Specialty Foods: The Specialty Foods segment net sales were up 245.8 percent for the quarter and 144.7 percent for the twelve months compared to fiscal 2002. Operating profit increased 411.4 and 87.9 percent for the quarter and fiscal year, respectively, compared to fiscal 2002 results. Sales tonnage increased 185.4 and 131.6 percent for the quarter and twelve months, respectively, compared to fiscal 2002. The acquisitions of the Diamond Crystal Brands (DCB) in December 2002 and Century Foods International (CFI) in July 2003 provided a substantial increase to all segment measures in fiscal 2003. Excluding the results of these acquisitions, net sales increased 26.3 and 15.6 percent for the quarter and twelve months, respectively, compared to the comparable 2002 periods.

Excluding the fiscal 2003 acquisitions, the Hormel HealthLabs operating segment accounted for most of this segment's growth with sales tonnage volume for the quarter and twelve months increasing 19.0 and 18.1 percent, respectively, compared to the comparable fiscal 2002 periods. Volume gains were experienced across all major product categories. Thickened beverages lead the way, posting fourth quarter and twelve month tonnage volume gains of 1,412,000 lbs. (21.5 percent) and 4,870,000 lbs. (19.0 percent), respectively, over the comparable 2002 periods.

The company's integration of the DCB and CFI businesses are proceeding as planned. These fiscal 2003 acquisitions are providing new growth opportunities for the company and have already been accretive to the company's consolidated earnings.

All Other: All Other net sales increased 16.4 percent for the fourth quarter and 2.8 percent for the year compared to the comparable fiscal 2002 periods. Operating profit increased 28.5 and 3.7 percent for the quarter and year, respectively, compared to fiscal 2002 results. Fourth quarter profit results are comparable but the twelve month operating profit comparison was negatively impacted by the third quarter fiscal 2002 discontinuation of equity-method accounting for the Campofrio Alimentacion, S.A. investment. Excluding the accounting change, Hormel Foods International experienced a strong year with the exports of key value-added products like *Stagg* chili and *SPAM* family of products, growing 372,000 lbs. (7.8 percent) and 1,347,000 lbs. (8.1 percent), respectively.

Dan's Prize, Inc., marketer and seller of beef products, also contributed to the increased operating profits of this segment with particularly strong results in the fourth quarter due to enhanced product margins resulting from a strengthening beef market.

Vista International Packaging, Inc., the company's food packaging subsidiary, ended fiscal 2003 with operating profits slightly down compared to strong operating results in fiscal 2002.

Unallocated Income and Expenses: The company does not allocate investment income, interest expense, and interest income to its segments when measuring performance. The company also retains various other income and unallocated expenses at corporate. These items are included in the segment table for the purpose of reconciling segment results to earnings before income taxes.

Net interest and investment income for the fourth quarter and year was a net expense of $6,645 and $21,079, respectively, compared to a net expense of $5,560 and $24,280 for the comparable periods of fiscal 2002. The twelve month decrease in expense compared to fiscal 2002 was due to investment income from market gains on the company's rabbi trust for supplemental executive retirement plans and a third quarter dividend paid to the company by Campofrio Alimentacion, S.A., a 15.2 percent owned investment.

General corporate expense for the fourth quarter and year was $10,315 and $30,363, respectively, compared to general corporate income of $1,611 and expense of $6,274 for the comparable fiscal 2002 quarter and twelve months, respectively. The increase in general corporate expense for the fourth quarter and year was primarily due to higher pension costs of $3,200 and $12,800, respectively, and bad debt expense of $811 and $5,052, respectively, relating to the Fleming Companies' bankruptcy. Also contributing were fourth quarter stock option expense of $1,887 and fourth quarter last-in, first-out inventory valuation adjustments of $3,136.

Previous years' poor stock market results have lowered the historical returns on the company's pension plan assets. As a result, the company reduced its discount rate from 7.0 to 6.5 percent and its expected rate of return from 8.6 to 7.9 percent in its fiscal 2004 pension plan expense calculation.

Related Party Transactions

Certain employees of the company provide administrative services to The Hormel Foundation, which beneficially owns more than five percent of the company's common stock, for which The Hormel Foundation reimburses the company for its fully allocated cost for the employee time expended.