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TASTY BAKING CO
Form 10-K
March 28, 2003

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

- (X) Annual report pursuant to Section 13 or 15(d) of the Securities and Exchange Act of 1934 for the fiscal year ended December 28, 2002 (52 weeks)
- () 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 Registrant as specified in its charter)

Pennsylvania
(State of Incorporation)

23-1145880
(IRS Employer Identification Number)

2801 Hunting Park Avenue
Philadelphia, Pennsylvania
(Address of principal executive offices)
Telephone: 215-221-8500
(Registrant's telephone number, including area code)

19129
(zip code)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class ----- | Name of each exchange on which registered ----- |
|------------------------------|--|
|------------------------------|--|

Common Stock,
par value \$.50 per share

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (ss. 229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [X]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). YES X NO

The aggregate market value of voting stock held by non-affiliates as of February 11, 2003 is \$62,983,262 computed by reference to the closing price on the New

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York Stock Exchange on such date.

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of February 11, 2003.

| Class ----- | Outstanding ----- |
|----------------------------------|----------------------|
| Common Stock, par value \$.50 | 8,099,212 shares |

DOCUMENTS INCORPORATED BY REFERENCE -----

| Document ----- | Reference ----- |
|---|--------------------|
| Pages 14 to 39 inclusive of the Annual Report to Shareholders for the Fiscal Year Ended December 28, 2002 | Part II |
| Pages 3 to 23 inclusive, 27 and 29 to 30 inclusive of the definitive Proxy Statement dated March 31, 2003 | Part III |

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TASTY BAKING COMPANY AND SUBSIDIARIES PART I

Item 1. Business -----

The Registrant was incorporated in Pennsylvania in 1914 and maintains its main offices and manufacturing facilities in Philadelphia, Pennsylvania. The Registrant's Tastykake Division (Tastykake) manufactures and sells a variety of premium single portion cakes, pies, cookies, pretzels, brownies, pastries, donuts, miniature donuts, snack bars, boxed cookies and large family sized cakes, pies and danish under the well established trademark, TASTYKAKE(R). These products comprise approximately 120 varieties. The availability of some products, especially the holiday-themed offerings, varies according to the season of the year. The single portion cakes, cookies and donuts principally sell at retail prices for individual packages ranging from 50(cent) to 99(cent) per package and family convenience packages ranging from \$2.50 to \$2.99. The pies principally sell at retail prices from 50(cent) to 69(cent) each and include various fruit and creme filled varieties and, at various times of the year, additional seasonal varieties. The pastries and brownies are marketed principally in snack packages and sell at a retail price of 99(cent) per package. The best known products with the widest sales acceptance are various sponge cakes marketed under the trademarks JUNIORS(R) and KRIMPETS(R), and chocolate enrobed cakes under KANDY KAKES(R). In 1999, Tastykake introduced a line of large family-sized cakes produced by Tasty Baking Oxford, Inc., a wholly-owned subsidiary, and currently sold by the Registrant, under the trademark CLASSIC BAKED GOODS(TM) at retail prices ranging from \$2.50 to \$3.29. In addition, large pies, boxed cookies, donuts, donut holes and large danish are sold by the Registrant under the trademark CLASSIC BAKED GOODS(TM) at retail prices ranging from \$2.50 to \$3.59. There are approximately 35 varieties available under the Classic Baked Goods line.

During the fourth quarter of 2001 the Registrant closed the plant of its wholly-owned subsidiary, Dutch Mill Baking Company, Inc. (Dutch Mill), based in Wyckoff, New Jersey. Dutch Mill was then merged into the Registrant's subsidiary, Tasty Baking Oxford, Inc. The trademark DUTCH MILL(R) will remain an

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asset of the Registrant.

Tasty Baking Oxford, Inc., located in Oxford, Chester County, Pennsylvania, currently manufactures honey buns, large cakes, donuts and muffins under the trademarks TASTYKAKE(R), CLASSIC BAKED GOODS(TM), SNAK N' FRESH(R) and AUNT SWEETIE'S BAKERY(R). These products are distributed through independent owner/operators and regional distributors. The SNAK N' FRESH(R) and AUNT SWEETIE'S BAKERY(R) brands were instituted to allow the Registrant to enter the private label and food service markets without compromising the integrity of its TASTYKAKE(R) brand. All of the products manufactured at the Oxford facility are sold to the Registrant for resale.

Tastykake products are sold principally by independent owner/operators through distribution routes to approximately 15,000 retail outlets in Delaware, Maryland, New Jersey, New York, Pennsylvania and Virginia, which make up the Registrant's principal market. This method of distribution for direct store deliveries has been used since 1986. The Registrant also distributes its products through distributorships and major grocery chains which have centralized warehouse distribution capabilities located in many areas of the country. The Registrant has formed alliances with distributors which can warehouse and distribute the Tastykake product line most effectively in order to promote geographic expansion. Products are sold in a majority of the continental United States and Puerto Rico. The Registrant also distributes its products through the TASTYKARE(R) program, whereby consumers can call a toll-free number or visit the Registrant's web-site to order the delivery of a variety of Tastykake gift packs.

During 2002, the Registrant closed its remaining 18 thrift stores which did not meet the profitability objectives set by the Registrant. The Registrant closed 6 stores during the second quarter and closed the remaining 12 stores as of year end. The Registrant has recorded restructuring charges related to the closures. The Registrant's thrift store program was first implemented at the end of 2000. The purpose of the thrift stores was to recover the cost of stale, damaged and other products not generally salable through normal distribution channels, to recoup part of the cost of developing and introducing new products into the marketplace, and to raise consumer awareness and acceptance of the Registrant's products. The Registrant is in the process of soliciting other outlets for its stale and damaged products.

In 1998, the Registrant began a \$22 million modernization program(program) for its manufacturing facility in Philadelphia, Pennsylvania. These renovations were undertaken to increase productivity and efficiency. The program is being completed in phases and was expected to take approximately four years from inception. Phase I of the program, the complete renovation of the Krimpet and Junior production and packaging lines, was completed in 1999. Phase II, the renovation of the cupcake lines, began in 2000. Two of the four cupcake lines were successfully converted in 2000 and the third line was completed in 2002. The remaining portion of the program is still in process and decisions regarding the details of its completion will be made prior to the end of fiscal 2003.

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Item 1. Business, continued

The Registrant's top 20 customers represent 74.1% of its 2002 net sales. The top two customers in this group represent 13.7% and 11.6% of the Registrant's net sales for 2002. These relationships have been reasonably consistent over the prior two years. If any of the customers in this group

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changed their buying patterns with the Registrant, its current sales levels could be adversely affected.

The Registrant maintains an advertising program which, from time to time, utilizes outdoor poster campaigns, newspapers, customer coupons, radio and television advertising, and promotions with various sports teams. While the Registrant sponsors research and development activities, the cost is not a material item.

The Registrant is engaged in a highly competitive business. Although the number of competitors varies among marketing areas, certain competitors are national companies with multiple production facilities, nationwide distribution systems and large advertising and promotion budgets. The Registrant believes it is one of the largest producers in the country specializing in premium single portion snack cakes and pies. The Registrant is able to maintain a strong competitive position in its principal marketing area through the quality of its products and brand name recognition. The Registrant has a significant market share throughout its principal marketing area.

Outside of its principal marketing area, awareness of the Registrant's trademarks and reputation for quality is not as strong. In these markets, the Registrant competes for the limited shelf space available from retailers using price, product quality and consumer acceptance. The Registrant has been able to increase its sales nationally through the distribution of its products using mass merchandisers, wholesale clubs, convenience stores and other distribution outlets. The Registrant's growth in national sales has resulted in higher average balances of finished product inventory which are needed to satisfy the delivery requirements of these customers, and in higher average accounts receivable balances due to longer billing cycles and payment terms of national account customers.

Outside of the principal marketing area, its market share is generally less significant. Its principal competitor in the premium snack cake market throughout the country is Interstate Bakeries Corporation (Interstate) which owns three major brands - Hostess, Dolly Madison and Drakes. Local independent bakers also compete in a number of regional markets. Interstate is a large publicly held corporation which has achieved national recognition of its Hostess brand name through national advertising, and it competes on price, product quality and brand name recognition. Interstate also promotes its Drakes product line in areas where the Registrant is attempting to expand its market share. McKee Foods Corporation, a large privately held company, competes in the snack cake market under the brand name Little Debbie as a low price snack cake. Little Debbie holds the largest share of the snack cake market in the United States. Many large food companies have begun to advertise and promote single-serve packages of their traditional multi-serve cookie and sweet and salty snack varieties which now compete against the Registrant for a portion of the overall snack market.

The Registrant is heavily dependent upon sugar, flour and cocoa to manufacture its products. No difficulties were experienced in obtaining raw materials in 2002. The price of sugar was higher but stable during 2002. Recent drought conditions in the Midwest may result in reduced wheat supplies which could expose the Registrant to price increases during 2003. In addition, there has been political unrest in the Ivory Coast of West Africa which is a key supplier of cocoa pressed cake to the world market. This instability has resulted in reduced availability and higher commodity prices for cocoa pressed cake. At present, the Registrant purchases cocoa pressed cake and manufactures it into cocoa powder which it uses as a principal ingredient in many of its chocolate products. Because of the uncertainty of the supply of cocoa pressed cake, the Registrant may switch to processed cocoa powder which has a higher cost and will adversely affect the margins on the chocolate products in which it is used. It is not anticipated that there will be any significant adverse

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effects on the financial condition of the Registrant as a result of price fluctuations or the availability of raw materials in 2003.

The Registrant's policies with respect to working capital items are not unique. Inventory is generally maintained at levels sufficient for one to three weeks of sales, while the ratio of current assets to current liabilities is maintained at a level between 1.5 and 2.5 to 1.

The Registrant employs approximately 1,060 persons, including approximately 140 part-time employees.

Since February 11, 2003, the Registrant's annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to the Section 13(a) or 15(d) of the Exchange Act have been made available free of charge through its website the same day as they are made available on the SEC website. These reports are available by going to the Registrant's website(www.tastykake.com) and selecting "Corporate Info," "SEC Filings," and then "SEC website."

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Item 2. Properties

The locations and primary use of the materially important physical properties of the Registrant and its subsidiaries are as follows:

| Location ----- | Primary Facility Use ----- |
|--|---|
| 2801 Hunting Park Avenue Philadelphia, PA (1) | Corporate office, Production of cakes, pies, cookies and donuts |
| Fox and Roberts Streets Philadelphia, PA (1) | Sales and Finance offices, Data Processing Operations, office Services and Warehouse |
| 700 Lincoln Street Oxford, PA (2) | Tasty Baking Oxford offices, Production of honey buns, donuts, pastries, muffins, and large cake |

(1) These properties are recorded as capital leases. For a description of major encumbrances on these properties, see Note 7 and 8 of Notes to Consolidated Financial Statements in the 2002 Annual Report to Shareholders - Exhibit 13, incorporated herein by reference.

(2) This property was purchased and is owned by Tasty Baking Oxford, Inc.

In addition to the above, the Registrant leases various other properties used principally as local pick up and distribution points. All of these properties are sufficient for the business of the Registrant as now conducted.

Item 3. Legal Proceedings

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The Registrant is involved in certain legal and regulatory actions, all of which have arisen in the ordinary course of the Registrant's business. The Registrant is unable to predict the outcome of these matters, but does not believe that the ultimate resolution of such matters will have a material adverse effect on the consolidated financial position or results of operations of the Registrant. However, if one or more of such matters were determined adversely to the Registrant, the ultimate liability arising therefrom should not be material to the financial position of the Registrant, but could be material to its results of operations in any quarter or annual period.

In November, 1998, nine (9) independent route owner/operators (Plaintiffs), on behalf of all present and former route owner/operators, commenced suit against the Registrant seeking recovery from the Registrant of amounts (i) which the owner/operators paid in the past to the Internal Revenue Service on account of employment taxes, and (ii) collected by the Registrant since January 1, 1998 as an administrative fee from all unincorporated owner/operators. The Registrant removed the complaint to the United States District Court for the Eastern District of Pennsylvania and was successful in having the complaint dismissed with prejudice as to all federal causes of action.

Subsequently, Plaintiffs commenced a new suit in Common Pleas Court for Philadelphia County, Pennsylvania, asserting state law claims seeking damages for (1) the alleged erroneous treatment of the owner/operators as independent contractors by the Registrant such that the owner/operators were required to pay self-employment, social security and federal unemployment taxes which they allege should have been paid by the Registrant, and (2) for breach of contract relating to the collection of an administrative fee from all unincorporated owner/operators. The Court dismissed with prejudice the Plaintiffs first claim in March 2000. As to the second claim, in January 2002, the Court certified a class of approximately 200 owner/operators (representing approximately 43% of the Registrant's current routes), consisting of unincorporated owner/operators who, since February 7, 1998, have paid or continue to pay the administrative fee to the Registrant. The Registrant believes the case to be without merit and is defending the matter vigorously. The Registrant has not established any reserve in the event that the ultimate outcome of this litigation proves unfavorable to the Registrant. If this matter is determined adversely to the Registrant, the ultimate liability arising therefrom should not be material to the financial position of the Registrant, but could be material to its results of operations in any quarter or annual period.

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

No matters were submitted to a vote of security holders during the fourth quarter of the fiscal year covered by this report.

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TASTY BAKING COMPANY AND SUBSIDIARIES

PART II

CROSS REFERENCE INDEX

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FORM 10-K

ITEM NUMBER AND CAPTION

INCORPORATED MATERIAL

Page(s) in Annual Report to
Shareholders for the Fiscal
Year Ended December 28, 20

| | | |
|---------|--|---------|
| Item 5 | <p>Market for the Registrant's Common Equity and Related Shareholder Matters</p> <p>On October 7, 2002, the Registrant issued 4,000 shares of common stock to Mr. Charles P. Pizzi as an inducement to become President and CEO and not for any cash consideration. The issuance of the shares was exempt from registration under Section 4(2) of the Securities Act of 1933, as amended, as an exempt private placement.</p> | 20 |
| Item 6 | Selected Financial Data | 21 |
| Item 7 | <p>Management's Discussion and Analysis of Financial Condition and Results of Operations</p> <p>Certain matters discussed in this Report, including those under the headings "Business," "Legal Proceedings" and "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 national sales programs, private label, food service, institutional sales and other channels of distribution, changes in 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 nationally and in the Registrant's primary markets, 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.</p> | 14 - 19 |
| Item 7A | <p>Quantitative and Qualitative Disclosure about market risk</p> <p>The Registrant has certain floating rate debt notes. Under current market conditions, the Registrant believes that changes in interest rates would not have a material impact on the financial statements of the Registrant. The Registrant also has</p> | 29 - 30 |

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notes receivable from owner operators whose rates adjust every three years, and, therefore, would partially offset the fluctuations in the Registrant's interest rates on its

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notes payable. The Registrant also has the right to sell these notes receivable, and could use these proceeds to liquidate a corresponding amount of the debt notes payable. Information on the debt and receivable notes can be found in the Notes to Consolidated Financial Statements, Notes 5,6 and 4, respectively, in the 2002 Annual Report to Shareholders.

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TASTY BAKING COMPANY AND SUBSIDIARIES

PART III

CROSS REFERENCE INDEX

FORM 10-K

ITEM NUMBER AND CAPTION

INCORPORATED MATERIAL

Item 8 Consolidated Financial Statements
and Supplementary Data:

Page(s) in Annual Report to
Shareholders for the Fiscal
Year Ended December 28, 2002

| | |
|--|---------|
| Quarterly Summary | 20 |
| Consolidated Statements of Operations and Retained Earnings | 22 |
| Consolidated Statements of Cash Flows | 23 |
| Consolidated Balance Sheets | 24 - 25 |
| Consolidated Statements of Changes in Capital Accounts | 26 |
| Notes to Consolidated Financial Statements | 27 - 38 |

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Report of Independent Accountants

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Item 9 Changes in and Disagreements with
Accountants on Accounting and Financial Disclosure

This item is not applicable.

Page(s) in definitive
Proxy Statement

Item 10 Directors and Executive officers
of the Registrant

6 - 10

Item 11 Executive Compensation

8 and 11 - 23

Item 12 Security Ownership of Certain Beneficial
Owners and Management and Related Stockholder
Matters

3 - 5 and 27

Item 13 Certain Relationships and Related
Transactions

With respect to certain business
relationships of Fred C. Aldridge, Jr.,
Esquire, director

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Item 14 Controls and Procedures

The Registrant maintains a system of disclosure controls and procedures designed to provide reasonable assurance as to the reliability of its consolidated financial statements and other disclosures included in the report. The Registrant established a disclosure committee, which consists of certain members of management. Within 90 days prior to the date of filing of this report, the Registrant carried out an evaluation, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, of the design and operation of the Registrant's disclosure controls and procedures. Based on this evaluation, the Registrant's Chief Executive Officer and Chief Financial Officer concluded that the

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TASTY BAKING COMPANY AND SUBSIDIARIES

PART III

CROSS REFERENCE INDEX

FORM 10-K
ITEM NUMBER AND CAPTION

Item 14 Controls and Procedures cont'd.

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Registrant's disclosure controls and procedures are effective for gathering, analyzing and disclosing material information the Registrant is required to disclose in the reports it files with the Securities and Exchange Commission (SEC) 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 Registrant's internal controls or in other factors that could significantly affect internal controls subsequent to the date of this evaluation.

Page(s) in definitive
Proxy Statement

Item 15 Principal Accountant Fees and Services 29 - 30

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TASTY BAKING COMPANY AND SUBSIDIARIES

PART IV

ITEM 16: EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

for the fiscal years ended December 28, 2002,
December 29, 2001 and December 30, 2000

| | Pages |
|--|-------------------|
| | ----- |
| (a)-1. List of Financial Statements | |
| Quarterly Summary | Incorporated here |
| Consolidated Statements of Operations and Retained | by reference to |
| Earnings | pages 14 to 39 |
| Consolidated Statements of Cash Flows | inclusive of the |
| Consolidated Balance Sheets | Annual Report to |
| Consolidated Statements of Changes in Capital | Shareholders for |
| Accounts | fiscal year end |
| Notes to Consolidated Financial | December 28, 20 |
| Statements, including | See page 13 of |
| Summary of Significant Accounting Policies | |
| Report of Independent Accountants | |
| | |
| (a)-2. Schedule* for the fiscal years ended December 28, 2002, December | |
| 29, 2001 and December 30, 2000: | |
| | |
| Report of Independent Accountants | |

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II. Valuation and Qualifying Accounts

(a)-3. Exhibits Index - The following Exhibit Numbers refer to Regulation S-K, Item 601**

(3) (a) Articles of Incorporation of Registrant as amended are incorporated herein by reference to Exhibit 3 to Form 10-K report of Registrant for 1998.

(b) By-laws of Registrant as amended on June 27, 2002.

(10) (a) Tasty Baking Company Restricted Stock Incentive Plan, effective as of December 21, 2000, is incorporated herein by reference to Exhibit 10 to Form 10-Q report of Registrant for the twenty-six weeks ended June 30, 2001.

(b) 1991 Long-term Incentive Plan, effective as of January 1, 1991, is incorporated herein by reference to Exhibit 10 to Form 10-K report of Registrant for 1990.

(c) 1985 Stock Option Plan, effective December 20, 1985, is incorporated herein by reference to Exhibit A of the Proxy Statement for the Annual Meeting of Shareholders on April 18, 1986, filed on or about March 21, 1986.

(d) Senior Management Employment Agreements dated July 1, 1988 are incorporated herein by reference to Exhibit 10(c) to Form 10-K report of Registrant for 1991 with respect to W. Dan Nagle and Joseph H. Bauer (2 year agreement).

(e) Supplemental Executive Retirement Plan, dated February 18, 1983 and amended May 15, 1987 and April 22, 1988, is incorporated herein by reference to Exhibit 10(d) to Form 10-K report of Registrant for 1991.

* All other schedules are omitted because they are inapplicable or not required under Regulation S-X or because the required information is given in the financial statements and notes to financial statements.

** All other exhibits are omitted because they are inapplicable.

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TASTY BAKING COMPANY AND SUBSIDIARIES

ITEM 16, CONTINUED

Pages

(f) Management Stock Purchase Plan is incorporated herein by reference to the Proxy Statement for the Annual

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Meeting of Shareholders on April 19, 1968 filed on or about March 20, 1968 and amended April 23, 1976, April 24, 1987 and April 19, 1991.

- (g) Trust Agreement dated as of November 17, 1989 between the Registrant and Wachovia Bank, N.A.(formerly Meridian Trust Company) relating to Supplemental Executive Retirement Plan is incorporated herein by reference to Exhibit 10(f) to Form 10-K report of Registrant for 1994.
- (h) Director Retirement Plan dated October 15, 1987 is incorporated herein by reference to Exhibit 10(h) to Form 10-K report of Registrant for 1992.
- (i) 1993 Replacement Option Plan (P&J Spin-off) is incorporated herein by reference to Exhibit A of the Definitive Proxy Statement dated March 17, 1994 for the Annual Meeting of Shareholders on April 22, 1994.
- (j) 1994 Long Term Incentive Plan is incorporated herein by reference to Exhibit 10(j) to Form 10-K report of Registrant for 1994.
- (k) Trust Agreement dated January 19, 1990 between the Registrant and Wachovia Bank, N.A.(formerly Meridian Trust Company) relating to the Director Retirement Plan is incorporated herein by reference to Exhibit 10(k) to Form 10-K report of Registrant for 1995.
- (l) 1997 Long Term Incentive Plan is incorporated herein by reference to Annex II of the Proxy Statement for the Annual Meeting of Shareholders on April 24, 1998.
- (m) Employment Agreement dated as of August 14, 2002 between the Registrant and Charles P. Pizzi.
- (n) Supplemental Retirement Plan Agreement dated as of October 7, 2002 between the Registrant and Charles P. Pizzi.
- (o) Personal Leave Agreement dated as of December 28, 2002 between the Registrant and Carl S. Watts.
- (p) Severance Agreement dated March 13, 2003 between the Registrant and Gary G. Kyle.
- (q) Tasty Baking Company 2000 Restricted Stock Incentive Plan is incorporated by reference to Appendix B of the Proxy Statement for the Annual Meeting of Shareholders on April 27, 2001, filed on or about March 30, 2001.

Each of exhibits 10(a) - 10(q) constitute management contracts or compensatory plans or arrangements.

- (13) Annual Report to Shareholders for the fiscal year ended December 28, 2002, pages 14 to 39 only. (The balance of the Annual Report is not deemed "filed" or "soliciting material".) 13 of 17
- (21) Subsidiaries of the Registrant 14 of 17

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(23) (a) Consent of Independent Accountants

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- (b) On December 30, 2002, the Registrant furnished a report on Form 8-K, pursuant to Regulation FD, announcing the closure of its 12 remaining thrift stores, the retirement of Carl S. Watts as Chairman of the Board and Director, the departure of several executives and guidance on its anticipated fourth quarter loss resulting from the restructure charges related to the above, and from additional pension expense based on the immediate recognition method. The related press release was included.

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REPORT of INDEPENDENT ACCOUNTANTS ON FINANCIAL STATEMENT SCHEDULE

To the Shareholders and
the Board of Directors
Tasty Baking Company

Our audits of the consolidated financial statements referred to in our report dated March 19, 2003, appearing on page 39 of the 2002 Annual Report to Shareholders of Tasty Baking Company and subsidiaries, (which report and consolidated financial statements are incorporated by reference in this Annual Report on Form 10-K) also included an audit of the Financial Statement Schedule listed in Item 16(a)(2) of this Form 10-K. In our opinion, this Financial Statement Schedule presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements.

PricewaterhouseCoopers LLP
Philadelphia, Pennsylvania
March 19, 2003

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TASTY BAKING COMPANY AND
SCHEDULE II. VALUATION AND QU
for the fiscal years ended December 28, 2002, Dece

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| Column A ----- Description ----- | Column B ----- Balance at Beginning of Period ----- | Column C ----- Additions Charged to Costs and Expenses ----- | Column D ----- Deductions ----- | Column E ----- Balance at End of Period ----- |
|---|--|--|--|--|
| Deducted from applicable assets: | | | | |
| Allowance for doubtful accounts: | | | | |
| For the fiscal year ended December 28, 2002 | \$3,751,854 ===== | \$ 958,365 ===== | \$1,104,102 ===== | \$3,695,387 ===== |
| For the fiscal year ended December 29, 2001 | \$3,329,344 ===== | \$ 772,372 ===== | \$ 349,862 ===== | \$3,257,110 ===== |
| For the fiscal year ended December 30, 2000 | \$2,874,088 ===== | \$1,250,385 ===== | \$ 795,129 ===== | \$2,828,674 ===== |
| Inventory valuation reserves: | | | | |
| For the fiscal year ended December 28, 2002 | \$ 335,000 ===== | \$ 702,568 ===== | \$ 355,095 ===== | \$ 692,633 ===== |
| For the fiscal year ended December 29, 2001 | \$ 301,614 ===== | \$ 81,340 ===== | \$ 47,954 ===== | \$ 272,320 ===== |
| For the fiscal year ended December 30, 2000 | \$ 275,109 ===== | \$ 185,149 ===== | \$ 158,644 ===== | \$ 201,606 ===== |
| Spare parts inventory reserve for obsolescence: | | | | |
| For the fiscal year ended December 28, 2002 | \$ 480,559 ===== | \$ 48,516 ===== | 163,676 ===== | \$ 268,367 ===== |
| For the fiscal year ended December 29, 2001 | \$ 445,063 ===== | \$ 121,546 ===== | \$ 86,050 ===== | \$ 237,467 ===== |
| For the fiscal year ended December 30, 2000 | \$ 407,072 ===== | \$ 153,787 ===== | \$ 115,796 ===== | \$ 137,559 ===== |

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Pursuant to the requirements of Section 13 or 15(d) of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TASTY BAKING COMPANY

By /s/ Charles P. Pizzi

Charles P. Pizzi, President
and Chief Executive officer

/s/ David S. Marberger

David S. Marberger, Senior Vice
President, Chief Financial officer
and Chief Accounting officer

/s/ John M. Pettine

John M. Pettine, Executive Vice
President and Director

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Certification

I, Charles P. Pizzi, President and Chief Executive officer of Tasty Baking Company, certify that:

- (1) I have reviewed this annual report on Form 10-K of Tasty Baking Company;
- (2) Based on my knowledge, this annual 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 annual report;
- (3) Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;
- (4) The registrant's other certifying officers and I are responsible for

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establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and 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 annual 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 annual report (the "Evaluation Date"); and

c) presented in this annual 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 or 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 annual report whether 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: March 27, 2003

/s/ Charles P. Pizzi

Charles P. Pizzi
President and
Chief Executive Officer

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Certification

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

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

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

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(3) Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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 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 annual 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 annual report (the "Evaluation Date"); and

c) presented in this annual 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 or 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 annual report whether 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: March 27, 2003

/s/ David S. Marberger

David S. Marberger
Senior Vice President
and Chief Financial Officer

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Certification

I, John M. Pettine, Executive Vice President of Tasty Baking Company, certify that:

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

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

(3) Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual 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 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 annual 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 annual report (the "Evaluation Date"); and

c) presented in this annual 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 or 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 annual report whether 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: March 27, 2003

/s/ John M. Pettine

John M. Pettine
Executive Vice President

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Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

| Signature | Capacity | Date |
|--|---|---------------|
| ----- /s/ Philip J. Baur, Jr. ----- Philip J. Baur, Jr. | Retired Chairman of the Board and Director of Tasty Baking Company | March 27, 200 |
| ----- /s/ Charles P. Pizzi ----- Charles P. Pizzi | President, Chief Executive Officer and Director of Tasty Baking Company | March 27, 200 |
| ----- /s/ John M. Pettine ----- John M. Pettine | Executive Vice President and Director of Tasty Baking Company | March 27, 200 |
| ----- /s/ Fred C. Aldridge, Jr. ----- Fred C. Aldridge, Jr. | Director of Tasty Baking Company | March 27, 200 |
| ----- /s/ G. Fred DiBona, Jr. ----- G. Fred DiBona, Jr. | Director of Tasty Baking Company | March 27, 200 |
| ----- /s/ Ronald J. Kozich ----- Ronald J. Kozich | Director of Tasty Baking Company | March 27, 200 |

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/s/ Judith M. von Seldeneck

Director of Tasty Baking

March 27, 200

Judith M. von Seldeneck

Company

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