

# FORM 10-Q

## SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

(Mark One)

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

For the quarterly period ended July 29, 2005

OR

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

For the transition period from \_\_\_\_\_

*Commission file number 0-1667*

### **Bob Evans Farms, Inc.**

(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

31-4421866  
(I.R.S. Employer  
Identification No.)

3776 South High Street Columbus, Ohio 43207  
(Address of principal executive offices)

(Zip Code)

(614) 491-2225  
(Registrant's telephone number, including area code)

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(Former name, former address and formal 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

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

Yes X No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No X

As of August 26, 2005, the registrant had issued 42,638,118 common shares, of which 35,476,133 were outstanding.



**BOB EVANS FARMS, INC.**

**PART I - FINANCIAL INFORMATION**

**ITEM 1. FINANCIAL STATEMENTS**

**CONSOLIDATED BALANCE SHEETS**

	(Dollars in thousands)	
	July 29, 2005 Unaudited	April 29, 2005 Audited
	-----	-----
<b>ASSETS</b>		
Current assets		
Cash and equivalents	\$ 9,524	\$ 5,267
Accounts receivable	14,139	14,707
Inventories	24,077	24,416
Deferred income taxes	10,623	10,623
Prepaid expenses	4,210	2,226
	-----	-----
TOTAL CURRENT ASSETS	62,573	57,239
Property, plant and equipment	1,394,737	1,371,895
Less accumulated depreciation	427,979	414,949
	-----	-----
NET PROPERTY, PLANT AND EQUIPMENT	966,758	956,946
Other assets		
Deposits and other	2,553	2,698
Long-term investments	19,970	19,278
Deferred income taxes	33,044	33,044
Goodwill	57,364	57,364
Other intangible assets	57,212	57,417
	-----	-----
TOTAL OTHER ASSETS	170,143	169,801
	-----	-----
	\$1,199,474	\$1,183,986
	=====	=====
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Line of credit	\$ 60,500	\$ 43,000
Current maturities of long-term debt	4,000	4,000
Accounts payable	22,644	24,422
Dividends payable	4,252	4,249
Federal and state income taxes	22,647	21,763
Accrued wages and related liabilities	16,786	23,767
Self insurance	16,453	16,340
Other accrued expenses	52,708	51,087
	-----	-----
TOTAL CURRENT LIABILITIES	199,990	188,628
Long-term liabilities		
Deferred compensation	18,364	17,046
Deferred income taxes	99,126	99,126
Deferred rent	16,318	16,022
Long-term debt	209,333	210,333
	-----	-----
TOTAL LONG-TERM LIABILITIES	343,141	342,527
Stockholders' equity		
Common stock, \$.01 par value;		
authorized 100,000,000 shares;		
issued 42,638,118 shares at		
July 29, 2005, and April 29, 2005	426	426
Preferred stock, authorized 1,200		
shares; issued 120 shares at		
July 29, 2005, and April 29, 2005	60	60
Capital in excess of par value	149,600	149,593
Retained earnings	636,278	633,372
Treasury stock, 7,203,183 shares at		
July 29, 2005 and 7,234,365 shares		
at April 29, 2005, at cost	(130,021)	(130,620)
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	656,343	652,831
	-----	-----
	\$1,199,474	\$1,183,986
	=====	=====

The accompanying notes are an integral part of the financial statements.

**CONSOLIDATED STATEMENTS OF INCOME**  
**UNAUDITED**

(Dollars in thousands,  
except per share amounts)

	Three Months Ended	
	July 29, 2005	July 30, 2004
NET SALES	\$395,640	\$320,615
Cost of sales	118,731	94,564
Operating wage and fringe benefit expenses	147,918	112,878
Other operating expenses	65,106	49,281
Selling, general and administrative expenses	31,932	26,864
Depreciation and amortization expense	17,952	13,944
OPERATING INCOME	14,001	23,084
Net interest expense	2,969	876
INCOME BEFORE INCOME TAXES	11,032	22,208
PROVISIONS FOR INCOME TAXES	3,872	7,972
NET INCOME	\$ 7,160	\$ 14,236
EARNINGS PER SHARE - BASIC	\$ 0.20	\$ 0.40
EARNINGS PER SHARE - DILUTED	\$ 0.20	\$ 0.40
CASH DIVIDENDS PER SHARE	\$ 0.12	\$ 0.12

The accompanying notes are an integral part of the financial statements

**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**UNAUDITED**

	(Dollars in thousands)	
	-----	
	Three Months Ended	
	-----	
	July 29, 2005	July 30, 2004
	-----	
OPERATING ACTIVITIES:		
Net income	\$ 7,160	\$ 14,236
Adjustments to reconcile net income to net cash provided by (used for) operating activities:		
Depreciation and amortization	17,952	13,944
Loss on sale of assets	271	298
(Gain) loss on long-term investments	(210)	40
Deferred compensation	1,318	(464)
Compensation expense attributable to stock plans	160	290
Deferred rent	296	--
Cash provided by (used for) current assets and current liabilities:		
Accounts receivable	568	1,677
Inventories	339	(79)
Prepaid expenses	(1,984)	(1,629)
Accounts payable	(1,778)	123
Federal and state income taxes	884	7,695
Accrued wages and related liabilities	(6,981)	(7,099)
Self insurance	113	1,293
Other accrued expenses	1,461	4,444
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	19,569	34,769
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(30,493)	(26,082)
Acquisition of business	--	(178,893)
Purchase of long-term investments	(579)	(619)
Proceeds from sale of property, plant and equipment	2,760	2,014
Other	145	(115)
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(28,167)	(203,695)
FINANCING ACTIVITIES:		
Cash dividends paid	(4,249)	(4,231)
Line of credit	17,500	(2,360)
Proceeds from debt issuance	--	372,775
Principal payments on debt	(1,000)	(183,775)
Proceeds from issuance of treasury stock	604	704
	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	12,855	183,113
Increase in cash and equivalents	4,257	14,187
Cash and equivalents at the beginning of the period	5,267	3,986
	-----	-----
Cash and equivalents at the end of the period	\$ 9,524	\$ 18,173
	=====	=====

The accompanying notes are an integral part of the financial statements.

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## UNAUDITED

### 1. Unaudited Financial Statements

The accompanying unaudited consolidated financial statements of Bob Evans Farms, Inc. ("Bob Evans") and its subsidiaries (collectively, Bob Evans and its subsidiaries are referred to as the "company") are presented in accordance with the requirements of Form 10-Q and, consequently, do not include all of the disclosures normally required by generally accepted accounting principles, or those normally made in the company's Form 10-K filing. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the company's financial position and results of operations have been included. The financial statements are not necessarily indicative of the results of operations for a full fiscal year. Except as described in this Form 10-Q, no significant changes have occurred in the disclosures made in Bob Evans' Form 10-K for the fiscal year ended April 29, 2005 (refer to the Form 10-K for a summary of significant accounting policies followed in the preparation of the consolidated financial statements).

### 2. Earnings Per Share

Basic earnings per share computations are based on the weighted-average number of shares of common stock outstanding during the period presented. Diluted earnings per share calculations reflect the assumed exercise and conversion of employee stock options.

The numerator in calculating both basic and diluted earnings per share for each period is reported net income. The denominator is based on the following weighted-average number of common shares outstanding:

	(in thousands)	
	Three Months Ended	
	July 29, 2005	July 30, 2004
Basic	35,421	35,260
Effect of dilutive stock options	224	411
Diluted	35,645	35,671

### 3. Stock-Based Employee Compensation

The company accounts for its stock-based employee compensation plans under the recognition and measurement principles of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related interpretations. Accordingly, no compensation expense has been recognized for stock options when the exercise price of the options is equal to or greater than the fair market value of the stock at the grant date.

The following table illustrates the effect on net income and earnings per share if the company had applied the fair value recognition provisions of Statement of Financial Accounting Standards (SFAS) No. 123, Accounting for Stock-Based Compensation, to stock based employee compensation:

	(in thousands, except per share data)	
	----- Three Months Ended -----	
	July 29, 2005	July 30, 2004
	-----	-----
NET INCOME, AS REPORTED	\$ 7,160	\$14,236
ADD: Stock-based employee compensation cost, net of related tax effects, included in reported net income	104	155
	-----	-----
DEDUCT: Stock-based employee compensation cost, net of related tax effects, determined under the fair value method for all awards	(1,044)	(2,032)
	-----	-----
NET INCOME, PRO FORMA	\$ 6,220	\$12,359
	-----	-----
EARNINGS PER SHARE - BASIC		
As reported	\$ 0.20	\$ 0.40
Pro forma	\$ 0.18	\$ 0.35
EARNINGS PER SHARE - DILUTED		
As reported	\$ 0.20	\$ 0.40
Pro forma	\$ 0.17	\$ 0.35

#### 4. Industry Segments

The company's business includes restaurant operations and the processing and sale of food products. The revenues from these segments include both sales to unaffiliated customers and intersegment sales, which are accounted for on a basis consistent with sales to unaffiliated customers. Intersegment sales and other intersegment transactions have been eliminated in the consolidated financial statements. Information on the company's operating segments is summarized as follows:

	(in thousands)	
	Three Months Ended	
	July 29, 2005	July 30, 2004
Sales		
Restaurant Operations	\$341,032	\$269,615
Food Products	64,707	60,159
	-----	-----
	405,739	329,774
Intersegment sales of food products	(10,099)	(9,159)
	-----	-----
Total	\$395,640	\$320,615
	=====	=====
Operating Income		
Restaurant Operations	\$ 12,312	\$ 23,917
Food Products	1,689	(833)
	-----	-----
Total	\$ 14,001	\$ 23,084
	=====	=====

#### 5. Acquisition and Debt Issuance

On July 7, 2004, the company acquired all of the stock of SWH Corporation (d/b/a Mimi's Cafe) for approximately \$106 million in cash, plus the assumption of approximately \$79 million in outstanding indebtedness, which was paid in full at the closing of the acquisition.

The transaction was accounted for using the purchase method of accounting as required by SFAS No. 141, Business Combinations, and accordingly, the results of operations of SWH Corporation have been included in the company's consolidated financial statements from the date of acquisition.

The acquisition was financed through a committed credit facility of approximately \$183 million, the proceeds of which were used to purchase all of the outstanding stock of SWH Corporation, repay existing indebtedness of SWH Corporation and pay certain transaction expenses. The credit facility was refinanced on July 28, 2004 through a private placement of \$190 million in unsecured senior notes. The maturities of these notes range from 3 to 12 years, with a weighted average interest rate of 4.9%.

The following table illustrates the pro-forma impact on certain financial results if the acquisition had occurred at the beginning of fiscal 2005. The pro-forma financial information does

not purport to be indicative of the operating results that would have been achieved had the acquisition been consummated at the beginning of fiscal 2005, and should not be construed as representative of future operating results.

	(in thousands)
	----- Three Months Ended ----- July 30, 2004 -----
Net Sales	\$371,284
Net Income	\$ 14,017
Earnings Per Share:	
Basic	\$ 0.40
Diluted	\$ 0.39

## 6. New Accounting Pronouncements

In December 2002, the FASB issued SFAS No. 123 (R), Share-Based Payment, which replaces SFAS No. 123, Accounting for Stock-Based Compensation, and supersedes APB Opinion No. 25, Accounting for Stock Issued to Employees. SFAS No. 123 (R) requires compensation costs related to share-based payment transactions to be recognized in the financial statements. With limited exceptions, the amount of compensation cost will be measured based on the fair value on the grant date of the equity or liability instruments issued. Compensation cost will be recognized over the period that an employee provides service for that award. This new standard will be effective for the company in the first quarter of fiscal 2007. The company has not yet determined the method of adoption nor the effect of adopting this standard.

## 7. Contingencies

In 2005, the company received an assessment from the State of Ohio related to corporate franchise tax for fiscal years 1998-2003. The company is petitioning the State of Ohio for a reassessment as the company believes its positions on tax returns filed are correct. However, in the event that the company does not ultimately prevail, management believes that recorded reserves are adequate to meet any future tax-related payments to the State of Ohio.

## 8. Subsequent Event

On August 9, 2005, the Board of Directors of the company accepted the resignation of Stewart K. Owens from the Company's Board of Directors and from his positions as the Company's Chairman of the Board, Chief Executive Officer, President and Chief Operating Officer, effective on that date. Robert E.H. Rabold has been appointed Chairman of the Board, and Larry C. Corbin has been appointed interim Chief Executive Officer and President. Mr. Rabold has been a member of the company's Board of Directors since 1994 and has served as the company's Lead Independent Director. He is retired chairman of Motorists Mutual Insurance Co. in Columbus, Ohio. Mr. Corbin retired in July 2004 from the company as Executive Vice President of the company's restaurant operations after 42 years with the company and has served on the Board of Directors since 1981. The Board of Directors has formed a special committee to conduct a search for a new Chief Executive Officer and President.

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### **RESULTS OF OPERATIONS**

#### **GENERAL OVERVIEW**

As of July 29, 2005, the company owned and operated 686 full-service restaurants, including 593 Bob Evans Restaurants in 20 states and 93 Mimi's Cafe restaurants in 13 states. Bob Evans Restaurants are primarily located in the Midwest, mid-Atlantic and Southeast regions of the United States. Mimi's Cafe restaurants are primarily located in California and other western states. Revenue in the restaurant segment is recognized at the point of sale. The company is also a leading producer and distributor of pork sausage and a variety of complementary homestyle convenience food items under the Bob Evans and Owens brand names. These food products are distributed primarily to grocery stores in the East North Central, mid-Atlantic, Southern and Southwestern United States. Revenue in the food products segment is recognized when products are delivered to the retailer. The company acquired SWH Corporation (d/b/a Mimi's Cafe) ("Mimi's") in the first quarter of fiscal 2005 (see Note 5 of the consolidated financial statements).

The following table reflects data for the company's first fiscal quarter ended July 29, 2005, compared to the prior year's first fiscal quarter ended July 30, 2004. The consolidated information is derived from the accompanying consolidated statements of income. Also included is data for the company's two industry segments - restaurant operations and food products. The ratios presented reflect the underlying dollar values expressed as a percentage of the applicable net sales amount.

(DOLLARS IN THOUSANDS)	CONSOLIDATED RESULTS		RESTAURANT SEGMENT		FOOD PRODUCTS SEGMENT	
	Q1	Q1	Q1	Q1	Q1	Q1
	2006	2005	2006	2005	2006	2005
Net sales	\$395,640	\$320,615	\$341,032	\$269,615	\$54,608	\$51,000
Operating income	\$ 14,001	\$ 23,084	\$ 12,312	\$ 23,917	\$ 1,689	\$ (833)
Cost of sales	30.0%	29.5%	26.6%	24.4%	51.4%	56.5%
Operating wages	37.4%	35.2%	41.3%	39.2%	12.9%	13.9%
Other operating	16.5%	15.4%	18.2%	17.2%	5.5%	5.8%
S.G.&A	8.1%	8.4%	5.6%	5.9%	23.5%	21.5%
Depr. & amort	4.5%	4.3%	4.7%	4.4%	3.6%	3.9%
Operating income	3.5%	7.2%	3.6%	8.9%	3.1%	(1.6%)

## RESTAURANT SEGMENT OVERVIEW

The ongoing economic and industry-wide factors relevant to the restaurant segment include: competition, same-store sales (defined in the "Sales" section below), labor and fringe benefit expenses, commodity prices, energy prices, restaurant openings and closings, governmental initiatives, food safety and other risks such as the economy, weather and consumer acceptance. For the first quarter of fiscal 2006, the factor having the greatest impact on restaurant segment profitability was the lower same-store sales at Bob Evans Restaurants compounded by higher food cost and labor cost at Bob Evans Restaurants.

First quarter 2006 same-store sales at Bob Evans Restaurants decreased 1.9% compared to the corresponding period last year. Management believes that economic pressures on core customers and a lagging economic recovery in the Midwest, as well as discounting in May this year, negatively impacted same-store sales.

The first quarter of fiscal 2006 includes Mimi's results for the entire quarter, whereas the corresponding period last year includes results after July 7, 2004 only. The inclusion of Mimi's results in the first quarter of fiscal 2006 had a significant impact on the cost of sales ratio in the restaurant segment. Mimi's restaurants traditionally have a higher food cost average than Bob Evans Restaurants due primarily to a higher concentration on lunch and dinner.

Initiatives to enhance customers' value perceptions and overall satisfaction levels at Bob Evans Restaurants increased costs in the first quarter compared to the corresponding quarter last year. This impact was reflected in cost of sales and operating wages.

These factors are discussed further in the detailed sections that follow. However, the end result is that restaurant operating income decreased \$11.6 million, or 48.5%, in the first quarter of fiscal 2006 compared to a year ago. Furthermore, the segment's operating income margin fell to 3.6% from 8.9% in the same period.

## **FOOD PRODUCTS SEGMENT OVERVIEW**

The ongoing economic and industry-wide factors relevant to the food products segment include: hog costs, governmental initiatives, food safety and other risks such as the economy, weather and consumer acceptance. For the first quarter of fiscal 2006, the two factors that had the greatest impact on food products segment profitability were:

- 1) strong sales growth; and
- 2) lower hog costs.

Food products segment net sales increased 7.1% in the first quarter of fiscal 2006 compared to the same period last year. The higher net sales were driven by a 6% increase in pounds sold of comparable products (principally sausage and refrigerated potatoes).

Hog costs represent the majority of food products segment cost of sales, and the volatile nature of hog costs greatly impacts the profitability of the segment. For the first quarter of fiscal 2006, average hog costs decreased 9.2% compared with the quarter a year ago. This decrease in hog costs caused cost of sales in the food products segment to decrease to 51.4% of sales this year from 56.5% in the corresponding period last year.

The increase in net sales was partially offset by an increase in selling, general & administrative costs, resulting in an increase in operating income of \$2.5 million compared to the corresponding period last year.

## SALES

Consolidated net sales increased 23.4% to \$395.6 million in the first quarter of fiscal 2006 compared to the corresponding quarter last year. The increase was comprised of sales increases in the restaurant segment and food products segment of \$71.4 million and \$3.6 million, respectively. Restaurant sales include Mimi's sales for the entire first quarter of fiscal 2006, whereas the corresponding period last year includes Mimi's sales after July 7, 2004 only. Restaurant sales accounted for 86.2% of consolidated sales in the first quarter of fiscal 2006.

Restaurant sales increased \$71.4 million, or 26.5%, in the first quarter of fiscal 2006 compared to the corresponding quarter last year. The first quarter increase was mostly the result of the inclusion of Mimi's for the entire first quarter, whereas the corresponding period last year included sales after July 7, 2004 only. The sales increase was also attributed to more restaurants in operation (593 Bob Evans Restaurants and 93 Mimi's restaurants at quarter end versus 567 Bob Evans Restaurants and 81 Mimi's restaurants a year ago), partially offset by a decrease in same-store sales at Bob Evans Restaurants. Bob Evans Restaurants experienced a same-store sales decline of 1.9% in the quarter, which included an average menu price decrease of 0.1%. Same-store sales computations, for a given year, are based on net sales of stores that are open for at least two years prior to the start of that year. Sales of stores to be rebuilt are excluded for all periods in the computation when construction commences on the replacement building. Sales of closed stores are excluded for all periods in the computation.

The chart below summarizes the restaurant openings and closings during the last five quarters for Bob Evans Restaurants and Mimi's restaurants:

**Bob Evans Restaurants:**

	Beginning	Opened	Closed	Ending
	-----	-----	-----	-----
Fiscal 2006				
1st quarter	591	6	4	593
Fiscal 2005				
1st quarter	558	11	2	567
2nd quarter	567	12	1	578
3rd quarter	578	10	1	587
4th quarter	587	4	0	591

**Mimi's Restaurants:**

	Beginning	Opened	Closed	Ending
	-----	-----	-----	-----
Fiscal 2006				
1st quarter	92	1	0	93
Fiscal 2005				
1st quarter	81	0	0	81
2nd quarter	81	3	0	84
3rd quarter	84	4	0	88
4th quarter	88	4	0	92

**Consolidated Restaurants:**

	Beginning	Opened	Closed	Ending
	-----	-----	-----	-----
Fiscal 2006				
1st quarter	683	7	4	686
Fiscal 2005				
1st quarter	639	11	2	648
2nd quarter	648	15	1	662
3rd quarter	662	14	1	675
4th quarter	675	8	0	683

In the first quarter of fiscal 2006, 6 new Bob Evans Restaurants opened, compared to 11 in the corresponding period a year ago. Mimi's opened 1 restaurant in the first quarter of 2006. The company

expects to open a total of 20 Bob Evans Restaurants and 14 Mimi's restaurants in fiscal 2006. Four under-performing Bob Evans Restaurants were closed in the first quarter of fiscal 2006. For fiscal 2006, the company has decreased the growth rate of Bob Evans Restaurants and at the same time accelerated the remodeling and rebuilding programs for existing restaurants.

The food products segment experienced a sales increase of \$3.6 million, or 7.1%, in the first quarter of fiscal 2006 compared to the corresponding period a year ago. The sales increase was mostly due to a 6% increase in the volume of comparable products sold (principally sausage products and refrigerated side dishes) in the first quarter of fiscal 2006 versus fiscal 2005. Comparable pounds sold is calculated using the same products in both periods and excludes new products. An approximate 5.0% price increase of certain products, implemented late in the first quarter of fiscal 2005, also benefited the comparison.

## **COST OF SALES**

Consolidated cost of sales (cost of materials) was 30.0% of sales in the company's first quarter of fiscal 2006 compared to 29.5% in the corresponding period a year ago.

In the first quarter of fiscal 2006, restaurant segment cost of sales (predominantly food cost) increased to 26.6% of sales versus 24.4% in the corresponding period a year ago. The increase was mainly due to the inclusion of Mimi's cost of sales, a higher commodity price environment in the restaurant industry and the impact of initiatives to enhance customers' value perceptions at Bob Evans Restaurants. Mimi's cost of sales is traditionally higher than Bob Evans Restaurant's cost of sales primarily as a result of a greater portion of sales that are derived from lunch and dinner items, which carry higher food costs, as well as a different positioning strategy (similar to casual theme restaurants) than Bob Evans Restaurants. The initiatives at Bob Evans Restaurants that impacted the cost of sales ratio included increased portion sizes as well as price reductions on several popular menu items. The price reductions were largely discontinued after May.

The food products segment cost of sales ratio was 51.4% of sales in the first quarter this year compared to 56.5% a year ago. The decrease in the food products segment cost of sales ratio was due to lower hog costs, which averaged \$47.50 per hundredweight in the first quarter of fiscal 2006 compared to \$52.31 per

hundredweight in the corresponding period last year - a 9.2% decrease. The company expects that hog costs will average in the mid to low \$40s for the remainder of the fiscal year.

## **OPERATING WAGE AND FRINGE BENEFIT EXPENSES**

Consolidated operating wage and fringe benefit expenses ("operating wages") were 37.4% of sales in the first quarter of fiscal 2006 compared to 35.2% in the corresponding period a year ago. The operating wage ratio increased in the restaurant segment and decreased in the food products segment.

In the restaurant segment, the increase in operating wages was primarily due to higher hourly wages in the first quarter of 2006. The higher wages were a result of an increased focus on customer service initiatives and the fact that wages were not as well leveraged (due to lower same-store sales at Bob Evans Restaurants). Restaurant operating wages were 41.3% of sales in the first quarter of fiscal 2006 versus 39.2% of sales in the corresponding period a year ago.

In the food products segment, operating wages were 12.9% of sales in the first quarter of fiscal 2006 compared to 13.9% of sales in the corresponding period last year. The decrease was due to better leveraging of costs as a result of increased sales volume and a price increase in manufactured products discussed in the "Sales" section above.

## **OTHER OPERATING EXPENSES**

Over 95% of other operating expenses ("operating expenses") occurred in the restaurant segment in the first quarter of both fiscal 2006 and fiscal 2005. The most significant components of operating expenses were advertising, utilities, restaurant supplies, repair and maintenance, taxes (other than federal and state income taxes), rent and credit card processing fees. Consolidated operating expenses were 16.5% of sales in the first quarter of fiscal 2006 compared to 15.4% of sales in the corresponding period last year.

In the restaurant segment, operating expenses increased to 18.2% of sales in the first quarter of fiscal 2006. This compared to 17.2% in the corresponding period a year ago. The restaurant operating expense ratio was impacted by lower same-store sales at Bob Evans Restaurants, which resulted in a negative leveraging of operating expenses. Also affecting the comparison were higher utility and restaurant supplies costs, as well as the inclusion of Mimi's other operating expenses for the entire first quarter of 2006. The most significant operating expense for Mimi's is rent expense, since nearly all of the locations are leased.

In the food products segment, the operating expense ratio decreased slightly to 5.5% of sales in the first quarter of fiscal 2006 compared to 5.8% in the corresponding period last year. This improvement was due to the leverage received from increased sales volume.

## **SELLING, GENERAL AND ADMINISTRATIVE EXPENSES**

Consolidated selling, general and administrative expenses ("S, G & A expenses") were 8.1% of sales in the first quarter of fiscal 2006 compared to 8.4% of sales in the corresponding period last year. The most significant components of S, G & A expenses were wages, fringe benefits and food products segment advertising expenses. The decrease in the first quarter of fiscal 2006 was due mostly to lower bonus and benefit expenses.

## **TAXES**

The effective combined federal and state income tax rates were 35.1% in the first quarter of fiscal 2006 versus 35.9% in fiscal 2005. The company anticipates the effective tax rate will decrease in the remaining quarters of 2006 to approximately 32.6%. The decrease in the effective tax rate is a result of changing federal and state tax laws and tax credits. The effective tax rate for the entire year of fiscal 2006 is expected to be approximately 33.1%.

## **LIQUIDITY AND CAPITAL RESOURCES**

Cash generated from both the restaurant and food products segments has been used as the main source of funds for working capital and capital expenditure requirements. Bank lines of credit are also used for liquidity needs, capital expansion and repurchases of Bob Evans common stock. Bank lines of credit available total \$100.0 million, of which \$60.5 million was outstanding at July 29, 2005. Draws on the lines of credit are limited by the balance on the company's standby letters-of-credit which totaled \$2.8 million at July 29, 2005.

Capital expenditures consist of purchases of land for future restaurant sites, new restaurants under construction, purchases of new and replacement furniture and equipment, and ongoing remodeling programs. Capital expenditures were \$30.5 million in the first quarter of fiscal 2006 compared to \$26.1 million in the corresponding period last year.

The company believes that the funds needed for capital expenditures and working capital during the remainder of fiscal 2006 will be generated both internally and from available bank lines of credit. Financing alternatives will continue to be evaluated by the company as warranted.

## **CONTINGENCIES**

In 2005, the company received an assessment from the State of Ohio related to corporate franchise tax for fiscal years 1998-2003. The company is petitioning the State of Ohio for a reassessment as the company believes its positions on tax returns filed are correct. However, in the event that the company does not ultimately prevail, management believes that recorded reserves are adequate to meet any future tax-related payments to the State of Ohio.

## **SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995**

Statements in this report that are not historical facts are forward-looking statements and are based on current expectations. Forward-looking statements involve various important assumptions, risks and uncertainties. Actual results may differ materially from those predicted by the forward-looking statements because of various factors and possible events, including, without limitation:

- Changing business and/or economic conditions, including energy costs
- Competition in the restaurant and food products industries
- Ability to control restaurant operating costs, which are impacted by market changes in the cost or availability of labor and food, minimum wage and other employment laws, fuel and utility costs and general inflation
- Changes in the cost or availability of acceptable new restaurant sites
- Adverse weather conditions in locations where the company operates its restaurants
- Consumer acceptance of changes in menu, price, atmosphere and/or service procedures
- Consumer acceptance of the company's restaurant concepts in new geographic areas
- Changes in hog and other commodity costs.

There is also the risk that the company may incorrectly analyze these risks or that the strategies developed by the company to address them will be unsuccessful.

Additional discussion of these factors is included in the company's periodic filings with the Securities and Exchange Commission. Forward-looking statements speak only as of the date on which they are made, and the company undertakes no obligation to update any forward-looking statement to reflect circumstances or events that occur after the date on which the statement is made to reflect unanticipated events. All subsequent written and oral forward-looking statements attributable to the company or any person acting on behalf of the company are qualified by the cautionary statements in this section.

### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Bob Evans does not currently use derivative financial instruments for speculative or hedging purposes. Bob Evans maintains its cash and cash equivalents in financial instruments with maturities of three months or less when purchased.

### **ITEM 4. CONROLS AND PROCEDURES**

#### **EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES**

With the participation of the company's management, including Bob Evans' principal executive officer and principal financial officer, the company's management has evaluated the effectiveness of the company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")) as of the end of the period covered by this Quarterly Report on Form 10-Q. Based upon that evaluation, Bob Evans' principal executive officer and principal financial officer have concluded that:

- information required to be disclosed by Bob Evans in this Quarterly Report on Form 10-Q would be accumulated and communicated to Bob Evans' management, including its principal executive officer and principal financial officer, as appropriate to allow timely decisions regarding required disclosure;

- information required to be disclosed by Bob Evans in this Quarterly Report on Form 10-Q would be recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms; and

- Bob Evans' disclosure controls and procedures are effective as of the end of the period covered by this Quarterly Report on Form 10-Q to ensure that material information relating to Bob Evans and its consolidated subsidiaries is made known to them, particularly during the period in which the periodic reports of Bob Evans, including this Quarterly Report on Form 10-Q, are being prepared.

#### **CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING**

There were no changes in the company's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) during the period covered by this Quarterly Report on Form 10-Q that have materially affected, or are reasonably likely to materially affect, the company's internal control over financial reporting.

## PART II - OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS.

There are no pending legal proceedings involving the company other than routine litigation incidental to its business. In the opinion of the company's management, these proceedings should not, individually or in the aggregate, have a material adverse effect on the company's results of operations or financial condition.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.

Bob Evans Farms, Inc. did not purchase any of its common stock during the three fiscal months ended July 29, 2005. In May 2005, the board of directors authorized a share repurchase program for fiscal 2006. The program authorizes Bob Evans Farms, Inc. to repurchase, through April 28, 2006, up to 2 million shares of its outstanding common stock.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES. Not Applicable

### ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS. Not Applicable

### ITEM 5. OTHER INFORMATION. Not Applicable

### ITEM 6. EXHIBITS.

Exhibit No. -----	Description -----	Location -----
31.1	Rule 13a-14(a)/15d-14(a) Certification (Principal Executive Officer)	Filed herewith
31.2	Rule 13a-14(a)/15d-14(a) Certification (Principal Financial Officer)	Filed herewith
32.1	Section 1350 Certification (Principal Executive Officer)	Filed herewith
32.2	Section 1350 Certification (Principal Financial Officer)	Filed herewith

## 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.

### BOB EVANS FARMS, INC.

By: /s/ Larry C. Corbin

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Larry C. Corbin  
Interim Chief Executive Officer and  
President  
(Principal Executive Officer)

By: /s/ Donald J. Radkoski

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Donald J. Radkoski\*  
Chief Financial Officer  
(Principal Financial Officer)

September 7 , 2005  
Date

\* Donald J. Radkoski has been duly authorized to sign on behalf of the Registrant as its principal financial officer.

## INDEX TO EXHIBITS

Quarterly Report on Form 10-Q  
Dated September 7, 2005

### Bob Evans Farms, Inc.

Exhibit No. -----	Description -----	Location -----
31.1	Rule 13a-14(a)/15d-14(a) Certification (Principal Executive Officer)	Filed herewith
31.2	Rule 13a-14(a)/15d-14(a) Certification (Principal Financial Officer)	Filed herewith
32.1	Section 1350 Certification (Principal Executive Officer)	Filed herewith
32.2	Section 1350 Certification (Principal Financial Officer)	Filed herewith

## EXHIBIT 31.1

### RULE 13A-14(A)/15D-14(A) CERTIFICATION

I, Larry C. Corbin, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Bob Evans Farms, Inc.;
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 officer 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 control over 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 control over financial reporting, or caused such internal control 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 most recent 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 officer 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 the registrant's board of directors:
  - 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 control over financial reporting.

Date: September 7, 2005

/s/ Larry C. Corbin

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Larry C. Corbin  
Interim Chief Executive Officer and  
President  
(Principal Executive Officer)

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## EXHIBIT 31.2

### RULE 13A-14(A)/15D-14(A) CERTIFICATION

I, Donald J. Radkoski, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Bob Evans Farms, Inc.;
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 officer 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 control over 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 control over financial reporting, or caused such internal control 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 most recent 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 officer 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 the registrant's board of directors:
  - 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 control over financial reporting.

Date: September 7, 2005

/s/ Donald J. Radkoski

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Donald J. Radkoski  
Chief Financial Officer  
(Principal Financial Officer)

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**EXHIBIT 32.1**

**SECTION 1350 CERTIFICATION\***

In connection with the Quarterly Report of Bob Evans Farms, Inc. (the "Company") on Form 10-Q for the quarterly period ended July 29, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Larry C. Corbin, Interim Chief Executive Officer and President of the Company, certify, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) 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.

*Date: September 7, 2005*

*/s/ Larry C. Corbin*

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*Larry C. Corbin*  
*Interim Chief Executive Officer and*  
*President*  
*(Principal Executive Officer)*

\* This certification is being furnished as required by Rule 13a-14(b) under the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code, and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that Section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except as otherwise stated in such filing.

SECTION 1350 CERTIFICATION\*

In connection with the Quarterly Report of Bob Evans Farms, Inc. (the "Company") on Form 10-Q for the quarterly period ended July 29, 2005, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Donald J. Radkoski, Chief Financial Officer of the Company, certify, pursuant to Section 1350 of Chapter 63 of Title 18 of the United States Code, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) 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.

Date: September 7, 2005

/s/ Donald J. Radkoski

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Donald J. Radkoski  
Chief Financial Officer  
(Principal Financial Officer)

\* This certification is being furnished as required by Rule 13a-14(b) under the Securities Exchange Act of 1934 (the "Exchange Act") and Section 1350 of Chapter 63 of Title 18 of the United States Code, and shall not be deemed "filed" for purposes of Section 18 of the Exchange Act or otherwise subject to the liability of that Section. This certification shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Exchange Act, except as otherwise stated in such filing.