935 | $108,688 |
| Retail Supermarket | 9,751 | 9,289 | 16,736 | 15,566 |
| Restaurant Group | 1,410 | 1,971 | 3,227 | 4,539 |
| Frozen Beverages | 24,726 | 23,207 | 52,973 | 46,366 |
| | $ 99,350 | $ 95,214 | $197,871 | $175,159 |
| Depreciation and Amortization: | | | | |
| Food Service | $ 3,330 | $ 3,506 | $ 6,597 | $ 6,788 |
| Retail Supermarket | - | - | - | - |
| Restaurant Group | 53 | 99 | 118 | 210 |
| Frozen Beverages | 2,560 | 2,491 | 5,082 | 5,164 |
| | $ 5,943 | $ 6,096 | $ 11,797 | $ 12,162 |
| Operating Income(Loss): | | | | |
| Food Service | $ 5,929 | $ 5,297 | $ 10,225 | $ 8,145 |
| Retail Supermarket | 216 | 717 | 476 | 776 |
| Restaurant Group | (17) | (466) | (237) | (414) |
| Frozen Beverages | (435) | (425) | (1,117) | (605) |
| | $ 5,693 | $ 5,123 | $ 9,347 | $ 7,902 |

| | | | | |
|---|---|---|---|---|
| Capital Expenditures: | | | | |
| Food Service | $ 2,327 | $ 2,466 | $ 4,194 | $ 3,702 |
| Retail Supermarket | - | - | - | - |
| Restaurant Group | 17 | 6 | 40 | 15 |
| Frozen Beverages | 3,176 | 2,758 | 5,594 | 4,765 |
| | $ 5,520 | $ 5,230 | $ 9,828 | $ 8,482 |
| Assets: | | | | |
| Food Service | $190,747 | $162,166 | $190,747 | $162,166 |
| Retail Supermarket | - | - | - | - |
| Restaurant Group | 1,292 | 1,654 | 1,292 | 1,654 |
| Frozen Beverages | 87,975 | 82,780 | 87,975 | 82,780 |
| | $280,014 | $246,600 | $280,014 | $246,600 |

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.



The carrying amount of acquired intangible assets for the Food Service, Retail Supermarkets, The Restaurant Group and Frozen Beverage segments as of March 26, 2005 are as follows:

| | Gross Carrying Amount | Accumulated Amortization | Net Carrying Amount |
|---|---|---|---|
| | | (in thousands) | |
| FOOD SERVICE | | | |
| Amortized intangible assets | | | |
| Licenses and rights | $11,307 | $1,602 | $9,705 |
| RETAIL SUPERMARKETS | | | |
| Amortized intangible assets | | | |
| Licenses and rights | $ - | $ - | $ - |
| THE RESTAURANT GROUP | | | |
| Amortized Intangible Assets | | | |
| Licenses and rights | $ - | $ - | $ - |
| FROZEN BEVERAGES | | | |
| Amortized intangible assets | | | |
| Licenses and rights | $ 201 | $ 155 | $ 46 |

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. Aggregate amortization expense of intangible assets for the three months ended March 26, 2005 and March 27, 2004 was $155,000 and $161,000, respectively and for the six months ended March 26, 2005 and March 27, 2004 was $278,000 and $239,000, respectively.

Estimated amortization expense for the next five fiscal years is approximately $1,066,000 in 2005, $1,560,000 in 2006 and 2007, $1,500,000 in 2008 and $1,335,000 in 2009. The weighted average amortization period of the intangible assets is 7.25 years.

On March 17, 2005, we acquired all of the assets of Snackworks LLC, d/b/a Bavarian Brothers, a manufacturer of soft pretzels headquartered in Rancho Cucamonga, California for $14.7 million plus approximately $600,000 for inventory. Snackworks operates production facilities in California and Chambersburg, Pennsylvania and markets its products under the brand names SERIOUSLY TWISTED!, BAVARIAN BROTHERS and CINNAPRETZEL. Snackworks sells throughout the continental

United States primarily to mass merchandisers and theatres. Annual sales are approximately $11 million.

We allocated $8,000,000 0f the purchase price of Snackworks, LLC to amortizable intangible assets and $5,000,000 to goodwill. We are in the process of obtaining a third party valuation of certain assets of Snackworks; therefore, this allocation of the purchase price is subject to revision.

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 26, 2005 | $19,241 | $ - | $386 | $31,850 | $51,477 |

Foodservice goodwill increased by $5 million during the quarter ended March 26, 2005 as a result of the acquisition of Snackworks, LLC.

Note 10 The amortized cost, unrealized gains and losses, and fair market values of our investment securities available for sale at March 26, 2005 are summarized as follows:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Market Value |
|---|---|---|---|---|
| | | (in thousands) | | |
| Available for Sale Securities | | | | |
| Equity Securities | $41,900 | $ - | $ - | $41,900 |

The amortized cost, unrealized gains and losses, and fair market values of the Company's investment securities available for sale at September 25, 2004 are summarized as follows:

| | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Fair Market Value |
|---|---|---|---|---|
| | | (in thousands) | | |
| Available for Sale Securities | | | | |
| Equity Securities | $36,500 | $ - | $ - | $36,500 |


Proceeds from the sale of marketable securities were $4,000,000 and $9,000,000 in the three and six months ended March 26, 2005, respectively, with no gain or loss recorded.  We use the specific identification method to determine the cost of securities sold.

## 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.

The Company's Board of Directors declared a regular quarterly cash dividend of $.125 per share of its common stock payable on April 5, 2005 to shareholders of record as of the close of business on March 15, 2005.

In the three months ended March 26, 2005 and March 27, 2004, fluctuations in the valuation of the Mexican peso caused a decrease of $11,000 and a increase of $49,000, respectively, in stockholders' equity because of the translation of the net assets of the Company's Mexican frozen beverage subsidiary. In the six month periods, there was an increase of $56,000 in fiscal year 2005 and a decrease of $18,000 in fiscal year 2004.

On January 5, 2004, we acquired all of the assets of Country Home Bakers, Inc. Country Home Bakers, Inc., with its manufacturing facility in Atlanta, GA, manufactures and distributes bakery 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.

On March 17, 2005, we acquired all of the assets of Snackworks LLC, d/b/a Bavarian Brothers, a manufacturer of soft pretzels headquartered in Rancho Cucamonga, California. Snackworks operates production facilities in California and Chambersburg, Pennsylvania and markets its products under the brand names SERIOUSLY TWISTED!, BAVARIAN BROTHERS and CINNAPRETZEL. Snackworks sells throughout the continental United States primarily to mass merchandisers and theatres. Annual sales are approximately $11 million.

These acquisitions were accounted for under the purchase method of accounting, and their operations are included in the consolidated financial statements from their respective acquisition dates. We are in the process of obtaining a third party valuation of certain assets of Snackworks, LLC; therefore the allocation of the purchase price is subject to revision.



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 26, 2005.

Results of Operations

Net sales increased $4,136,000 or 4% for the three months to $99,350,000 and $22,712,000 or 13% to $197,871,000 for the six months ended March 26, 2005 compared to the three and six months ended March 27, 2004. Excluding sales from the acquisitions of Country Home Bakers, Inc. in January 2004 and Snackworks, LLC in March 2005, net sales increased $3,962,000 or 4% for the three months and $10,058,000 or 6% for the six months ended March 26, 2005 compared to the three and six months ended March 27, 2004.

FOOD SERVICE

Sales to food service customers increased $2,716,000 or 4% in the second quarter to $63,463,000 and increased $16,247,000 or 15% for the six months. Excluding sales from the acquisitions of Country Home Bakers, Inc. and Snackworks, LLC, sales to food service customers increased $2,542,000, or 4% in the second quarter and increased $3,593,000, or 3% for the six months. Soft pretzel sales to the food service market increased 2% to $20,737,000 in the second quarter and increased 2% to $39,953,000 in the six months. Excluding sales from the acquisition of Snackworks,LLC, soft pretzel sales increased 1% in the second quarter and for the six months. Italian ice and frozen juice treat and dessert sales increased 11% to $7,490,000 in the three months and 10% to $13,607,000 in the six months primarily due to increased sales to school food service customers and warehouse club stores. Churro sales to food service customers increased 11% to $3,535,000 in the second quarter and were up 8% to $6,909,000 in the six months due to general increases across our customer base. Sales of bakery products increased $1,228,000 or 4% in the second quarter to $30,586,000 and increased $13,765,000 or 28% for the six months. Excluding sales from the acquisition of Country Home Bakers, Inc., sales of bakery products increased $1,285,000 or 3% 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

Sales of products to retail supermarkets increased $462,000 or 5% to $9,751,000 in the second quarter and increased 8% or $1,170,000 in the first half. Soft pretzel sales for the second quarter were up 23% to $7,114,000 and were up 21% to $12,074,000 for the six months due mainly to sales of PRETZELFILS in new markets and by increased sales of our regular SUPERPRETZEL in existing markets. Sales of frozen juices and ices decreased $80,000 or 2% to $3,768,000 in the second quarter and were down less than 1% to $6,299,000 in the first half. Coupon costs, a reduction of sales, increased by $726,000, or 113% in the second quarter and were up 56%, or $743,000, for the six months.

THE RESTAURANT GROUP

Sales of our Restaurant Group decreased 28% to $1,410,000 in the second quarter and 29% to $3,227,000 for the six month period. The sales decreases were caused primarily by the closing or licensing of unprofitable stores over the past year. During the first six months of the year, five stores were closed, leaving a total of 25 open at quarter end. Operating income was favorably impacted by approximately $135,000 during the quarter due to the settlement of litigation related to closed stores. The year ago quarter was negatively impacted by about $160,000 of store closing costs.

FROZEN BEVERAGES

Frozen beverage and related product sales increased 7% to $24,726,000 in the second quarter and $6,607,000 or 14% to $52,973,000 in the six month period. Beverage sales alone decreased 1% to $17,424,000 in the second quarter and were essentially unchanged at $34,999,000 in the six months. Service revenue increased 45% to $5,636,000 in the second quarter and 37% to $10,976,000 for the six months. Sales of beverage machines were $4,074,000 higher this year than last in the six month period with sales to two customers accounting for more than half of the increase. For the second quarter, sales of machines were higher by $147,000. Profit margins on the sales of machines were lower than in the past due to competition and the higher volume in our first quarter which put a strain on our cost structure.

CONSOLIDATED

Gross profit as a percentage of sales was 32% in the both year's three month period and decreased to 31% in the



six months period from 32% a year ago. The decrease in the six months was caused primarily by the increased sales of low margin beverage machines in our frozen beverages segment and higher coupon expense in our retail supermarket business.

Total operating expenses increased $212,000 in the second quarter but as a percentage of sales decreased to 26% from 27% last year. For the first half, operating expenses increased $4,695,000 but as a percentage of sales also decreased to 26% from 27% last year. Marketing expenses decreased to 13% of sales in the second quarter and six months from 14% last year. The decrease in expenses was broad based among our business segments. Distribution expenses increased to 9% from 8% last year in both the second quarter and six months due primarily to the higher cost of gasoline and third party trucking costs. We anticipate higher gasoline and third party trucking costs to continue to have a significant impact on our operating income. Administrative costs were 5% of sales in both year's second quarters and decreased about one-third of a percentage point to 4% for the six months which resulted primarily from the decreased costs at Country Home Bakers this year compared to the year ago transition period after the acquisition. Other general income of $76,000 in this year's second quarter compared to other general expense of $203,000 last year. Last year's expense included $160,000 of costs related to the closing of Restaurant Group stores; this year's income included a $140,000 reduction of expense resulting from the conclusion of litigation related to closed stores.

Operating income increased $570,000 or 11% to $5,693,000 in the second quarter and $1,445,000 or 18% to $9,347,000 in the first half.

Operating income was impacted by approximately $375,000 of higher group medical and liability insurance costs and commodity unit costs in the second quarter compared to a year ago and by $930,000 for the six months. Manufacturing plant utilities costs were higher by about $250,000 for the three months and $370,000 for the six months. We anticipate that continuing increases in the cost of utilities will continue to have a significant impact on our operating income.

Investment income increased by $280,000 to $392,000 in this year's second quarter and by $485,000 to $714,000 in the first six months due to higher investable balances of cash and an increase in the general level of interest rates.



The effective income tax rate has been estimated at 37% for the second quarter and first half this year compared to

36% for last year's periods.

Net earnings increased $448,000 or 13% in the current three month period to $3,790,000 and increased 21% to $6,272,000 in the six months this year from $5,167,000 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 2004 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 detected. Because of the inherent limitations in a cost effective control system, misstatements due to 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 information required to be disclosed by the Company in the reports that it files or submits is recorded, processed, summarized and reported within the time period specified in the SEC's rules and forms and that management is timely alerted to material information relating to the Company during the period when its periodic reports are being prepared. However, the CEO and CFO did become aware of significant deficiencies in our internal controls in the areas of account reconciliations and segregation of duties in some of our disbursements, inventory and purchasing functions. We believe that these deficiencies did not affect the accuracy of our financial statements included in this report. In order to correct these deficiencies, the Company is continuing to enforce existing policies and improving segregation of duties where applicable. Additionally, 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 reasonably 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.



## PART II. OTHER INFORMATION

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

The results of voting at the Annual Meeting of Shareholders held on February 10, 2005 is as follows:

| | Votes Cast For | Votes Cast Against | Withheld | Absentees and Broker Non Votes |
|---|---|---|---|---|
| Election of Gerald B. Shreiber as Director | 7,863,046 | - | 502,286 | - |
| Amendment to the Stock Option Plan | 6,371,754 | 1,120,379 | - | - |

The Company had 9,012,591 shares outstanding on December 13, 2004 the record date.

### Item 6. Exhibits and Reports on Form 8-K

a) Exhibits

31.1 & 31.2 Certification Pursuant to Section 302 of 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 - Reports on Form 8-K were filed on January 20, 2005, February 23, 2005 and March 18, 2005.



## 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.

J & J SNACK FOODS CORP.

Dated: April 20, 2005 /s/ Gerald B. Shreiber
Gerald B. Shreiber
President

Dated: April 20, 2005 /s/ Dennis G. Moore
Dennis G. Moore
Senior Vice President and
Chief Financial Officer



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 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.

Date: April 20, 2005

/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;

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: April 20, 2005

/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 26, 2005 (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.

Dated: April 20, 2005

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

Dated: April 20, 2005

/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.