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TASTY BAKING CO  
Form 10-Q  
May 13, 2003

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON D.C. 20549

FORM 10-Q

(Mark One)

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

For the thirteen weeks ended March 29, 2003

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

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

Commission File Number 1-5084

TASTY BAKING COMPANY

(Exact name of company as specified in its charter)

Pennsylvania

23-1145880

-----  
(State of Incorporation)

(IRS Employer Identification Number)

2801 Hunting Park Avenue, Philadelphia, Pennsylvania 19129

-----  
(Address of Principal Executive Offices) (Zip Code)

(215) 221-8500

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(Company's Telephone Number, including area code)

Indicate by check mark whether the company (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 company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes X

No

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

Yes X

No

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APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS  
DURING THE PRECEDING FIVE YEARS:

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes

No

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APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Common Stock, par value \$.50	8,097,112
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(Title of Class)	(No. of Shares Outstanding as of May 2, 2003)

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## TASTY BAKING COMPANY AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION  
Item 1. Financial Statements

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TASTY BAKING COMPANY AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(unaudited)

	March 29, 2003	December 28, 2002
-----		
Current assets:		
Cash	\$ 56,000	\$ 282,000
Receivables, less allowance of \$3,460,000 and \$3,606,000, respectively	23,599,000	20,881,000
Inventories	6,282,000	6,777,000
Deferred income taxes	5,214,000	5,214,000
Prepayments and other	2,425,000	2,941,000
	-----	
Total current assets	37,576,000	36,095,000
	-----	
Property, plant and equipment:		
Land	1,098,000	1,098,000
Buildings and improvements	37,889,000	37,832,000
Machinery and equipment	149,363,000	148,990,000
	-----	
	188,350,000	187,920,000
Less accumulated depreciation	131,106,000	129,529,000
	-----	
	57,244,000	58,391,000
	-----	
Long-term receivables from owner/operators	9,971,000	10,095,000
Deferred income taxes	8,230,000	8,230,000
Spare parts inventory	3,769,000	3,699,000
Other	50,000	50,000
	-----	
	22,020,000	22,074,000
	-----	
Total assets	\$116,840,000	\$116,560,000
	=====	
Current liabilities:		
Current obligations under capital leases	\$ 173,000	\$ 176,000
Notes payable, banks	3,200,000	4,500,000
Accounts payable	8,965,000	6,074,000
Accrued payroll and employee benefits	5,118,000	5,159,000
Reserve for restructures	1,190,000	2,417,000
Other	674,000	981,000
	-----	
Total current liabilities	19,320,000	19,307,000
Long-term debt	9,000,000	9,000,000
Long-term obligations under capital leases, less current portion	3,431,000	3,486,000
Reserve for restructures-less current portion	3,568,000	3,568,000
Accrued pensions and other liabilities	15,993,000	15,923,000
Postretirement benefits other than pensions	17,872,000	17,751,000
	-----	
Total liabilities	69,184,000	69,035,000
	-----	
Shareholders' equity:		
Common stock	4,558,000	4,558,000
Capital in excess of par value of stock	29,400,000	29,433,000

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Retained earnings	26,700,000	26,622,000
	-----	-----
	60,658,000	60,613,000
Less:		
Treasury stock, at cost	12,540,000	12,539,000
Management Stock Purchase Plan receivables and deferrals	462,000	549,000
	-----	-----
	47,656,000	47,525,000
	-----	-----
Total liabilities and shareholders' equity	\$116,840,000	\$116,560,000
	=====	=====

See accompanying notes to consolidated financial statements.

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TASTY BAKING COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(unaudited)

	For the Thirteen Weeks Ended	
	March 29, 2003	March 30, 2002 (a)
	-----	-----
Gross Sales	\$ 64,372,000	\$ 64,039,000
Less discounts and allowances	(23,388,000)	(23,380,000)
	-----	-----
Net Sales	40,984,000	40,659,000
	-----	-----
Costs and expenses:		
Cost of sales	27,984,000	26,029,000
Depreciation	1,739,000	1,735,000
Selling, general and administrative	10,713,000	10,829,000
Restructure charge reversal	(220,000)	--
Interest expense	201,000	368,000
Provision for doubtful accounts	77,000	80,000
Other income, net	(252,000)	(280,000)
	-----	-----
	40,242,000	38,761,000
	-----	-----
Income before provision for income taxes	742,000	1,898,000
Provision for income taxes	260,000	693,000
	-----	-----
Net income	\$ 482,000	\$ 1,205,000
	=====	=====
Average common shares outstanding:		
Basic	8,099,000	8,050,000
Diluted	8,099,000	8,188,000

Per share of common stock:

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Net income:		
Basic and Diluted	\$ 0.06	\$ 0.15
	=====	=====
Cash dividend	\$ 0.05	\$ 0.12
	=====	=====

- (a) An amount of \$74,000 has been reclassified to reflect a correction of certain expenses recorded in cost of sales and selling, general and administrative expense.

See accompanying notes to consolidated financial statements.

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TASTY BAKING COMPANY AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(unaudited)

	For the Thirteen Weeks En	
	March 29, 2003	March 3
-----		
Cash flows from (used for) operating activities		
Net income	\$ 482,000	\$ 1,
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	1,739,000	1,
Restructure charge reversal	(220,000)	
Provision for doubtful accounts	77,000	
Pension expense	370,000	
Other	(193,000)	(
Changes in assets and liabilities:		
Increase in receivables	(2,795,000)	(1,
Decrease in inventories	495,000	
Decrease (increase) in prepayments and other	517,000	(
Increase (decrease) in accrued payroll, accrued income taxes, accounts payable and other current liabilities	1,536,000	(1,
	-----	
Net cash from operating activities	2,008,000	
	-----	
Cash flows from (used for) investing activities		
Purchase of property, plant and equipment	(593,000)	(1,
Proceeds from owner/operators' loan repayments	858,000	
Loans to owner/operators	(733,000)	(
Other	(3,000)	
	-----	
Net cash used for investing activities	(471,000)	(1,
	-----	

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Cash flows from (used for) financing activities		
Dividends paid	(405,000)	(
Payment of long-term debt	(58,000)	
Net increase(decrease) in short-term debt	(1,300,000)	1,
	-----	
Net cash from(used for) financing activities	(1,763,000)	
	-----	
Net decrease in cash	(226,000)	(
Cash, beginning of year	282,000	
	-----	
Cash, end of period	\$ 56,000	\$
	=====	
Supplemental Cash Flow Information:		
Cash paid during the period for:		
Interest	\$ 157,000	\$
	=====	
Income taxes	\$ 41,000	\$
	=====	

See accompanying notes to consolidated financial statements.

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TASTY BAKING COMPANY AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Significant Accounting Policies  
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Interim Financial Information

In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments necessary to present fairly the financial position of the company as of March 29, 2003 and December 28, 2002, the results of its operations for the thirteen weeks ended March 29, 2003 and March 30, 2002 and cash flows for the thirteen weeks ended March 29, 2003 and March 30, 2002. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements and footnotes thereto in the company's 2002 Annual Report to Shareholders. In addition, the results of operations for the thirteen weeks ended March 29, 2003 are not necessarily indicative of the results to be expected for the full year.

Net Income Per Common Share

Net income per common share is presented as basic and diluted earnings per share. Net income per common share - Basic is based on the weighted average number of common shares outstanding during the year. Net income per common share - Diluted is based on the weighted average number of common shares and dilutive potential common shares outstanding during the year. Dilution is the result of outstanding stock options.

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### Stock-Based Compensation

The company measures stock-based compensation in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees" and has calculated the pro-forma impact of the fair-value method in accordance with Statement of Financial Accounting Standard No. 123, "Accounting for Stock-Based Compensation." The calculated difference between the reported and pro-forma net income amounts is not material for the first quarter of 2003 and the first quarter of 2002.

### Pension Plan

The company's funding policy for its pension plan is to contribute amounts deductible for federal income tax purposes plus such additional amounts, if any, as the company's actuarial consultants advise to be appropriate. The company accrues normal periodic pension expense or income during the year based upon certain assumptions and estimates from its actuarial consultants in accordance with Statement of Financial Accounting Standard No. 87. These estimates and assumptions include discount rate, rate of return on plan assets, compensation increases, mortality and employee turnover. In addition, the rate of return on plan assets is directly related to changes in the equity and credit markets, which can be very volatile. The use of the above estimates and assumptions, market volatility and the company's election to immediately recognize all gains and losses in excess of its pension corridor in the current year may cause the company to experience significant changes in its pension expense or income from year to year. Expenses or income that fall outside the corridor are recognized only in the fourth quarter.

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## 2. Restructure Charges

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In the first quarter of 2003, the company recognized a net restructure charge reversal of \$220,000. This reversal resulted from favorable settlements of certain thrift store lease contracts. These settlements relate to the restructure charges taken during 2002 and 2001.

During the second quarter of 2002, the company closed six thrift stores and eliminated certain manufacturing and administrative positions. There were 67 employees terminated as a result of this restructure, of which 42 were temporary employees, 13 were thrift store employees and 12 were corporate and administrative employees. Costs related to these events were included in a restructure charge of \$1,405,000.

During the fourth quarter of 2002, the company incurred a \$4,936,000 restructure charge related to the closing of the remaining twelve thrift stores and the specific arrangements made with senior executives who departed the company in the fourth quarter of 2002. There were 29 employees terminated as a result of this restructure, of which 25 were thrift store employees and 4 were corporate executives.

During the fourth quarter of 2001, the company closed its Dutch Mill plant in Wyckoff, New Jersey. In addition, the company closed two thrift stores. Costs related to these events were included in a restructure charge of \$1,728,000.

RESTRUCTURE RESERVE ACTIVITY

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	Balance 12/28/02	Payments	Reclass of PP&E	
Lease obligations	\$2,078,000	\$ 165,000	\$ -	\$
Severance	3,403,000	475,000	-	
Fixed Asset	326,000	-	326,000	
Other	178,000	41,000	-	
Total	\$5,985,000	\$ 681,000	\$ 326,000	\$

The balance of the severance charges is expected to be paid as of 2004 and the balance of the lease obligations and other charges is expected to be paid as of 2006.

3. Inventories

Inventories are classified as follows:

	March 29, 2003	December
Finished Goods	\$ 2,554,000	\$ 2,
Work in progress	866,000	
Raw materials and supplies	2,862,000	3,
	\$ 6,282,000	\$ 6,

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TASTY BAKING COMPANY AND SUBSIDIARIES

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

Results of Operations

Net income for the first quarter of 2003 was \$482,000 or \$.06 per diluted share. Net income for the first quarter of 2002 was \$1,205,000 or \$.15 per diluted share. Net income for 2003 included a \$220,000 pre-tax restructure charge reversal due to the favorable settlement of certain thrift store lease contracts.

Gross sales increased by .5% in the first quarter of 2003 to \$64,372,000 from \$64,039,000 in the comparable quarter of 2002. Gross sales in the core route business increased 3% versus the same period last year. This favorable performance is primarily due to increased focus and investment in the core route geography. Non-route sales decreased 6% in the first quarter versus the first quarter of 2002 primarily due to a decline within the company's vending sales



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channel and the company's decision to discontinue sales to certain west coast accounts that were determined to be unprofitable. The decline in vending sales resulted primarily from reduced sales within the entire category. All pending orders for the west coast accounts will be completed within the second quarter of 2003. The company is examining margins on all lines of business and is focused on improving profitability.

In the first quarter of 2003, net sales increased by .8% to \$40,984,000 from \$40,659,000 in the first quarter of 2002. This increase resulted primarily from the increase in gross sales. Discounts and allowances increased by only \$8,000 to \$23,388,000 in the current quarter versus \$23,380,000 for the same period last year due to the company's efforts to invest its promotion expenditures more effectively.

Cost of sales increased 8% during the first quarter of 2003 over the prior year's quarter. As a percentage of gross sales, cost of sales increased to 43.5% in the current quarter from 40.6% in the same quarter last year. This increase is due to a 9% increase in case volume sold that did not correspondingly increase gross sales due to wholesale price reductions in the current quarter relative to the prior year's quarter.

Selling, general and administrative expenses for the first quarter of 2003 decreased by \$116,000 or 1.0% compared to the first quarter of 2002. The decrease was primarily due to the savings recognized by the fourth quarter restructure of the company thrift stores and the departure of certain executives. The savings was partially offset by reinvestment in personnel to fill key positions in the company as well as renewed investment in infrastructure and sales incentives for the core route business.

Interest expense decreased 45% compared to the same quarter in 2002 primarily due to a \$4 million reduction in debt.

The effective tax rate was 35.0% for the quarter ended March 29, 2003 and 36.5% for the quarter ended March 30, 2002, which compares to a federal statutory rate of 34%. The difference between the effective rates and the statutory rate was the effect of state income taxes.

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### Financial Condition

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The company has consistently demonstrated the ability to generate sufficient cash flow from operations. Bank borrowings, under the company's credit facility, are used to supplement cash flow from operations during periods of cyclical shortages.

For the thirteen weeks ended March 29, 2003, net cash from operating activities increased by \$1,065,000 to \$2,008,000 from \$943,000 for the same period in 2002. The decrease in net income for the current quarter relative to the same quarter last year was positively offset by a much smaller net decrease in assets and liabilities. This net decrease in assets and liabilities was driven by an increase in accounts payable that was partially offset by an increase in accounts receivable, and payments made against the reserve for restructures compared to the same quarter in 2002.

Net cash used for investing activities for the thirteen weeks ended March 29, 2003 decreased by \$884,000 relative to the same period in 2002 principally due to lower capital expenditures. In addition, the excess of proceeds from owner/operator loan payments over new loans granted in the current quarter was

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greater than the same quarter last year.

Net cash used for financing activities for the thirteen weeks ended March 29, 2003 increased by \$1,938,000 relative to the same thirteen weeks in 2002, due to a decrease in short-term debt compared to an increase in the same quarter last year, partially offset by a reduction of dividends paid in the current quarter compared to last year. The company reduced its dividend to \$.05 per share in the first quarter of 2003. The dividend had been \$.12 per share since 1997.

For the remainder of 2003, the company anticipates that cash flow from operations, along with the continued availability of credit under the credit facility, will provide sufficient cash to meet operating and financing requirements.

### Forward-Looking Statements

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Certain matters discussed in this Report, including those under the heading "Management's Analysis," contain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, and are subject to the safe harbor created by that Act. These forward-looking statements include comments about legal proceedings, competition within the baking industry, availability and pricing of raw materials and capital, improvements in efficiency expected from plant modernization programs, sales growth by distribution through existing and other channels of distribution, the Registrant's business strategies and other statements contained herein that are not historical facts. Because such forward-looking statements involve risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements which include changes in general economic or business conditions, the availability of capital upon terms acceptable to the Registrant, the availability and prices of raw materials, the level of demand for the Registrant's products, the outcome of legal proceedings to which the Registrant is or may become a party, the actions of competitors within the packaged food industry, changes in consumer tastes or eating habits, the success of plant modernization and business strategies implemented by the Registrant to meet future challenges, and the ability to develop and market in a timely and efficient manner new products which are accepted by consumers. The reader should review "Management's Discussion and Analysis" in the company's annual report of Form 10-K for the year ended December 28, 2002 for a more complete discussion of other factors which may affect the company's financial position.

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### Item 3. Quantitative and Qualitative Disclosure About Market Risk

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The company has certain floating rate debt notes. Under current market conditions, the company believes that changes in interest rates would not have a material impact on the financial statements of the company. The company also has notes receivable from owner operators with rates that adjust every three years, and, therefore, would partially offset the fluctuations in the company's interest rates on its notes payable. The company also has the right to sell these notes receivable, and could use these proceeds to liquidate a corresponding amount of the notes payable.

### Item 4. Disclosure of Controls and Procedures

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The company maintains a system of disclosure controls and procedures designed to

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provide reasonable assurance as to the reliability of its consolidated financial statements and other disclosures included in this report. The company established a disclosure controls committee, which consists of certain members of management. During the quarter, the company hired a new Chief Marketing Officer, a new Chief Financial Officer and a new Vice President of Human Resources, all of whom actively participated in the evaluation of the disclosure controls and procedures. Within 90 days prior to the date of filing of this report, the company carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer, of the design and operation of the company's disclosure controls and procedures. Based on this evaluation, the company's Chief Executive Officer, Chief Financial Officer and Chief Accounting Officer concluded that the company's disclosure controls and procedures are effective for gathering, analyzing and disclosing the information the company is required to disclose in the reports it files pursuant to the Securities and Exchange Act of 1934, within the time periods specified in the SEC's rules and forms. There have been no significant changes in the company's internal controls or in other factors that could significantly affect internal controls subsequent to the date of this evaluation.

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### TASTY BAKING COMPANY AND SUBSIDIARIES

#### PART II. OTHER INFORMATION

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

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###### (a) Exhibits:

Exhibit 10.1 - Amended and Restated Employment Agreement dated as of December 28, 2002 between the company and John M. Pettine.  
(Management compensation agreement)

Exhibit 99.1 - Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

###### (b) Reports on Form 8-K

The company filed the following reports on Form 8-K during the thirteen weeks ended March 29, 2003:

On December 30, 2002, the company furnished a report on Form 8-K under Item 5, Other Events and Required FD Disclosure, attaching a press release announcing the retirement of its Chairman of the Board, the departure of certain senior executives, the closing of its remaining thrift stores and anticipated restructure charges for the fourth quarter 2002.

On February 12, 2003, the company furnished a report on Form 8-K under Item 5, Other Events and Required FD Disclosure, attaching a press release announcing its fourth quarter and fiscal year 2002 financial results.

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TASTY BAKING COMPANY AND SUBSIDIARIES

SIGNATURE

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

TASTY BAKING COMPANY

-----  
(Company)

/S/ David S. Marberger

-----  
(Date)

-----  
DAVID S. MARBERGER  
SENIOR VICE PRESIDENT AND  
CHIEF FINANCIAL OFFICER  
(Principal Financial Officer)

/S/ Eugene P. Malinowski

-----  
(Date)

-----  
EUGENE P. MALINOWSKI  
DIRECTOR - FINANCE AND  
CHIEF ACCOUNTING OFFICER  
(Principal Accounting Officer)

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CERTIFICATION 302

I, David S. Marberger, Senior Vice President and Chief Financial Officer (Principal Financial Officer) of Tasty Baking Company, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of Tasty Baking Company;
- (2) Based on my knowledge, this quarterly 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 quarterly report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material

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

(4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

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

(6) The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: \_\_\_\_\_

/s/ David S. Marberger  
-----  
David S. Marberger  
Senior Vice President and  
Chief Financial Officer

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Company, certify that:

(1) I have reviewed this quarterly report on Form 10-Q of Tasty Baking Company;

(2) Based on my knowledge, this quarterly 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 quarterly report;

(3) Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;

(4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

a) designed such disclosure controls and procedures 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 quarterly report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and

c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

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

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

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

(6) The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: \_\_\_\_\_

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/S/ Charles P. Pizzi

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Charles P. Pizzi  
President and Chief Executive Officer

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CERTIFICATION 302

I, Eugene P. Malinowski, Director of Finance and Chief Accounting Officer (Principal Accounting Officer) of Tasty Baking Company, certify that:

- (1) I have reviewed this quarterly report on Form 10-Q of Tasty Baking Company;
- (2) Based on my knowledge, this quarterly 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 quarterly report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this quarterly 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 quarterly report;
- (4) The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) designed such disclosure controls and procedures 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 quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
- (5) The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

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a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

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

(6) The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: \_\_\_\_\_

/S/ Eugene P. Malinowski

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Eugene P. Malinowski  
Director of Finance and  
Chief Accounting Officer