# 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 December 31, 2004**

**OR**

o **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 0-7647**

# HAWKINS, INC.

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **MINNESOTA** | **41-0771293** |
| (State or other jurisdiction of incorporation or organization) | (I.R.S. Employer Identification No.) |

**3100 EAST HENNEPIN AVENUE, MINNEAPOLIS, MINNESOTA 55413**
(Address of principal executive offices, including zip code)

**(612) 331-6910**
(Registrant's telephone number, including area code)

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 o

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

YES ☒ NO o

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

| CLASS | OUTSTANDING AT FEBRUARY 9, 2005 |
|---|---|
| Common Stock, par value $.05 per share | 10,257,341 |

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**PART I. FINANCIAL INFORMATION**

ITEM 1. FINANCIAL STATEMENTS

**HAWKINS, INC.**
**CONDENSED BALANCE SHEETS**

| | DECEMBER 31, 2004 (UNAUDITED) | MARCH 28, 2004 (DERIVED FROM AUDITED FINANCIAL STATEMENTS) |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 2,886,683 | $ 1,558,969 |
| Investments available-for-sale | 22,138,012 | 22,364,439 |
| Trade receivables – net | 11,393,795 | 11,308,851 |
| Inventories | 11,302,990 | 8,887,081 |
| Prepaid expenses and other current assets | 2,592,805 | 3,566,891 |
| Total current assets | 50,314,285 | 47,686,231 |
| PROPERTY, PLANT AND EQUIPMENT- net | 32,276,539 | 29,532,485 |
| INTANGIBLE ASSETS - less accumulated amortization of $1,797,485 and $1,584,871, respectively | 2,565,564 | 2,778,178 |
| OTHER ASSETS | 2,399,456 | 2,620,011 |
| | $ 87,555,844 | $ 82,616,905 |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable – trade | $ 6,315,371 | $ 4,752,049 |
| Dividends payable | — | 1,839,004 |
| Other current liabilities | 6,721,467 | 6,417,231 |
| Total current liabilities | 13,036,838 | 13,008,284 |
| OTHER LONG-TERM LIABILITIES | 14,683 | 89,133 |
| DEFERRED INCOME TAXES | 1,451,843 | 1,614,843 |
| COMMITMENTS AND CONTINGENCIES | | |
| SHAREHOLDERS' EQUITY: | | |
| Common stock, par value $.05 per share; 10,257,341 and 10,216,688 shares issued and outstanding, respectively | 512,867 | 510,834 |
| Additional paid-in capital | 38,232,076 | 37,747,492 |
| Unearned compensation | (324,411) | — |
| Accumulated other comprehensive (loss) income | (80,234) | 196,328 |
| Retained earnings | 34,712,182 | 29,449,991 |
| Total shareholders' equity | 73,052,480 | 67,904,645 |
| | $ 87,555,844 | $ 82,616,905 |

See accompanying notes to condensed financial statements.



**HAWKINS, INC.**

**CONDENSED STATEMENTS OF INCOME**

| | THREE MONTHS ENDED DECEMBER 31 | | NINE MONTHS ENDED DECEMBER 31 | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| | (UNAUDITED) | | (UNAUDITED) | |
| Sales | $ 26,703,441 | $ 24,951,807 | $ 85,290,860 | $ 82,663,688 |
| Cost of sales | 19,764,427 | 19,057,101 | 61,448,746 | 59,970,542 |
| Gross margin | 6,939,014 | 5,894,706 | 23,842,114 | 22,693,146 |
| Selling, general and administrative expenses | 4,646,327 | 4,250,032 | 13,575,820 | 12,848,275 |
| Income from operations | 2,292,687 | 1,644,674 | 10,266,294 | 9,844,871 |
| Investment income | 464,637 | 217,163 | 801,418 | 630,555 |
| Income before income taxes | 2,757,324 | 1,861,837 | 11,067,712 | 10,475,426 |
| Provision for income taxes | 984,200 | 699,000 | 3,959,200 | 3,929,000 |
| Net income | $ 1,773,124 | $ 1,162,837 | $ 7,108,512 | $ 6,546,426 |
| Weighted average number of shares outstanding – basic | 10,216,688 | 10,216,688 | 10,216,688 | 10,216,688 |
| Weighted average number of shares outstanding – diluted | 10,223,464 | 10,216,688 | 10,220,429 | 10,216,688 |
| Earnings per share – basic and diluted | $ 0.17 | $ 0.11 | $ 0.70 | $ 0.64 |
| Cash dividends declared per common share | $ — | $ — | $ 0.18 | $ 0.18 |

See accompanying notes to condensed financial statements.



**HAWKINS, INC.**
**CONDENSED STATEMENTS OF CASH FLOWS**

| | NINE MONTHS ENDED DECEMBER 31 | |
|---|---|---|
| | 2004 | 2003 |
| | (UNAUDITED) | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net income | $ 7,108,512 | $ 6,546,426 |
| Reconciliation to cash flows: | | |
| Depreciation and amortization | 2,369,605 | 2,204,577 |
| Restricted stock compensation expense | 162,206 | — |
| Loss from property disposals | 62,617 | 52,569 |
| Changes in operating accounts (using) providing cash: | | |
| Trade receivables | (84,944) | 1,155,050 |
| Inventories | (2,415,909) | (1,525,881) |
| Accounts payable | 1,563,322 | (919,516) |
| Other liabilities | 229,786 | (602,128) |
| Other | 955,924 | (55,986) |
| Net cash provided by operating activities | 9,951,119 | 6,855,111 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Additions to property, plant and equipment | (5,033,845) | (2,701,417) |
| Purchases of investments | (9,328,249) | (4,118,234) |
| Sale and maturities of investments | 9,215,114 | 4,995,720 |
| Proceeds from property disposals | 70,183 | 52,050 |
| Payments received on notes receivable | 138,717 | 142,918 |
| Net cash used in investing activities | (4,938,080) | (1,628,963) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Cash dividends paid | (3,685,325) | (3,678,008) |
| Net cash used in financing activities | (3,685,325) | (3,678,008) |
| INCREASE IN CASH AND CASH EQUIVALENTS | 1,327,714 | 1,548,140 |

| | | |
|---|---|---|
| CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD | 1,558,969 | 1,353,720 |
| CASH AND CASH EQUIVALENTS, END OF PERIOD | $ 2,886,683 | $ 2,901,860 |
| SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: | | |
| Issuance of restricted stock | $ 486,616 | $ — |
| Cash paid for income taxes | $ 1,777,864 | $ 3,058,498 |

See accompanying notes to condensed financial statements.



**HAWKINS, INC.**
**NOTES TO CONDENSED FINANCIAL STATEMENTS**

1. The accompanying unaudited condensed financial statements have been prepared in accordance with the instructions for Form 10-Q and, accordingly, do not include all information and footnotes required by generally accepted accounting principles for complete financial statements. These statements should be read in conjunction with the financial statements and footnotes included in the Company's Annual Report on Form 10-K for the fiscal year ended March 28, 2004, previously filed with the Securities and Exchange Commission (the Commission). In the opinion of management, the accompanying unaudited condensed financial statements contain all adjustments necessary to present fairly the Company's financial position and the results of its operations and cash flows for the periods presented. All adjustments made to the interim financial statements were of a normal recurring nature.

   The accounting policies followed by the Company are set forth in Note 1 to the Company's financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended March 28, 2004 filed with the Commission on June 10, 2004.

2. The results of operations for the period ended December 31, 2004 are not necessarily indicative of the results that may be expected for the full year.

3. In November 2004, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standard (SFAS) No. 151, Inventory Costs. This statement amends Chapter 4 of ARB No. 43 to clarify the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage), as well as requiring that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The provisions of this statement are effective for inventory costs incurred during fiscal years beginning after June 15, 2005, and the Company is currently assessing the impact of SFAS No. 151 on its operating results and financial condition.

   During December 2004, the FASB issued SFAS No. 123 (Revised 2004), *Share-Based Payment (SFAS 123R)*, which amends SFAS No. 123, *Accounting for Stock-Based Compensation* and SFAS 95, *Statement of Cash Flows*. SFAS 123R requires all companies to measure compensation cost for all share-based payments (including employee stock options) at fair value, and will be effective for public companies for interim or annual periods beginning after June 15, 2005. This new standard may be adopted in one of two ways – the modified prospective transition method or the modified retrospective transition method. The Company does not expect there to be an affect from the accounting change on its financial position and results of operations.

   In December 2004, the FASB issued SFAS No. 153, Exchanges of Nonmonetary Assets. This statement amends Accounting Principles Board (APB) Opinion No. 29 to improve financial reporting by eliminating certain narrow differences between the FASB's and the International Accounting Standards Board's (IASB) existing accounting standards for nonmonetary exchanges of similar productive assets. The provisions of this statement shall be prospectively applied and are effective for nonmonetary asset exchanges occurring in fiscal periods beginning after June 15, 2005. The Company is currently assessing the impact of SFAS No. 153 on its operating results and financial condition.

4. Certain reclassifications have been made to the prior year's financial statements to conform to the current year presentation. Such reclassifications had no effect on net income or shareholders' equity as previously reported.

5. Inventories, principally valued by the LIFO method, are less than current cost by approximately $652,000 at December 31, 2004. Inventory consists principally of finished goods.

6. The Company has two reportable segments: Industrial and Water Treatment. Reportable segments are defined by product and type of customer. Each segment is responsible for the sales, marketing and development of its products. The segments do not have separate accounting, administration, customer service or purchasing functions. Sales of bulk chemicals, including caustic soda, for the three and nine months ended December 31, 2004 were approximately 32% and 33% of total sales, respectively, and were approximately 33% and 34% for the same respective periods in the previous year.



| REPORTABLE SEGMENTS | INDUSTRIAL | WATER TREATMENT | TOTAL |
|---|---|---|---|
| THREE MONTHS ENDED DECEMBER 31, 2004 | | | |
| Sales | $ 18,057,238 | $ 8,646,203 | $ 26,703,441 |
| Gross margin | 4,428,388 | 2,510,626 | 6,939,014 |
| Income from operations | 1,168,033 | 1,124,654 | 2,292,687 |
| THREE MONTHS ENDED DECEMBER 31, 2003 | | | |

| | | | |
|---|---|---|---|
| Sales | $ 16,712,142 | $ 8,239,665 | $ 24,951,807 |
| Gross margin | 3,541,127 | 2,353,579 | 5,894,706 |
| Income from operations | 663,252 | 981,422 | 1,644,674 |
| | | | |
| NINE MONTHS ENDED DECEMBER 31, 2004 | | | |
| Sales | $ 52,874,558 | $ 32,416,302 | $ 85,290,860 |
| Gross margin | 12,801,442 | 11,040,672 | 23,842,114 |
| Income from operations | 3,606,956 | 6,659,338 | 10,266,294 |
| | | | |
| NINE MONTHS ENDED DECEMBER 31, 2003 | | | |
| Sales | $ 51,074,491 | $ 31,589,197 | $ 82,663,688 |
| Gross margin | 12,010,066 | 10,683,080 | 22,693,146 |
| Income from operations | 3,655,338 | 6,189,533 | 9,844,871 |

7. During the nine months ended December 31, 2004, the Company issued 40,653 shares of restricted stock to certain employees of the Company. The restricted stock awards are recorded as compensation cost over the requisite vesting periods based on the market value on the date of grant. Unearned compensation cost on restricted stock awards is shown as a reduction to shareholders' equity.

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

### FORWARD-LOOKING INFORMATION

The information contained in this Quarterly Report on Form 10-Q for the period ended December 31, 2004 contains statements that we believe to be "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give our current expectations or forecasts of future events. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "estimate," "anticipate," "believe," "project," or "continue," or the negative thereof or similar words. From time to time, we also may provide oral or written forward-looking statements in other materials we release to the public. Any or all of our forward-looking statements in this Quarterly Report on Form 10-Q and in any public statements we make could be materially different from actual results. They can be affected by assumptions we might make or by known or unknown risks or uncertainties, including those described below under "Risk Factors" and other factors disclosed throughout this Quarterly Report on Form 10-Q and the Company's other filings with the Securities and Exchange Commission. Consequently, we cannot guarantee any forward-looking statements and undertake no obligation to revise any forward-looking statements in order to reflect events or circumstances that may arise after the date of this Quarterly Report on Form 10-Q. Investors are cautioned not to place undue reliance on any forward-looking statements. Investors should also understand that it is not possible to predict or identify all factors that may affect actual results and should not consider the risk factors listed below to be a complete statement of all potential risks and uncertainties.

### RISK FACTORS

In addition to specific factors which may be described in connection with any of the Company's forward-looking statements, factors which could cause actual results to differ materially include, but are not limited to, the following items.

- Reduced profit margins due to the cyclical nature of commodity chemical prices. The cyclicality of commodity chemical markets, such as caustic soda, primarily results from changes in the balance between supply and demand and the level of general economic activity. The Company cannot predict with any certainty whether the markets for its commodity chemicals will favorably impact the Company's operations or whether the Company will experience losses due to excess production resulting in oversupply and lower prices.



- Unforeseen liabilities arising from litigation, particularly liabilities that may arise from claims under environmental laws which may impose liability for the release of hazardous materials whether or not the Company had knowledge of or was responsible for such release.
- Changes in governmental and regulatory policies that affect the Company which may entail significant cost increases relating to the handling, storage, transportation, treatment or disposal of hazardous materials.
- Increased competition which could affect our ability to raise prices or successfully enter certain markets.
- Changes in customer demand which may significantly reduce revenues and income.
- Changes in product costs or operating expenses which may reduce our operating margins.
- The financial condition of our customers and their ability to purchase our products at comparable prices.
- Unforeseen problems in our ability to develop, introduce and gain market acceptance for new products.
- Significant changes in our business strategies, including acquisition, divestiture and restructuring activities which may affect our ability to focus on operating activities or increase costs.
- General economic and political conditions, such as political instability or the rate of economic growth in the Company's principal geographic or product markets.
- Changes in operating factors, such as our ability to make continued improvements in distribution efficiencies and inventory risks due to shifts in market demand.

- Unforeseen or recurring operational problems or natural disasters at any of our facilities causing significant lost production and/or increased costs.

- Technology risks, such as the failure to successfully implement new technology that will allow us to make process improvements to reduce costs or to analyze the business.

- Loss of senior management or other key personnel and the Company's ability to hire suitable replacements in a timely manner.

- During the third quarter of fiscal 2005, the Company made the determination to continue to use its current accounting and information systems through the end of fiscal 2005, and the internal control certifications required by the end of fiscal 2005 pursuant to Section 404 of the Sarbanes-Oxley Act will be made on its current accounting and information systems.  In the course of its ongoing evaluation, management has identified potential control deficiencies in our system of internal controls and is implementing policies and procedures to remediate these issues.  Although we have made this project a top priority for the Company, it is likely that certain control deficiencies will not be able to be remediated and validated before the end of the Company's 2005 fiscal year.  As a result, it is likely that the Company will not be able to conclude that its internal control over financial reporting is effective as of its fiscal 2005 year-end, which may also result in an adverse opinion on the effectiveness of internal control over financial reporting by the Company's auditors. Moreover, effective internal controls are important to the production of reliable financial reports and in helping to prevent financial fraud.  If, as a result of ineffective internal controls, the Company is unable to provide reliable financial reports or prevent fraud, its business and operating results could be harmed, investors could lose confidence in its reported financial information, and the trading price of the Company's stock could drop significantly.

These factors are not exhaustive and new factors may emerge or existing factors may change in a manner that impacts our business. We assume no obligation and disclaim any duty to update the forward-looking statements in this Quarterly Report on Form 10-Q or any other public statement.



RESULTS OF OPERATIONS

The following tables set forth the percentage relationship of certain items to sales for the periods indicated (in thousands, except percentages):

| | THREE MONTHS ENDED DECEMBER 31, 2004 | | NINE MONTHS ENDED DECEMBER 31, 2004 | |
|---|---|---|---|---|
| Sales | $ 26,703 | 100.0% | $ 85,291 | 100.0% |
| Cost of sales | 19,764 | 74.0 | 61,449 | 72.0 |
| Gross margin | 6,939 | 26.0 | 23,842 | 28.0 |
| Selling, general and administrative expenses | 4,646 | 17.4 | 13,576 | 15.9 |
| Income from operations | 2,293 | 8.6 | 10,266 | 12.0 |
| Investment income | 465 | 1.7 | 801 | 0.9 |
| Income before income taxes | 2,757 | 10.3 | 11,068 | 13.0 |
| Provision for income taxes | 984 | 3.7 | 3,959 | 4.6 |
| Net income | $ 1,773 | 6.6% | $ 7,109 | 8.3% |

| | THREE MONTHS ENDED DECEMBER 31, 2003 | | NINE MONTHS ENDED DECEMBER 31, 2003 | |
|---|---|---|---|---|
| Sales | $ 24,952 | 100.0% | $ 82,664 | 100.0% |
| Cost of sales | 19,057 | 76.4 | 59,971 | 72.5 |
| Gross margin | 5,895 | 23.6 | 22,693 | 27.5 |
| Selling, general and administrative expenses | 4,250 | 17.0 | 12,848 | 15.5 |
| Income from operations | 1,645 | 6.6 | 9,845 | 11.9 |
| Investment income | 217 | 0.9 | 631 | 0.8 |
| Income before income taxes | 1,862 | 7.5 | 10,475 | 12.7 |
| Provision for income taxes | 699 | 2.8 | 3,929 | 4.8 |
| Net income | $ 1,163 | 4.7% | $ 6,546 | 7.9% |

Sales increased $1,751,634, or 7.0%, in the three months ended December 31, 2004, and $2,627,172, or 3.2%, in the nine months ended December 31, 2004 as compared to the same periods a year ago.  Sales of bulk chemicals, including caustic soda, for the three and nine months ended December 31, 2004 were approximately 32% and 33% of total sales, respectively, and were approximately 33% and 34% for the same respective periods in the previous year.  Industrial segment sales increased by $1,345,096 in the three months ended December 31, 2004 and increased by $1,800,067 in the nine-month period ended December 31, 2004 as compared to the same respective periods in 2003.  The increase in sales was primarily driven by improved sales along several product lines. Additionally, an increase in the cost and selling price of a single, large-volume product (caustic soda) in comparison to the prior year resulted in increased sales for the three-month period ended December 31, 2004.  During the three and nine-month periods ended December 31, 2004, there was a decrease in caustic soda volumes sold, which was offset by increases in selling prices associated with the increases in the cost of caustic soda.  Water Treatment segment sales increased by $406,538 and $827,105 respectively, in the three and nine-month periods ended December 31, 2004 as compared to the same respective periods in 2003. During the nine-month period ended December 31, 2004, the Water Treatment segment was challenged by cooler summer conditions during the second quarter of fiscal 2005 in comparison to the prior year, however this was offset by increased sales volumes in existing product lines and successful expansion of existing product lines as compared to the prior year.

Gross margin, as a percentage of sales, for the three and nine months ended December 31, 2004 was 26.0% and 28.0%, respectively, compared to 23.6% and 27.5%, respectively, for the comparable periods of 2003.  For the Industrial segment, gross margin, as a percentage of sales, was 24.5% for the three months ended December 31, 2004 compared to 21.2% in the prior year and 24.2% for the nine months ended December 31, 2004 compared to 23.5% for the comparable period in 2003.  These increases relate in part to changes in the cost and selling price of caustic soda during fiscal 2004 and 2005.  The Company attempts to maintain relatively constant dollar margins as the cost of caustic soda increases or decreases. The cost of this product is normally subject to fluctuations, which are expected to continue in future periods. By maintaining relatively stable dollar margins, the gross margin percentage will decrease when the cost of the product is increasing and will increase when the cost of the product is decreasing. Additionally, gross margin has been positively impacted by the introduction of new products during fiscal 2005 in the Industrial segment. Gross margin, as a percentage of sales, for the Water Treatment segment was 29.0% for the three months ended December 31, 2004 compared to 28.6% in the comparable period of 2003 and 34.1% for the nine-month period ended December 31, 2004 compared to 33.8% for the comparable period of 2003. The increases are primarily attributable to an improved product mix.



Selling, general and administrative expenses, as a percentage of sales, for the three and nine months ended December 31, 2004 were 17.4% and 15.9%, respectively, compared to 17.0% and 15.5% for the comparable periods a year ago. The increases were mainly due to consulting fees and additional staffing associated with the Company's efforts in complying with the requirements of the Sarbanes-Oxley Act and the Company's implementation of an Enterprise Resource Planning system. The Company will continue to incur additional expenses, including additional staffing and outside professional services, to implement the Enterprise Resource Planning system and to comply with the requirements of the Sarbanes-Oxley Act. Employee compensation and benefits comprise the majority of the selling, general and administrative expenditures.

INVESTMENT INCOME

Investment income increased by $170,863 for the nine months ended December 31, 2004, compared to the same period one year ago. The increase was primarily due to higher returns on the Company's cash equivalents and available for sale securities, which consist primarily of certificates of deposit, money market accounts, municipal bonds, U.S. Government agency securities, mutual funds, and investment contracts with high-rated, stable insurance companies.

PROVISION FOR INCOME TAXES

The effective income tax rate was 35.7% and 35.8%, respectively for the three and nine months ended December 31, 2004, and it was 37.5% for the three and nine months ended December 31, 2003.

LIQUIDITY AND CAPITAL RESOURCES

For the nine-month period ended December 31, 2004, cash provided by operations was $9,951,119 compared to $6,855,111 for the same period in the prior year. The increase was primarily related to fluctuations in timing of vendor payments, year-over-year variances in tax payments and an increase in net income.

Cash used in investing activities increased by $3,309,117, primarily due to a $2,332,428 increase in property and equipment additions. The timing of investment activity attributed to an additional increase of $990,621. Capital expenditures during the nine months ended December 31, 2004 consisted primarily of expenditures related to the Company's implementation of an Enterprise Resource Planning (ERP) system and the purchase of four water treatment trucks. Capital expenditures in the fourth quarter of fiscal 2005 are expected to be approximately $1.0 million, which are primarily related to the implementation of the ERP system, the purchase of new route sales trucks and general maintenance projects.

Cash and investments available-for-sale increased by $1,101,287 from March 28, 2004 to $25,024,695 as of December 31, 2004. The increase was primarily attributable to cash generated by operations in excess of capital expenditures and financing uses. Cash equivalents consist of money market accounts and certificates of deposit with an original maturity of three months or less at a financial institution. Investments consist of investment contracts with highly-rated, stable insurance companies, marketable securities consisting of municipal bonds, U.S. Government agency securities and mutual funds carried at fair value. The Company's investment objectives in order of importance are the preservation of principal, maintenance of liquidity and rate of return. The fixed income portfolio consists primarily of investment grade securities to minimize credit risk, and they generally mature within ten years. The Company invests in mutual funds with characteristics similar to the fixed income portfolio to enhance its investment portfolio diversification. The Company monitors the maturities of its investments to ensure that funding is available for anticipated cash needs. Our investments are generally liquid and available upon demand.

Expected future cash flows from operations, coupled with the Company's strong financial position, put the Company in a position to fund both short and long-term working capital and capital investment needs with internally generated funds. Management does not, therefore, anticipate the need to engage in significant financing activities in either the short or long-term. If the need to obtain additional capital does arise, however, management is confident that the Company's total debt to capital ratio at December 31, 2004 puts it in a position to obtain debt financing on favorable terms.



Management regularly reviews opportunities to enhance the value of the Company through strategic acquisitions, other capital investments and strategic divestitures. Currently, no material commitments for such investments or divestitures exist. Until appropriate investment opportunities are identified, the Company will invest excess cash in conservative investments.

The Company will continue to incur significant expenditures in the fourth quarter of fiscal 2005 associated with the implementation of the Enterprise Resource Planning system and to meet the requirements of the Sarbanes-Oxley Act. Fiscal 2005 expenses in these areas, including additional staffing and outside professional services, are expected to significantly exceed the fiscal 2004 expense of approximately $750,000 relating to these items. The Company expects the implementation of the Enterprise Resource Planning system to be completed in fiscal 2006.

The Company also expects to incur additional expenditures in fiscal 2005 associated with the internal control documentation of its existing operating system. The expected amount of these costs is approximately $250,000, however the Company anticipates that much of what is documented for the existing operating system can be carried forward for the new ERP system.

Other than as discussed above, management is not aware of any matters that have materially affected the nine months ended December 31, 2004, or are expected to materially affect future periods, nor is management aware of other matters not affecting this period that are expected to materially affect future periods.

CRITICAL ACCOUNTING POLICIES

The significant accounting policies followed by the Company are set forth in Note 1 to the Company's financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended March 28, 2004. The accounting policies used in preparing the Company's interim fiscal 2005 financial statements are the same as those described in the Company's Annual Report.

In preparing the financial statements, the Company follows accounting principles generally accepted in the United States. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, sales and expenses, and related disclosure of contingent assets and liabilities. The Company re-evaluates its estimates on an on-going basis. The Company's estimates are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions and conditions. The Company believes its critical accounting policies are those related to:

*Revenue Recognition* - The Company recognizes revenue when the product has been shipped to the customer if there is evidence that the customer has agreed to purchase the products, performance has occurred, the price and terms of sale are fixed, and collection of the receivable is expected.

*Investments* – SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities, and Securities and Exchange Commission (SEC) Staff Accounting Bulletin (SAB) 59, Accounting for Noncurrent Marketable Equity Securities, provide guidance on determining when an investment is other-than-temporarily impaired. Investments are reviewed quarterly for indicators of other-than-temporary impairment. This determination requires significant judgment. In making this judgment, we evaluate, among other factors, the duration and extent to which the fair value of an investment is less than its cost; the general market conditions, including factors such as industry and sector performance, rating agency actions, and our intent and ability to hold the investment. Investments with an indicator are further evaluated to determine the likelihood of a significant adverse effect on the fair value and amount of the impairment as necessary. If market, industry and/or investee conditions deteriorate, we may incur future impairments.

*Allowance for Doubtful Accounts* - Accounts receivable are reduced by an allowance for amounts that may become uncollectible in the future. Substantially all of the Company's receivables are due from customers located in the United States. The estimated allowance for doubtful accounts is based upon the age of the outstanding receivables and the payment history and credit worthiness of each customer. Management evaluates the adequacy of the reserve for doubtful accounts on a quarterly basis.

*Inventories* - - Inventories are valued at the lower of cost or market. On a quarterly basis, management assesses the inventory quantities on hand to estimated future usage and sales and, if necessary, writes down to market the value of inventory deemed obsolete or excess.



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*Impairment of Long-Lived Assets* – We evaluate the carrying value of long-lived assets, including intangible assets subject to amortization and property, plant, and equipment, when events and changes in circumstances warrant such a review. The carrying value of long-lived assets is considered impaired when the projected future undiscounted cash flows from such assets are less than their carrying value. In that event, a loss is recognized equal to the amount by which the carrying value exceeds the fair value of the long-lived assets. We periodically review the appropriateness of the estimated useful lives of our long-lived assets.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

At December 31, 2004, the Company had an investment portfolio of fixed income securities of $11,403,148, mutual funds of $8,051,006, investment contracts of $3,320,376 and cash and cash equivalents of $2,886,683. The fixed income securities, like all fixed income instruments, are subject to interest rate risks and will decline in value if market interest rates increase. However, while the value of the investment may fluctuate in any given period, the Company intends to hold its fixed income investments until maturity. Consequently, the Company would not expect to recognize an adverse impact on net income or cash flows during the holding period. The value of the mutual funds, like all mutual funds, may increase or decrease due to market volatility. The investment contracts are variable rate insurance contracts that reset on a quarterly basis. A hypothetical 1% change in rates would impact investment income by approximately $33,000, based upon the amount of variable rate insurance contracts held at December 31, 2004. The Company adjusts the carrying value of its investments down if an impairment occurs that is other than temporary.

The Company is subject to the risk inherent in the cyclical nature of commodity chemical prices. However, the Company does not currently purchase forward contracts or otherwise engage in hedging activities with respect to the purchase of commodity chemicals.

ITEM 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, the Company conducted an evaluation, under the supervision and with the participation of its management, including the principal executive officer and principal financial officer, of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 (the "Exchange Act")). Based on this evaluation, the principal executive officer and principal financial officer concluded that the Company's disclosure controls and procedures are effective to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. There was no change in the Company's internal control over financial reporting during the Company's most recently completed fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

We are in the process of performing a detailed assessment of our internal controls as required by the Sarbanes Oxley Act of 2002. In the course of its ongoing evaluation, management has identified potential control deficiencies in our system of internal controls and is implementing policies and procedures to remediate these issues. To ensure that we address these issues thoroughly, effectively and in a timely manner, we have supplemented our internal project team with the services of outside specialists. Although we have made this project a top priority for the Company, it is likely that certain control deficiencies will not be able to be remediated and validated before the end of the Company's 2005 fiscal year.

## PART II. OTHER INFORMATION

ITEM 6. EXHIBITS

Exhibit Index

| Exhibit | Description | Method of Filing |
|---|---|---|
| 3.1 | Amended and Second Restated Articles of Incorporation as amended through February 27, 2001. (1) | Incorporated by Reference |
| 3.2 | Second Amended and Superseding By-Laws as amended through February 15, 1995. (2) | Incorporated by Reference |
| 31.1 | Certification by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act. | Filed Electronically |
| 31.2 | Certification by Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act. | Filed Electronically |
| 32.1 | Section 1350 Certification by Chief Executive Officer. | Filed Electronically |
| 32.2 | Section 1350 Certification by Chief Financial Officer. | Filed Electronically |

(1) Incorporated by reference to Exhibit 3.1 to the Company’s Annual Report on Form 10-K for the year ended September 30, 2001.
(2) Incorporated by reference to Exhibit 3.2 to the Company’s Annual Report on Form 10-K for the year ended October 1, 1995.



## SIGNATURES

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

HAWKINS, INC.

By: /s/ Marvin E. Dee

Marvin E. Dee

Vice President, Chief Financial Officer, Secretary and Treasurer
(On behalf of the Registrant and as principal financial officer)

Dated: February 9, 2005



## Exhibit Index


| Exhibit | Description | Method of Filing |
|---|---|---|
| 3.1 | Amended and Second Restated Articles of Incorporation as amended through February 27, 2001. (1) | Incorporated by Reference |
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(1) Incorporated by reference to Exhibit 3.1 to the Company’s Annual Report on Form 10-K for the year ended September 30, 2001.
(2) Incorporated by reference to Exhibit 3.2 to the Company’s Annual Report on Form 10-K for the year ended October 1, 1995.

**EXHIBIT 31.1**

**CERTIFICATION PURSUANT TO**
**SECTION 302 OF**
**THE SARBANES-OXLEY ACT OF 2002**

**CERTIFICATIONS**

I, John R. Hawkins, Chief Executive Officer of Hawkins, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hawkins, 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)) for the registrant and we 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) 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

c) disclosed in this report any change in the registrant's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

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 (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2005

/s/ John R. Hawkins

John R. Hawkins
Chief Executive Officer

EXHIBIT 31.2

**CERTIFICATION PURSUANT TO**
**SECTION 302 OF**
**THE SARBANES-OXLEY ACT OF 2002**

**CERTIFICATIONS**

I, Marvin E. Dee, Chief Financial Officer of Hawkins, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Hawkins, 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)) for the registrant and we 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) 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

   c) disclosed in this report any change in the registrant's internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

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 (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 9, 2005

/s/ Marvin E. Dee

Marvin E. Dee
Chief Financial Officer

**EXHIBIT 32.1**

**CERTIFICATION PURSUANT TO**
**18 U.S.C. SECTION 1350,**
**AS ADOPTED PURSUANT TO**
**SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Hawkins, Inc. (the “Company”) on Form 10-Q for the period ended December 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John R. Hawkins, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ John R. Hawkins

John R. Hawkins
Chief Executive Officer
February 9, 2005

**EXHIBIT 32.2**

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Hawkins, Inc. (the "Company") on Form 10-Q for the period ended December 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Marvin E. Dee, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Marvin E. Dee

Marvin E. Dee
Chief Financial Officer
February 9, 2005