

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended January 25, 2008

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)

(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  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

(Do not check if a smaller reporting company)

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

Yes  No

As of February 22, 2008, the registrant had issued 42,638,118 common shares, of which 30,994,355 were outstanding.

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**BOB EVANS FARMS, INC.**  
**PART I — FINANCIAL INFORMATION**  
**ITEM 1. FINANCIAL STATEMENTS**  
**CONSOLIDATED BALANCE SHEETS**

	(Dollars in thousands)	
	<u>Jan. 25, 2008</u>	<u>April 27, 2007</u>
	Unaudited	Audited
<b>ASSETS</b>		
<i>Current assets</i>		
Cash and equivalents	\$ 6,071	\$ 29,287
Accounts receivable	22,072	20,515
Inventories	28,971	28,673
Deferred income taxes	9,468	9,468
Prepaid expenses	2,845	1,151
Assets held for sale	2,773	8,260
<b>Total Current Assets</b>	<u>72,200</u>	<u>97,354</u>
<i>Property, plant and equipment</i>		
Less accumulated depreciation	1,548,842	1,464,285
<b>Net Property, Plant and Equipment</b>	<u>552,330</u>	<u>501,626</u>
	996,512	962,659
<i>Other assets</i>		
Deposits and other	4,899	5,117
Long-term investments	19,774	18,326
Goodwill	57,729	57,729
Other intangible assets	55,162	55,777
<b>Total Other Assets</b>	<u>137,564</u>	<u>136,949</u>
	<u>\$1,206,276</u>	<u>\$ 1,196,962</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
<i>Current liabilities</i>		
Line of credit	\$ 134,335	\$ 0
Current maturities of long-term debt	26,904	34,000
Accounts payable	28,577	27,656
Dividends payable	4,364	4,920
Federal and state income taxes	23,520	22,772
Accrued non-income taxes	18,660	21,390
Accrued wages and related liabilities	25,774	32,086
Self insurance	23,945	21,051
Deferred revenue	18,162	17,515
Other accrued expenses	30,452	19,793
<b>Total Current Liabilities</b>	<u>334,693</u>	<u>201,183</u>
<i>Long-term liabilities</i>		
Deferred compensation	26,482	23,889
Deferred income taxes	73,940	73,940
Deferred rent	21,994	20,386
Long-term debt	133,096	172,333
<b>Total Long-Term Liabilities</b>	<u>255,512</u>	<u>290,548</u>
<i>Stockholders' equity</i>		
Common stock, \$.01 par value; authorized 100,000,000 shares; issued 42,638,118 shares at Jan. 25, 2008, and April 27, 2007	426	426
Preferred stock, \$500 par value; authorized 1,200 shares; issued 120 shares at Jan. 25, 2008, and April 27, 2007	60	60
Capital in excess of par value	167,448	160,441
Retained earnings	746,107	711,333
Treasury stock, 11,464,841 at Jan. 25, 2008, and 7,496,181 shares at April 27, 2007, at cost	(297,970)	(167,029)
<b>Total Stockholders' Equity</b>	<u>616,071</u>	<u>705,231</u>
	<u>\$1,206,276</u>	<u>\$ 1,196,962</u>

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		Nine Months Ended	
	Jan. 25, 2008	Jan. 26, 2007	Jan. 25, 2008	Jan. 26, 2007
<b>Net Sales</b>	\$ 449,702	\$ 419,941	\$1,300,581	\$1,236,046
Cost of sales	134,934	124,043	388,480	359,646
Operating wage and fringe benefit expenses	150,506	148,546	453,774	446,337
Other operating expenses	71,091	65,922	209,891	199,268
Selling, general and administrative expenses	41,086	33,354	110,806	101,685
Depreciation and amortization expense	19,353	18,650	57,409	55,353
<b>Operating Income</b>	<u>32,732</u>	<u>29,426</u>	<u>80,221</u>	<u>73,757</u>
Net interest expense	<u>3,007</u>	<u>2,114</u>	<u>7,885</u>	<u>6,952</u>
<b>Income Before Income Taxes</b>	29,725	27,312	72,336	66,805
Provision for income taxes	<u>9,720</u>	<u>8,609</u>	<u>23,524</u>	<u>21,522</u>
<b>Net Income</b>	<u>\$ 20,005</u>	<u>\$ 18,703</u>	<u>\$ 48,812</u>	<u>\$ 45,283</u>
<b>Earnings Per Share — Basic</b>	<u>\$ 0.62</u>	<u>\$ 0.52</u>	<u>\$ 1.44</u>	<u>\$ 1.25</u>
<b>Earnings Per Share — Diluted</b>	<u>\$ 0.61</u>	<u>\$ 0.51</u>	<u>\$ 1.43</u>	<u>\$ 1.24</u>
<b>Cash Dividends Paid Per Share</b>	<u>\$ 0.14</u>	<u>\$ 0.14</u>	<u>\$ 0.42</u>	<u>\$ 0.40</u>

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

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

	(Dollars in thousands)	
	Nine Months Ended	
	<u>Jan. 25, 2008</u>	<u>Jan. 26, 2007</u>
<b>Operating activities :</b>		
Net income	\$ 48,812	\$ 45,283
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	57,409	55,353
Gain on sale of assets	(1,843)	(3,861)
Gain on long-term investments	(970)	(834)
Deferred compensation	2,593	4,321
Compensation expense attributable to stock plans	5,057	4,587
Deferred rent	1,608	968
Cash provided by (used for) current assets and current liabilities:		
Accounts receivable	(1,557)	(6,019)
Inventories	(298)	475
Prepaid expenses	(1,694)	(761)
Accounts payable	921	(532)
Federal and state income taxes	575	2,663
Accrued wages and related liabilities	(6,312)	(5,722)
Self insurance	2,894	2,657
Accrued non-income taxes	(2,730)	(1,132)
Deferred revenue	647	6,512
Other accrued expenses	10,747	7,052
<b>Net cash provided by operating activities</b>	<b>115,859</b>	<b>111,010</b>
<b>Investing activities:</b>		
Purchase of property, plant and equipment	(92,681)	(60,677)
Proceeds from sale of property, plant and equipment	9,537	13,438
Purchase of long-term investments	(750)	—
Other	229	(821)
<b>Net cash used in investing activities</b>	<b>(83,665)</b>	<b>(48,060)</b>
<b>Financing activities:</b>		
Cash dividends paid	(14,422)	(14,559)
Borrowings on lines of credit	134,335	—
Principal payments on debt	(46,333)	(3,000)
Purchase of treasury stock	(137,147)	(40,919)
Proceeds from issuance of treasury stock	7,110	17,188
Excess tax benefits from stock-based compensation	1,047	1,787
<b>Net cash used in financing activities</b>	<b>(55,410)</b>	<b>(39,503)</b>
Increase (decrease) in cash and equivalents	(23,216)	23,447
Cash and equivalents at the beginning of the period	29,287	16,727
Cash and equivalents at the end of the period	<u>\$ 6,071</u>	<u>\$ 40,174</u>

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED1. 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,” “we,” “us” and “our”) 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 our Form 10-K filing. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of our 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 27, 2007 (refer to the Form 10-K for a summary of significant accounting policies followed in the preparation of the consolidated financial statements).

Certain amounts in the prior period consolidated financial statements presented herein (i.e., assets held for sale and net property, plant and equipment) have been reclassified to conform to the current quarter consolidated financial statement presentation.

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		Nine Months Ended	
	Jan. 25, 2008	Jan. 26, 2007	Jan. 25, 2008	Jan. 26, 2007
Basic	32,468	36,306	33,823	36,311
Effect of dilutive stock options	142	403	281	319
Diluted	<u>32,610</u>	<u>36,709</u>	<u>34,104</u>	<u>36,630</u>

3. Stock-Based Compensation

Effective April 29, 2006, we adopted Statement of Financial Accounting Standards (“SFAS”) No. 123 (R), “*Share-Based Payment*,” using the modified-prospective transition method. Accordingly, stock-based compensation is measured based on the fair value of the award on the grant date, and is recognized over the vesting period of the award on a straight-line basis. Awards to retirement-eligible employees (as determined under the terms of the compensation plan under which the award is granted) are subject to immediate expensing in full upon grant. Total stock-based compensation expense of \$0.9 million and \$1.3 million for the third quarters of fiscal 2008 and 2007, respectively, and \$5.1 million and \$4.6 million for the first nine months of fiscal 2008 and 2007, respectively, is included in the Consolidated Statements of Income.

4. Industry Segments

Our business includes restaurant operations and the processing, distribution 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

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eliminated in the consolidated financial statements. Information on our operating segments is summarized as follows:

	(in thousands)			
	Three Months Ended		Nine Months Ended	
	Jan. 25, 2008	Jan. 26, 2007	Jan. 25, 2008	Jan. 26, 2007
<b>Sales</b>				
Restaurant operations	\$ 367,600	\$ 347,108	\$1,083,957	\$1,036,936
Food products	92,440	82,658	245,916	226,422
	460,040	429,766	1,329,873	1,263,358
Intersegment sales of food products	(10,338)	(9,825)	(29,292)	(27,312)
Total	<u>\$ 449,702</u>	<u>\$ 419,941</u>	<u>\$1,300,581</u>	<u>\$1,236,046</u>
<b>Operating income</b>				
Restaurant operations	\$ 22,339	\$ 22,780	\$ 60,278	\$ 61,865
Food products	10,393	6,646	19,943	11,892
Total	<u>\$ 32,732</u>	<u>\$ 29,426</u>	<u>\$ 80,221</u>	<u>\$ 73,757</u>

### 5. Income Taxes

On April 28, 2007, we adopted the provisions of Financial Accounting Standards Board Interpretation 48 (“FIN 48”), “*Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109.*” The adoption of FIN 48 resulted in a cumulative effect adjustment of \$173,000 for unrecognized tax benefits recorded as a reduction to the beginning balance of retained earnings. The total amount of unrecognized tax benefits that would, if recognized, affect the effective income tax rate was approximately \$7,517,000 as of Jan. 25, 2008, and approximately \$6,439,000 as of April 27, 2007.

We also recognize accrued interest expense and penalties related to the unrecognized tax benefits as additional tax expense, which is consistent with prior periods. The total amount of accrued interest and penalties was approximately \$5,397,000 as of Jan. 25, 2008, and approximately \$3,604,000 as of April 27, 2007. During the third quarter and nine months of fiscal 2008, we recognized approximately \$24,000 and \$1,793,000, respectively, in potential interest and penalties associated with uncertain tax positions.

We file income tax returns which are periodically audited by various federal, state and local jurisdictions. With few exceptions, we are no longer subject to federal, state and local income tax examinations by tax authorities for years prior to fiscal 2005. We believe that our accrual for tax liabilities is adequate for all open audit years. This assessment relies on estimates and assumptions and may involve a series of complex judgments about future events.

It is reasonably possible that some federal, state and local tax examinations will be settled during the next twelve months. If any of these tax audit settlements do occur within the next twelve months, we will make any necessary adjustments to the accrual for uncertain tax benefits. It is not practicable for us to determine a possible audit settlement range for the impact on uncertain tax benefits until we reach a formal agreement with the tax authorities. On the basis of present information, we do not believe that any assessments resulting from current audits will have a material effect on our consolidated financial statements.

**6. Debt**

In the first quarter of fiscal 2008, we repaid the remaining balance on our 7.35% bank note with a prepayment of \$15.3 million. The note was scheduled to mature in May 2008.

In the second quarter of fiscal 2008, we entered into a one-year unsecured note underlying a \$30 million revolving line of credit facility with a bank. The terms of the note are substantially similar to the terms of our existing unsecured lines of credit.

During the third quarter of fiscal 2008, we increased our available bank lines of credit to \$180 million (an increase of \$50 million).

**7. New Accounting Pronouncements**

In September 2006, the Financial Accounting Standards Board (“FASB”) issued SFAS No. 157, “*Fair Value Measurements*.” This statement clarifies the definition of fair value, establishes a framework for measuring fair value, and expands the disclosures on fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007 (our fiscal 2009) for financial assets and liabilities, as well as for any other assets and liabilities that are carried at fair value on a recurring basis in the financial statements. In November 2007, the FASB provided a one year partial deferral for the implementation of SFAS No. 157 for “other nonfinancial assets and liabilities.” We have not determined the effect, if any, the adoption of this statement will have on the Company’s consolidated financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, “*The Fair Value Option for Financial Assets and Financial Liabilities*.” SFAS No. 159 provides reporting entities an option to measure eligible items at fair value at specified election dates and report unrealized gains and losses on items for which the fair value option has been elected in earnings at each subsequent reporting date. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007 (our fiscal 2009). We have not determined the effect, if any, the adoption of this statement will have on our consolidated financial position and results of operations.

**8. Gift Cards and Gift Certificates**

We issue gift cards which contain no expiration dates or inactivity fees. Prior to fiscal 2006, Bob Evans Restaurants issued gift certificates, which also had no stated expiration dates. We recognize income from gift cards and gift certificates (collectively, “gift cards”) when: (i) the gift card is redeemed by the customer; or (ii) the likelihood of the gift card being redeemed by the customer is remote and it is determined that there is no legal obligation to remit the unredeemed gift cards to relevant jurisdictions (gift card breakage).

During the third quarter of fiscal 2008, we recognized \$6.6 million of net sales related to gift card breakage at Bob Evans Restaurants. The amount of gift card breakage recognized was based upon an analysis of historical redemption patterns and represents the portion of the remaining balance of gift cards for which we believe the likelihood of redemption is remote. The third quarter of fiscal 2008 is the first period during which we recognized gift card breakage at Bob Evans Restaurants. Therefore, the amount recognized includes breakage income related to gift cards sold since inception of our gift card program. We expect annual gift card breakage at Bob Evans Restaurants to approximate \$0.7 to \$0.8 million in future fiscal years.

Mimi’s Cafes has recognized on-going gift card breakage since it was acquired by Bob Evans and such annual amounts have been insignificant.

**9. Subsequent Event**

On February 5, 2008, the company closed nine underperforming Bob Evans Restaurants. The Company recorded a pre-tax charge of \$3.7 million (\$3.3 million related to asset impairment and \$0.4 million related to closing costs) for the underperforming stores which is reflected in selling, general and administrative expenses (“S,G&A”) for the third quarter ended Jan. 25, 2008.

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

### Results of Operations

#### General Overview

In this Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A"), we use the terms "Bob Evans," "we," "us" and "our" to collectively refer to Bob Evans Farms, Inc., a Delaware corporation, and its subsidiaries. As of Jan. 25, 2008, we owned and operated 706 full-service restaurants, including 580 Bob Evans Restaurants in 18 states and 126 Mimi's Cafés in 22 states. Bob Evans Restaurants are primarily located in the Midwest, mid-Atlantic and Southeast regions of the United States. Mimi's Cafés are primarily located in California and other western states. Revenue in the restaurant segment is recognized at the point of sale. We also produce and distribute fresh and fully cooked pork products 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, net of promotional discounts, in the food products segment is recognized when products are delivered to the retailer.

This MD&A contains a number of forward-looking statements. Words such as "expects," "goals," "plans," "believes," "intends," "continues," "anticipates," "may," and variations of such words and similar expressions are intended to identify such forward-looking statements. Any statements that refer to projections of our future financial performance, anticipated growth and trends in our businesses, and other characterizations of future events or circumstances are forward-looking statements. These statements are based on our current expectations and could be affected by the uncertainties and risk factors described in our press releases and filings with the Securities and Exchange Commission. In particular, please refer to the risk factors discussed under the heading "Risk Factors" in Item 1A of Bob Evans' Annual Report on Form 10-K for the fiscal year ended April 27, 2007. It is impossible to predict or identify all such risk factors. Consequently, no one should consider any such list to be a complete set of all potential risks and uncertainties. There is also the risk that we may incorrectly analyze these risks or that the strategies developed by us to address them will be unsuccessful. Forward-looking statements speak only as of the date on which they are made, and we undertake 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. Any further disclosures in our filings with the Securities and Exchange Commission should also be consulted. All subsequent written and oral forward-looking statements, attributable to us or any person acting on our behalf, are qualified by the cautionary statements in this section.

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The following table reflects data for our third fiscal quarter ended Jan. 25, 2008, compared to the prior year's third fiscal quarter ended Jan. 26, 2007. The consolidated information is derived from the accompanying Consolidated Statements of Income. The table also includes data for our 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	
	Q3 2008	Q3 2007	Q3 2008	Q3 2007	Q3 2008	Q3 2007
Net sales	\$449,702	\$419,941	\$367,600	\$347,108	\$82,102	\$72,833
Operating income	\$ 32,732	\$ 29,426	\$ 22,339	\$ 22,780	\$10,393	\$ 6,646
Cost of sales	30.0%	29.5%	25.4%	24.8%	50.6%	52.1%
Operating wages	33.5%	35.4%	38.6%	40.4%	10.7%	11.3%
Other operating	15.8%	15.7%	18.3%	18.0%	4.5%	4.7%
S,G&A	9.1%	8.0%	6.9%	5.4%	19.0%	20.0%
Depr. & amort.	4.3%	4.4%	4.7%	4.8%	2.5%	2.8%
Operating income	7.3%	7.0%	6.1%	6.6%	12.7%	9.1%

The third quarter results for fiscal 2008 and fiscal 2007 include the impact of the following:

- Consolidated and restaurant results for the third quarter of fiscal 2008 included a pre-tax gain of \$6.6 million for unredeemed gift certificates and gift cards (known as “breakage”), which is reflected in net sales.
- Consolidated and restaurant results for the third quarter of fiscal 2008 included a pre-tax charge of \$3.7 million related to nine underperforming restaurants that we closed. The charge is reflected in selling, general and administrative expenses (“S,G&A”).
- Consolidated and restaurant results for the third quarter of fiscal 2008 included a pre-tax charge of \$0.7 million related to a dispute settlement that is reflected in S,G&A.
- Consolidated and restaurant results for the third quarters of fiscal 2008 and 2007 included net pre-tax gains of \$0.1 million and \$0.9 million, respectively, on asset disposals that is reflected in S,G&A.
- \$0.8 million pre-tax expense for performance-based incentive compensation in the third quarter of fiscal 2008, compared to \$1.1 million in the third quarter of fiscal 2007. Of the \$0.8 million in the third quarter of 2008, \$0.6 million was recorded in the restaurant segment and \$0.2 million in the food products segment. Of the \$1.1 million in the third quarter of fiscal 2007, \$0.5 million was recorded in the restaurant segment and \$0.6 million in the food products segment.

### Restaurant Segment Overview

The ongoing economic and industry-wide factors relevant to the restaurant segment include: competition, consumer acceptance, labor and fringe benefit expenses, commodity prices, energy prices, restaurant openings and closings, governmental initiatives, food safety and other risks such as the economy and weather. For the third quarter of fiscal 2008, the factors that had the greatest positive impact on restaurant segment profitability were higher same-store sales at Bob Evans Restaurants and effective cost management, particularly labor management. The factors that had the greatest negative impact were lower same-store sales at Mimi's, higher food costs and minimum wage increases.

Third quarter fiscal 2008 same-store sales increased 1.5% at Bob Evans Restaurants and decreased 2.0% at Mimi's compared to the corresponding period last year. Restaurant segment operating income decreased \$0.4 million, or 1.9%, in the third quarter of fiscal 2008 compared to the corresponding period last year. Restaurant segment operating income was positively impacted by the first-time recognition of gift certificate and gift card breakage (gift certificates and gift cards that consumers fail to redeem) of \$6.6 million

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at Bob Evans Restaurants (see Note 8). Restaurant segment operating income was negatively impacted by a pre-tax charge of \$3.7 million related to nine underperforming Bob Evans Restaurants that were closed February 5, 2008 (see Note 9) and a \$0.7 million charge for the settlement of a dispute with a third party.

Overall, we are pleased with the positive same-store sales results at Bob Evans Restaurants and will remain focused on driving stronger same-store sales at Mimi's restaurants. We are also continuing our efforts to control labor and food cost, which have been effective in the previous quarters despite increasing commodity costs and higher minimum wages in many of the states where we operate.

### Food Products Segment Overview

The ongoing economic and industry-wide factors relevant to the food products segment include: hog and other commodity costs, transportation and energy costs, governmental initiatives, food safety and other risks such as the economy, weather and consumer acceptance. We are very pleased with the food products segment's strong performance in the third quarter. The factors that had the greatest impact on food products segment profitability in the third quarter of fiscal 2008 were strong sales growth and lower-than-expected hog costs.

Food products segment net sales increased 12.7% in the third quarter of fiscal 2008 compared to the same period last year. The higher net sales were largely driven by an 8.1% 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. In the third quarter of fiscal 2008, average hog costs decreased 20.4% compared with the corresponding period last year. The decrease in hog costs, as well as improved hog yields, resulted in a decrease in cost of sales in the food products segment to 50.6% of net sales in the third quarter of 2008 from 52.1% in the third quarter of 2007.

Operating income in the food products segment increased \$3.7 million, or 56.4%, in the third quarter of fiscal 2008 compared to the corresponding period last year. This improvement is due to higher net sales, lower cost of sales and improved leverage of all expenses.

### Sales

Consolidated net sales increased 7.1% to \$449.7 million in the third quarter of fiscal 2008 compared to the corresponding period last year. The increase was comprised of sales increases in the restaurant segment and food products segment of \$20.5 million and \$9.3 million, respectively. Restaurant sales accounted for 81.7% of consolidated sales in the third quarter of fiscal 2008. For the nine-month period ended January 25, 2008, consolidated net sales increased \$64.5 million, or 5.2%, compared to the previous year.

Restaurant sales increased \$20.5 million, or 5.9%, in the third quarter of fiscal 2008 and \$47.0 million, or 4.5%, through nine months of fiscal 2008 compared to the corresponding periods last year. The sales increases were due to improved same-store sales at Bob Evans Restaurants and more restaurants in operation at Mimi's. As noted above, the recognition of \$6.6 million in gift certificate and gift card breakage also provided a significant benefit to net sales for the third quarter of fiscal 2008. The third quarter of fiscal 2008 was the first quarter that management had enough historical information to reasonably determine the breakage amount for the current and all previous periods (see Note 8).

Bob Evans Restaurants experienced a same-store sales increase of 1.5% in the third quarter of fiscal 2008, which included an average menu price increase of 2.8%. This marks the sixth consecutive quarter of same-store sales increases at Bob Evans Restaurants. We attribute the increase in Bob Evans Restaurants same-store sales to an expanded pipeline of new products, more effective marketing programs and an increased focus on customer service in our restaurants — all despite challenging macroeconomic conditions. We are committed to developing new homestyle products with a Bob Evans twist to help maintain the same-store sales momentum.

Mimi's experienced a same-store-sales decrease of 2.0% in the third quarter of fiscal 2008, which reflected an average menu price increase of 2.6%. We believe this reflects the challenging environment in the casual dining sector, as well as pressures on consumer spending in certain key areas, particularly in California, Arizona, Florida and Nevada, which account for approximately 75% of Mimi's total sales. We are looking at a variety of initiatives to help re-energize same-store sales at Mimi's restaurants over the near term. See the "BEST Brand Builders" section for further discussion of these initiatives.

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

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computation when construction commences on the replacement building. Sales of closed stores are excluded for all periods in the computation.

The following chart summarizes the restaurant openings and closings during the last seven quarters for Bob Evans Restaurants and Mimi's:

Bob Evans Restaurants:

	Beginning	Opened	Closed	Ending
<b>Fiscal 2008</b>				
1 <sup>st</sup> quarter	579	0	0	579
2 <sup>nd</sup> quarter	579	0	0	579
3 <sup>rd</sup> quarter	579	1	0	580
<b>Fiscal 2007</b>				
1 <sup>st</sup> quarter	587	4	1	590
2 <sup>nd</sup> quarter	590	1	5	586
3 <sup>rd</sup> quarter	586	3	0	589
4 <sup>th</sup> quarter	589	2	12	579

Mimi's:

	Beginning	Opened	Closed	Ending
<b>Fiscal 2008</b>				
1 <sup>st</sup> quarter	115	1	0	116
2 <sup>nd</sup> quarter	116	2	0	118
3 <sup>rd</sup> quarter	118	8	0	126
<b>Fiscal 2007</b>				
1 <sup>st</sup> quarter	102	2	0	104
2 <sup>nd</sup> quarter	104	1	0	105
3 <sup>rd</sup> quarter	105	3	0	108
4 <sup>th</sup> quarter	108	7	0	115

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### Consolidated Restaurants:

	Beginning	Opened	Closed	Ending
<b>Fiscal 2008</b>				
1 <sup>st</sup> quarter	694	1	0	695
2 <sup>nd</sup> quarter	695	2	0	697
3 <sup>rd</sup> quarter	697	9	0	706
<b>Fiscal 2007</b>				
1 <sup>st</sup> quarter	689	6	1	694
2 <sup>nd</sup> quarter	694	2	5	691
3 <sup>rd</sup> quarter	691	6	0	697
4 <sup>th</sup> quarter	697	9	12	694

In the third quarter of fiscal 2008, one Bob Evans Restaurant was opened compared to the three restaurants we opened in the corresponding period a year ago. We opened eight Mimi's restaurants in the third quarter of fiscal 2008 compared to the three restaurants we opened in the corresponding period a year ago. In February, subsequent to the end of the third quarter, we closed nine underperforming Bob Evans Restaurants (see Note 9). We continue to evaluate our restaurant base to ensure the profitability of existing stores, and will close underperforming stores as appropriate. For fiscal 2008, we plan to build just two new Bob Evans Restaurants and to rebuild eight existing restaurants. At Mimi's, we expect to open a total of 17 new restaurants in fiscal 2008 compared to 13 openings in fiscal 2007.

The food products segment experienced a sales increase of \$9.3 million, or 12.7%, in the third quarter of fiscal 2008 and \$17.5 million, or 8.8%, through nine months of fiscal 2008 compared to the corresponding periods a year ago. The sales increase was due largely to an 8.1% increase in the volume of comparable products sold (principally sausage and refrigerated potatoes) in the third quarter of fiscal 2008 and 4.5% year-to-date compared to the corresponding periods a year ago. Comparable pounds sold is calculated using the same products in both periods and excludes new products. We plan to continue our strategy of growing through successful product introductions and additional points of distribution. We are also making solid progress in penetrating supercenter retail stores, which provides another high-volume sales channel for our food products. See the "BEST Brand Builders" section for further discussion of new products and distribution.

### Cost of Sales

Consolidated cost of sales (cost of materials) was 30.0% of sales in the third quarter of fiscal 2008 and 29.9% through nine months of fiscal 2008 compared to 29.5% and 29.1%, respectively, in the corresponding periods a year ago.

In the third quarter of fiscal 2008, restaurant segment cost of sales (predominantly food cost) increased to 25.4% of sales (25.5% year-to-date) versus 24.8% of sales (24.7% year-to-date) in the corresponding periods a year ago. The increase was mainly due to higher commodity prices. See the "BEST Brand Builders" section for further discussion of commodity price increases.

The food products segment cost of sales ratio was 50.6% of sales in the third quarter (51.8% year-to-date) versus 52.1% of sales (51.8% year-to-date) in the corresponding periods a year ago. The decrease in the food products segment cost of sales ratio in the third quarter was due to a 20.4% decrease in hog costs this quarter versus the same quarter last year (\$30.81 per hundredweight compared to \$38.73 per hundredweight). To a lesser extent, the decrease in the food products cost of sales ratio can also be attributed to productivity initiatives that improved hog yields.

**Operating Wage and Fringe Benefit Expenses**

Consolidated operating wage and fringe benefit expenses (“operating wages”) were 33.5% of sales in the third quarter and 34.9% of sales through nine months of fiscal 2008 compared to 35.4% and 36.1%, respectively, of sales in the corresponding periods last year. In the third quarter of fiscal 2008, the operating wage ratio decreased in both the restaurant and food products segments.

In the restaurant segment, operating wages were 38.6% of sales in the third quarter and 39.6% of sales through nine months of fiscal 2008 compared to 40.4% and 40.8%, respectively, of sales in the corresponding periods last year. The improvement in the operating wage ratio was the result of effective labor management at both of our restaurant concepts and leverage from improved same-store sales at Bob Evans Restaurants, which more than offset the impact of state minimum wage increases.

In the food products segment, operating wages were 10.7% of sales in the third quarter and 11.4% of sales through nine months of fiscal 2008 compared to 11.3% and 11.9%, respectively, of sales in the corresponding periods last year. The decrease was due to better leveraging of costs as a result of increased sales volume as discussed in the “Sales” section above.

**Other Operating Expenses**

More than 94% of other operating expenses (“operating expenses”) occurred in the restaurant segment in the third quarters of both fiscal 2008 and fiscal 2007. The most significant components of operating expenses were utilities, advertising, restaurant supplies, repair and maintenance, rent, non-income taxes and credit card processing fees. Consolidated operating expenses were 15.8% of sales in the third quarter and 16.1% of sales through nine months of fiscal 2008 compared to 15.7% of sales in the third quarter and 16.1% of sales in the corresponding periods last year.

In the restaurant segment, operating expenses were 18.3% of sales both in the third quarter and through nine months of fiscal 2008 compared to 18.0% and 18.2%, respectively, of sales in the corresponding periods last year. The notable fluctuations within the restaurant segment for the third quarter of 2008 included increases in utilities, repair and maintenance, advertising and credit card processing fees partially offset by a decrease in restaurant supplies.

In the food products segment, the operating expense ratio was 4.5% of sales in the third quarter and 5.2% of sales through nine months of fiscal 2008 compared to 4.7% and 5.3%, respectively, of sales in the corresponding periods last year. The decrease was due to better leveraging of costs as a result of increased sales volume as discussed in the “Sales” section above.

**Selling, General and Administrative Expenses**

Consolidated selling, general and administrative (“S,G&A”) expenses were 9.1% of sales in the third quarter and 8.5% of sales through nine months of fiscal 2008 compared to 8.0% and 8.2%, respectively, of sales in the corresponding periods last year. The most significant components of S,G&A expenses were wages and fringe benefits, food products advertising expense, food products transportation costs and a charge related to underperforming restaurants.

In the third quarter of fiscal 2008, a pre-tax charge of \$3.7 million was recognized related to nine under performing Bob Evans Restaurants that we closed. Additionally, a charge of \$0.7 million was recorded for the settlement of a dispute with a third party. Both of these charges are discussed in the General Overview section above. Net pre-tax gains of \$0.1 million on the sale of restaurant assets in the third quarter of fiscal 2008, compared to net pre-tax gains of \$0.9 million in the third quarter of fiscal 2007, are netted within S,G&A. Year-to-date, net pre-tax gains on the sale of restaurant assets totaled \$2.1 million this year compared to \$4.2 million last year.

We adopted FAS No. 123 (R), “*Share-Based Payment*,” in the first quarter of fiscal 2007. The most significant aspect of this accounting pronouncement was the new requirement to expense the fair value of stock option grants. We significantly reduced the issuance of stock options and implemented a performance incentive plan that predominantly uses restricted stock, stock grants and cash awards. Pre-tax expense associated with stock options and the performance incentive plan was \$0.8 million in the third quarter and \$5.5 million through nine months of fiscal 2008 compared to \$1.1 million and \$4.7 million, respectively, in the corresponding periods last year. Of the fiscal 2008 amount, \$0.6 million (\$4.2 million year-to-date) was recorded in the restaurant segment and \$0.2 million (\$1.3 million year-to-date) was recorded in the food products segment. Of the fiscal 2007 amount, \$0.5 million (\$2.0 million year-to-date) was recorded in the restaurant segment and \$0.6 million (\$2.7 million year-to-date) was recorded in the food products segment.

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Nearly all of this expense is reflected in S,G&A. We expect the expense associated with stock options and the performance plan to approximate \$6.3 million for all of fiscal 2008 compared to \$5.7 million recorded for the full year in fiscal 2007.

In the third quarter of fiscal 2008, the food products segment S,G&A was 19.0% of sales compared to 20.0% of sales in the corresponding period last year. The decrease was due to better leveraging of costs as a result of increased sales volume as discussed in the "Sales" section above.

### Interest

Net interest expense was \$3.0 million in the third quarter and \$7.9 million through nine months of fiscal 2008 compared to \$2.1 million and \$7.0 million in the corresponding periods last year. Third-quarter net interest expense included \$0.2 million (\$0.6 million year-to-date) of gross interest income and \$3.2 million (\$8.5 million year-to-date) of gross interest expense in fiscal 2008. In the third-quarter of fiscal 2007, net interest expense included \$0.4 million (\$0.6 million year-to-date) of gross interest income and \$2.5 million (\$7.6 million year-to-date) of gross interest expense. All of the gross interest expense recorded in fiscal 2007 was related to fixed-rate debt. The \$3.2 million of gross interest expense in the third quarter of fiscal 2008 included \$1.5 million of interest expense on variable-rate debt with the remainder on fixed-rate debt. Fiscal 2008 year-to-date gross interest expense of \$8.5 million was comprised of \$2.8 million related to variable rate debt and \$5.7 million related to fixed-rate debt.

At Jan. 25, 2008, our outstanding debt included \$134.3 million on our variable-rate revolving lines of credit and \$160.0 million on our fixed-rate unsecured senior notes. A change in market interest rates will not impact interest expense associated with our fixed-rate debt, but will impact our variable rate debt. For example, a 1% increase in the benchmark rate used for our revolving line of credit would increase our annual interest expense by \$1.3 million assuming the \$134.3 million outstanding at the end of the third quarter was outstanding for the entire year.

### Taxes

The combined federal and state income tax rates were 32.7% in the third quarter of fiscal 2008 versus 31.5% a year ago. The year-over-year increase is primarily the result of state tax law changes. We anticipate the annual effective tax rate for the entire year of fiscal 2008 to approximate 33%. We re-evaluate the combined federal and state income tax rates each quarter. Therefore, the current projected effective tax rate for the entire year may change.

On April 28, 2007, we adopted the provisions of Financial Accounting Standards Board Interpretation 48 ("FIN 48"), "*Accounting for Uncertainty in Income Taxes — an interpretation of FASB Statement No. 109.*" The adoption of FIN 48 did not have a material impact on our consolidated financial statements (see Note 5).

### Liquidity and Capital Resources

Cash generated from operations and draws on our revolving lines of credit have been used as the main source of funds for working capital requirements, capital expenditures and share repurchases. Cash and equivalents totaled \$6.1 million at Jan. 25, 2008. During the third quarter of fiscal 2008, we increased our available bank lines of credit to \$180 million (an increase of \$50 million). The bank lines of credit are available for liquidity needs, capital expansion and repurchases of Bob Evans common stock, and \$134.3 million was outstanding on these lines of credit at Jan. 25, 2008. Draws on the lines of credit are limited by the amount of our standby letters-of-credit, which totaled \$2.5 million at Jan. 25, 2008.

During the third quarter of fiscal 2008, we repurchased approximately 2.3 million shares (4.4 million shares year-to-date) of our outstanding common stock under our share repurchase program at a total cost of \$65.9 million (\$137.1 million year-to-date). We plan to continue to repurchase shares during the fourth quarter of fiscal 2008, and we are authorized to repurchase up to 5 million total shares under the program during fiscal 2008.

Capital expenditures consist of purchases of land for future restaurant sites, new and rebuilt restaurants, production plant improvements, purchases of new and replacement furniture and equipment, and ongoing remodeling programs. Capital expenditures were \$92.7 million through nine months of fiscal 2008 compared to \$60.7 million in the corresponding period last year. For fiscal 2008, we decreased the growth rate of Bob Evans Restaurants to approximately two new locations (as compared to 10 in fiscal 2007 and 20 in fiscal 2006), but increased the expected number of fiscal 2008 Mimi's openings to 17 new locations (as compared to 13 in fiscal 2007 and 10 in fiscal 2006). We expect capital spending to approximate \$110 million for all of fiscal 2008, compared to the fiscal 2007 level of \$84.2 million. The increase in capital needs is due

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to the high number of expected Mimi's openings as well as an investment of approximately \$9.0 million for the expansion of our Springfield, Ohio distribution center, which was completed in October 2007. The poor economic trends and high operating costs in certain parts of the country, particularly in California, Florida, Arizona and Nevada, could, however, affect our future development plans for Mimi's and capital spending at Mimi's. Depreciation and amortization for fiscal 2008 should be approximately \$78.0 million.

In the first quarter of fiscal 2008, we repaid the remaining balance on our 7.35% bank note with a prepayment of \$15.3 million. We believe that the funds needed for capital expenditures and working capital during the remainder of fiscal 2008 will be generated both internally and from available bank lines of credit. We are currently evaluating our financing alternatives, including the possibility of paying off a portion of our floating rate debt with fixed-rate, longer term debt.

### **BEST Brand Builders**

In 2007, we introduced an overall internal approach to managing the company, which we refer to as our BEST (Bob Evans Special Touch) Brand Builders, to unlock the national potential of our premium regional brands. In 2008, we are still focused on driving those same key objectives. The five Brand Builders are as follows:

- Win together as a team
- Consistently drive sales growth
- Improve margins with an eye on customer satisfaction
- Be the BEST at operations execution
- Increase returns on invested capital.

Winning together as a team means getting everyone at the company strategically aligned and focused on the same common goals. Ultimately as a public company, winning translates into earnings per share, and we were able to increase diluted earnings per share for the third quarter of fiscal 2008 by 19.6% over the corresponding period last year. To win, we need to have the right people in all of our key positions, and therefore, we have made a number of significant management changes over the past 18 months. We have also consolidated all of our purchasing programs for the entire company into a single procurement department and have seen success with purchasing initiatives for corrugated paper, cheese, bacon, menus and cartons. Additionally, we have many cost-saving and productivity initiatives in process for the restaurant concepts, such as labor forecasting and scheduling.

The second Brand Builder is to consistently drive sales growth. Our number one priority is to increase same-store sales, and we are pleased that Bob Evans has now achieved six consecutive quarters of positive same-store sales. We have strengthened our ability to keep the pipeline full of compelling new products with a homestyle Bob Evans twist, such as our Deep-Dish Dinners, Blueberry Cream Stacked & Stuffed Hotcakes, and our new Signature Coffee.

At Mimi's, we saw our third straight quarter of negative same-store sales in a challenging casual dining environment. We are focused on four key areas at Mimi's: revitalizing sales with new menu items, implementing a more formal product development process with a systematic "new product pipeline" calendar, improving food and labor costs, and focusing development on high profit regions.

In our food products segment, our sales momentum remains very strong in large part due to our product innovation. Our refrigerated mashed potatoes and other recently introduced side dishes have been extremely successful. We are also building sales by adding new points of distribution. We have added over 781 new points of distribution thus far in fiscal 2008, with at least a limited retail presence in 49 states.

The third Brand Builder is to improve margins with an eye on customer satisfaction. Our restaurant margins were down slightly in the third quarter due to higher commodities and minimum wage increases. In February, we closed nine under-performing Bob Evans Restaurants, recording a charge in the third quarter of fiscal 2008 of \$3.7 million. We believe the closures will help improve margins in the long-run. As we reduce labor hours in our restaurants, we are being careful not to sacrifice speed of service or customer satisfaction. However, we believe there is still an opportunity to further reduce labor costs.

Our food costs are subject to changes in the commodity markets. With our program to consolidate our purchasing activities, we have made some progress in reducing food costs compared to where they would have been otherwise (specific items noted above under the first Brand Builder). Our current test of our new point-of-sale system at Bob Evans Restaurants is going well and we are planning on a full rollout beginning in the first quarter of fiscal 2009. This new technology will help to simplify our order entry, achieve more precise labor scheduling and compare our food costs with theoretical food costs — all key to improving margins at the restaurant level.

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With the softening of sales at Mimi's, our efforts to improve profitability are taking on a greater sense of urgency. Mimi's, like Bob Evans Restaurants, made progress on managing labor costs during the third quarter, but we believe there remains further opportunity to reduce unproductive labor hours and pre-opening costs. The primary focus for the entire Mimi's team is driving positive same-store sales and improving profitability.

In the food products segment, we continue to benefit from the improved cost structure resulting from the combination of our separate Bob Evans and Owens brands into a single organization. Additionally, margins in the food products segment have been favorably impacted by lower-than-expected hog costs and improved hog yields in the third quarter. Also, advertising expense in the third quarter of fiscal 2008, while comparable to prior year, was lower than our most recent forecast.

Our fourth Brand Builder is to be the BEST at operations execution. A good way to improve our execution is to decrease employee turnover, and we have made significant progress in that area, reducing Bob Evans Restaurant turnover from over 150% in 2006 to about 125% in the latest period. Mimi's turnover remains one of the lowest in the industry at about 100%. We believe the new point-of-sale system at Bob Evans Restaurants will be a helpful tool to attract and retain employees, as it is considerably easier to learn than the manual process we use today.

At Mimi's, we are expanding our carryout and curbside-to-go capabilities, and we also continue to evaluate our full bar expansion. We have now converted or opened 43 of our restaurants with full-service bars, and we have also completed two retrofit bar expansions. We will evaluate the incremental sales from the two retrofits to determine whether further expansion makes sense.

Our fifth and final Brand Builder is to increase returns on invested capital. As we stated, we are not going to open large numbers of new Bob Evans Restaurants until projected returns improve. We are planning on building just two new Bob Evans Restaurants in fiscal 2008, but increased the planned number of rebuilds to eight from four in fiscal 2007.

Mimi's will continue to remain our restaurant growth vehicle for the near term and we continue to target a unit expansion pace of approximately 15% annually. However, we will continue to reevaluate future development plans based on the current macroeconomic issues that have adversely impacted consumer spending. We plan to open 17 new Mimi's Cafes in fiscal 2008, which is higher than our original plan and approximately 13 in fiscal 2009.

In the food products segment, we are implementing several recommendations from studies conducted last year, including a newly completed 65,000 square-foot expansion of our Springfield distribution center, which doubled its capacity and made us much more efficient at peak production times, such as the winter holiday season. While the food products segment generates very attractive returns, it does not need much new investment to capitalize on increased distribution opportunities.

We are not particularly interested in pursuing acquisitions, although we would certainly look at potential deals on an opportunistic basis. Paying down our remaining debt is not an attractive option since most of it is at low interest rates. We are currently paying a quarterly cash dividend of \$0.14 per share. Our Board of Directors will continue to reassess our dividend policy on a regular basis as we compare our yield and payout ratio to our peers. Finally, we have already repurchased approximately 4.4 million shares under our stock repurchase program as of the end of the third quarter of fiscal 2008. Our total authorization from the Board for 2008 is for 5 million total shares, which means we still have the ability to buy back approximately 0.6 million additional shares over the remainder of the fiscal year depending upon market conditions. That is likely to be the primary use of our surplus cash flow.

In summary, we remain focused on the five BEST Brand Builders, and continue to implement them with a sense of urgency.

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### Business Outlook

We were generally pleased with our overall results for the third quarter, especially with the continued improvement in same-store sales trends at Bob Evans Restaurants and a solid performance in the food products segment. Diluted earnings per share for the quarter was \$0.61, up from \$0.51 a year ago.

We are reaffirming our guidance for fiscal 2008 reported diluted earnings per share of \$1.77 to \$1.84. This includes the anticipated impact of gains on real estate sales of approximately \$2.5 million, which is less than our previous estimate of \$4 million to \$5 million. The decrease in the estimate is a result of the continued softness in the real estate market. Also included in our outlook are lower-than-expected sales trends for Mimi's restaurants for the fourth quarter of fiscal 2008.

Depending on market conditions, we will repurchase additional shares, up to the full 5 million shares our Board has authorized. We are projecting net interest expense of approximately \$11.7 million for all of fiscal 2008, up from \$9.0 million in fiscal 2007. Our effective tax rate will approximate 33% for all of fiscal 2008 compared to 32.3% in fiscal 2007. We project average diluted shares outstanding to be 33.4 million for the year.

Capital spending through nine months of fiscal 2008 was \$92.7 million. We expect capital expenditures to approximate \$110 million, which is still significantly below our high of about \$140 million in the fiscal 2004 and 2005 years. We remain focused on expanding Mimi's and our food products distribution capability, but expect to open relatively few Bob Evans Restaurants in fiscal 2008. We are concerned about Mimi's sales and profit trends in parts of the country where economic conditions have adversely impacted consumer spending particularly hard, most notably in California, Florida, Arizona and Nevada. These trends could affect our future development plans for Mimi's and our capital spending.

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

Certain statements in this news release that are not historical facts are forward-looking statements. 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:

- Negative publicity or litigation regarding allegations of food-related illness,
- Failure to achieve and maintain positive same-store sales,
- Changing business conditions, including energy costs,
- Overall macroeconomic conditions that may affect consumer spending, either nationwide or in one or more of the Company's major markets
- 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,
- Changes in the cost or availability of acceptable new restaurant sites,
- Accurately assessing the value, future growth potential, strengths, weaknesses, contingent and other liabilities and potential profitability of Mimi's,
- Adverse weather conditions in locations where we operate our restaurants,
- Consumer acceptance of changes in menu offerings, price, atmosphere and/or service procedures,
- Consumer acceptance of our restaurant concepts in new geographic areas, and
- Changes in hog and other commodity costs.

We also bear the risk of incorrectly analyzing these risks or developing strategies to address them that prove to be unsuccessful.

Certain risks, uncertainties and assumptions are discussed under the heading "Risk Factors" in Item 1A of our Annual Report on Form 10-K for the fiscal year ended April 27, 2007. We note these factors for investors as contemplated by the Private Securities Litigation Reform Act of 1995. It is impossible to predict or identify all such risk factors. Consequently, you should not consider any such list to be a complete set of all potential risks and uncertainties. Forward-looking statements speak only as of the date on which they are made, and we undertake 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. Any further disclosures in our filings with the Securities and Exchange Commission should also be consulted. All subsequent written and oral forward-looking statements attributable to us 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**

We do not currently use derivative financial instruments for speculative or hedging purposes. We maintain our cash and cash equivalents in financial instruments with maturities of three months or less when purchased.

**ITEM 4. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedures**

With the participation of our management, including Bob Evans' principal executive officer and principal financial officer, our management has evaluated the effectiveness of our 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 and other reports that Bob Evans files or submits under the Exchange Act 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 and other reports that Bob Evans files or submits under the Exchange Act 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 our 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, our 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 our management, these proceedings should not, individually or in the aggregate, have a material adverse effect on our results of operations or financial condition.

## ITEM 1A. RISK FACTORS.

Except as set forth below, there have been no material changes from the risk factors disclosed in Part 1, Item 1A, of our Annual Report on Form 10-K for the fiscal year ended April 27, 2007.

*Certain economic and business factors specific to the restaurant industry and certain general economic factors including energy prices and interest rates that are largely out of our control may adversely affect our results of operations.*

The results of our restaurant concepts depend upon a number of industry-specific and general economic factors, many of which are beyond our control. The restaurant industry is affected by changes in national, regional and local economic conditions, consumer spending patterns and consumer preferences. Recessionary economic cycles, a protracted economic slowdown, a worsening economy, increased energy prices, rising interest rates or other industry-wide cost pressures could affect consumer behavior and decrease spending for restaurant dining occasions, leading to a decline in our sales and earnings. When gasoline, natural gas, electricity and other energy costs increase, and credit card, home mortgage and other borrowing costs increase with rising interest rates, our guests may have less disposable income and reduce the frequency with which they dine out. This is particularly the case with casual dining concepts like Mimi's Café because consumers may choose more inexpensive restaurants (such as quick-service restaurants or fast casual dining) when eating outside the home. We are especially concerned about Mimi's Café's sales and profit trends in California, Florida, Arizona and Nevada. These states account for approximately 75% of Mimi's Café's sales and they have been hit particularly hard by the downturn in the United States' economy, sub-prime mortgage issues and lower home values. These trends may affect our future development plans for Mimi's Café. In turn, this may adversely impact the valuations of the intangible assets (including goodwill) associated with Mimi's Cafe.

Unfavorable changes in the economic factors described above could increase our costs, reduce traffic in some or all of our restaurants or impose practical limits on pricing, any of which could lower our profit margins and have a material adverse affect on our financial condition and results of operations.

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

In May 2007, the Board of Directors authorized a share repurchase program for fiscal 2008. The program authorizes Bob Evans to repurchase, through April 25, 2008, up to three million shares of its outstanding common stock. In November 2007, the Board of Directors authorized an additional two million shares to be repurchased in the current fiscal year, up to a total of five million shares for the year. The following table provides information on Bob Evans purchases of its common stock during the three fiscal months ended Jan. 25, 2008:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet be Purchased Under the Plans or Programs*
10/27/07-11/23/07	409,621	\$29.93	409,621	2,528,614
11/24/07-12/28/07	1,140,800	\$29.15	1,140,800	1,387,814
12/29/07-1/25/08	787,900	\$25.83	787,900	599,914
Total	2,338,321	\$28.17	2,338,321	599,914

\* Amounts reflect the five million total shares authorized by the Board of Directors for fiscal 2008 repurchases.

## 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

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### ITEM 6. EXHIBITS.

Exhibit No.	Description	Location
3.1	Amended and Restated By-Laws of Bob Evans Farms, Inc., as amended November 15, 2007	Incorporated by reference to Exhibit 3.1 to the Registrant's Current Report on Form 8-K filed November 19, 2007 (File No. 0-01667)
3.2	Sections of the Amended and Restated By-Laws of Bob Evans Farms, Inc. that were amended on November 15, 2007 — Marked to Show Changes	Incorporated by reference to Exhibit 3.2 to the Registrant's Current Report on Form 8-K filed November 19, 2007 (File No. 0-01667)
10.1	Master Grid Note from BEF Holding Co., Inc. to National City Bank dated December 19, 2007	Incorporated by reference to Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed December 27, 2007 (File No. 0-01667)
10.2	Master Grid Note from BEF REIT, Inc. to National City Bank dated December 19, 2007	Incorporated by reference to Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed December 27, 2007 (File No. 0-01667)
10.3	Guarantee from Bob Evans Farms, Inc. to National City Bank dated December 19, 2007, guaranteeing obligations of BEF Holding Co., Inc.	Incorporated by reference to Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed December 27, 2007 (File No. 0-01667)
10.4	Guarantee from Bob Evans Farms, Inc. to National City Bank dated December 19, 2007, guaranteeing obligations of BEF REIT, Inc.	Incorporated by reference to Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed December 27, 2007 (File No. 0-01667)
10.5	Master Grid Note from BEF Holding Co., Inc. to National City Bank dated July 19, 2007	Incorporated by reference to Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed December 27, 2007 (File No. 0-01667)
10.6	Master Grid Note from BEF REIT, Inc. to National City Bank dated July 19, 2007	Incorporated by reference to Exhibit 10.6 to the Registrant's Current Report on Form 8-K filed December 27, 2007 (File No. 0-01667)
10.7	Guarantee from Bob Evans Farms, Inc. to National City Bank dated July 19, 2007, guaranteeing obligations of BEF Holding Co., Inc.	Incorporated by reference to Exhibit 10.7 to the Registrant's Current Report on Form 8-K filed December 27, 2007 (File No. 0-01667)

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<u>Exhibit No.</u>	<u>Description</u>	<u>Location</u>
10.8	Guarantee from Bob Evans Farms, Inc. to National City Bank dated July 19, 2007, guaranteeing obligations of BEF REIT, Inc.	Incorporated by reference to Exhibit 10.8 to the Registrant's Current Report on Form 8-K filed December 27, 2007 (File No. 0-01667)
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



INDEX TO EXHIBITS  
 Quarterly Report on Form 10-Q  
 Dated March 5, 2008  
 Bob Evans Farms, Inc.

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31.2	Rule 13a-14(a)/15d-14(a) Certification (Principal Financial Officer)	Filed herewith

## Table of Contents

<u>Exhibit No.</u>	<u>Description</u>	<u>Location</u>
32.1	Section 1350 Certification (Principal Executive Officer)	Filed herewith
32.2	Section 1350 Certification (Principal Financial Officer)	Filed herewith



**Rule 13a-14(a)/15d-14(a) CERTIFICATION**

I, Steven A. Davis, 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: March 5, 2008

/s/ Steven A. Davis  
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Steven A. Davis  
Chairman and Chief Executive Officer  
(Principal Executive Officer)



**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: March 5, 2008

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



**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 Jan. 25, 2008, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven A. Davis, Chairman and Chief Executive 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: March 5, 2008

/s/ Steven A. Davis

Steven A. Davis  
Chairman and Chief Executive Officer  
(Principal Executive Officer)

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\* 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 Jan. 25, 2008, 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: March 5, 2008

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

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\* 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.