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DESCRIPTION OF BUSINESS

Bridgford Foods Corporation and its subsidiaries manufacture and/or distribute refrigerated, frozen and snack food products. The Company markets its products throughout the United States. The Company sells its products through wholesale outlets, restaurants and institutions. The products are sold by the Company's own sales force, brokers, cooperatives, wholesalers and independent distributors. Products are currently sold through approximately 25,700 retail food stores in forty-eight states within the continental United States, Hawaii and Canada that are serviced by Company-owned service routes. Company products are also sold throughout the country to approximately another 18,000 retail outlets and 19,000 restaurants and institutions.

The following summary represents the approximate percentage of net sales by class of product for each of the last five fiscal years:

	1997	1996	1995	1994	1993
Products manufactured or processed by the Company	82	83	85	87	89
Products manufactured or processed by others	18	17	15	13	11
Total	**100**	**100**	**100**	**100**	**100**

COMMON STOCK AND DIVIDEND DATA

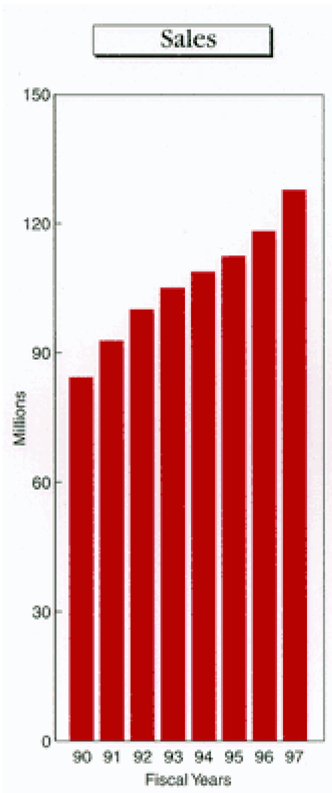
The common stock of the Company is traded in the national over-the-counter market and is authorized for quotation on The Nasdaq National Market under the symbol "BRID". The following table reflects the high and low closing prices and cash dividends paid as quoted by Nasdaq for each of the last eight fiscal quarters adjusted for the 10% stock dividend declared November 10, 1997.

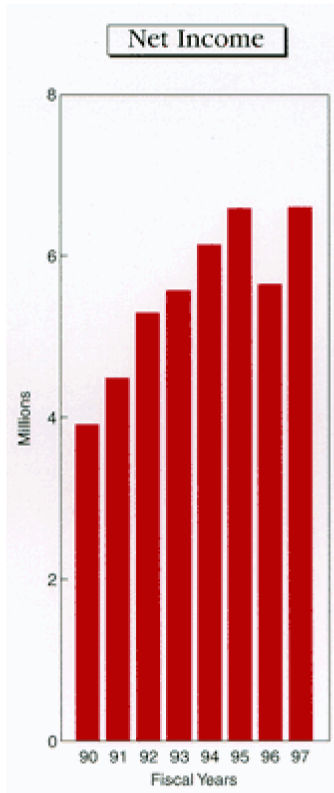
	----- Prices -----		
Fiscal Quarter Ended	**$High**	**$Low**	**Cash Dividends Paid**
February 2, 1996	9 & 3/4	7 & 3/4	$.055
May 3, 1996	10 & 1/4	7 & 1/2	$.055
August 2, 1996	8 & 7/8	5 & 7/8	$.055
November 1, 1996	8 & 1/8	6 & 1/8	$.055
Jaunary 31, 1997	8 & 1/8	6 & 1/8	$.055
May 2, 1997	8 & 7/8	6 & 7/8	$.055
August 1, 1997	9 & 3/8	8 & 1/8	$.055
October 31, 1997	12 & 7/8	9 & 1/8	$.055

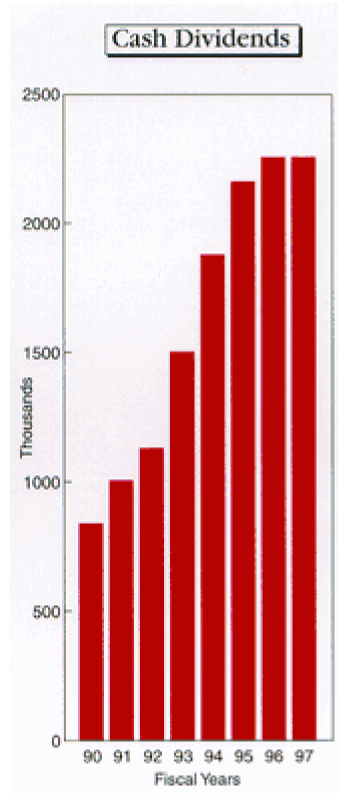
ANNUAL SHAREHOLDERS MEETING

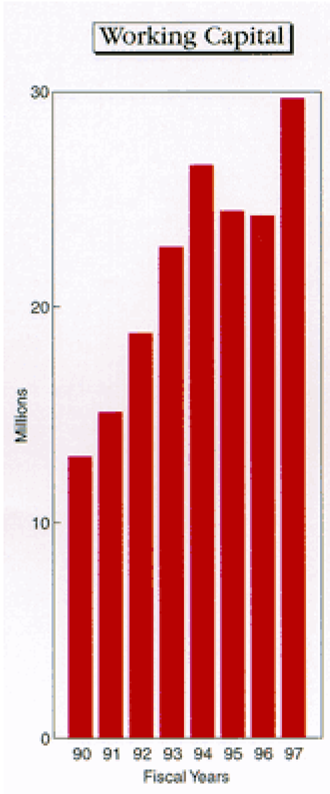
The 1998 annual shareholders meeting will be held at the Four Points Sheraton (formerly Days Inn), 1500 South Raymond Avenue, Fullerton, California at 10:00 a.m. on Wednesday, March 11, 1998.

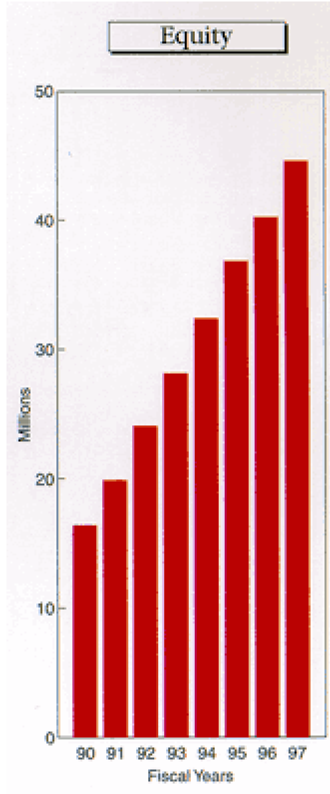
RECENT HISTORICAL TRENDS








Working Capital
Millions
30
20
10
0
90 91 92 93 94 95 96 97
Fiscal Years


Equity
Millions
50
40
30
20
10
0
90 91 92 93 94 95 96 97
Fiscal Years

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TO OUR SHAREHOLDERS:

Bridgford Foods Corporation's sales and earnings set new records in our 1997 fiscal year, the fifty-two weeks ended October 31,1997. New efficiencies and increased productivity resulting from our capital expenditures for plant and equipment in 1995 and 1996 enabled us to earn $6.6 million in 1997, an all-time high.

SALES, EARNINGS AND DIVIDENDS

Our 1997 fiscal year sales reached $127,859,491, eight percent greater than sales in 1996 and a historical high. Strong sales gains were experienced in our frozen food, dry sausage and delicatessen foods divisions. Warehouse club sandwich sales have also experienced positive expansion. On the cover of this report are pictures of some of our sandwich products, including our two newest items: "Lower Fat" Turkey Breast & Swiss Cheese and our new Breakfast Croissant with Egg, Ham and Cheese. We are also excited about the potential of another new item, Bridgford "Bake-Off Biscuits." They only require a small amount of cooking by the end user for a perfect product every time.

Our dry sausage and meat snack businesses expanded significantly in 1997. We strengthened our national position in both categories with Bridgford six-ounce pillow-pack sliced pepperoni gaining substantial market share.

Net income in 1997 reached $6,605,354, seventeen percent more than 1996 earnings. We experienced some relief from high raw material costs in the fourth quarter and expect this trend to continue in 1998. However, heavy competition in all of our product sales areas required us to offer strong promotional programs and forego price increases during 1997.

Cash dividends of twenty-four cents per share were paid in 1997. On November 10, 1997 your Board of Directors authorized a ten- percent stock dividend and a regular quarterly cash dividend to be paid on all shares outstanding after the stock dividend. The financial statements reflect historical earnings and dividends based on the new number of shares outstanding.

FINANCIAL CONDITION

At the end of fiscal 1997, Shareholders' Equity in Bridgford Foods Corporation had reached $44,605,782, a gain of $4,350,091 over the prior year. Working capital increased by $5,435,968 to $29,682,086 during 1997. Our current asset to current liability ratio improved to 3.6 to 1. The Company remained debt-free for the eleventh consecutive year while $1,949,100 in capital improvements were made with internally generated funds.

We continue to maintain a $2,000,000 line of credit with a major bank. These funds are available for possible future business opportunities.

OPERATIONS

During 1997 we fully integrated our new North Carolina plant and our new automated Dallas freezer and distribution facility into our national production and distribution system. This resulted in substantial improvements in efficiency and productivity. Lower raw material costs in our bakery and meat operations helped us to maintain operating margins, especially in the fourth quarter. We expect these trends to continue in 1998 as supplies of grain and meat become more abundant.

SUMMARY

We were honored in October of 1997 to have our Company receive the American Meat Institute Edward C. Jones Community Service Award in recognition of the time and funds expended on community service projects over the years. We feel a deep commitment to the communities where we work.

We believe 1998 will be another good year for our Company. We are positioned to increase our sales and profits in all divisions of the business, and we have the modern facilities and good people to carry out this plan.

We thank our directors, customers, suppliers, associates and shareholders for a record 1997.

Respectfully submitted,

Allan L. Bridgford
Chairman

Robert E. Schulze
President

BRIDGFORD FOODS CORPORATION FINANCIAL SUMMARY

	Fiscal Year Ended		
	October 31 1997	November 1 1996	% Change
Net sales	$127,859,491	$118,316,470	8.1
Income before taxes	10,654,354	9,116,383	16.9
Net income	6,605,354	5,651,383	16.9
Net income per share	.64	.55	16.9
Cash dividends per share	.22	.22	-
Working capital	29,682,086	24,246,118	22.4
Total assets	65,663,892	58,277,948	12.7
Shareholders' equity	44,605,782	40,255,691	10.8
Return on average equity	15.57%	14.66%	

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SELECTED FINANCIAL DATA

	October 31 1997	November 1 1996	November 3 1995*	October 28 1994	October 29 1993
Net Sales	$127,859,491	$118,316,470	$112,497,590	$108,883,562	$105,146,822
Net Income	6,605,354	5,651,383	6,590,855	6,141,726	5,576,332
Net Income Per Share **	.64	.55	.64	.59	.54
Current Assets ***	41,136,786	33,871,431	32,946,552	35,285,042	29,936,737
Current Liabilities ***	11,454,700	9,625,313	8,484,009	8,697,371	7,131,343
Working Capital ***	29,682,086	24,246,118	24,462,543	26,587,671	22,805,394
Property, Plant and Equip., Net	16,853,248	17,854,524	14,364,995	7,559,382	6,754,042
Deferred Taxes on Income ***	3,102,479	3,008,911	2,353,377	1,742,430	1,099,329
Total Assets	65,663,892	58,277,948	52,623,417	46,986,561	39,475,107
Shareholders' Equity	44,605,782	40,255,691	36,859,572	32,430,012	28,167,671
Cash Dividends Per Share **	.22	.22	.21	.18	.15f

* 53 weeks
** Recalculated to give effect to a 10% stock dividend declared November 10, 1997.
*** Certain financial statement reclassifications have been recorded in years prior to 1997 to conform to the current year presentation.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS LIQUIDITY AND CAPITAL RESOURCES

Certain statements under "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this report constitute "forward-looking statements" within the meaning of the Securities Act of 1933 and the Securities Exchange Act of 1934. Such forward looking statements involve known and unknown risks, uncertainties, and other factors which may cause the actual results, performance, or achievements of Bridgford Foods Corporation to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. Such factors include, among others, the following; general economic and business conditions; the impact of competitive products and pricing; success of operating initiatives; development and operating costs; advertising and promotional efforts; adverse publicity; acceptance of new product offerings; consumer trial and frequency; changes in business strategy or development plans; availability, terms and deployment of capital; availability of qualified personnel; commodity, labor, and employee benefit costs; changes in, or failure to comply with, government regulations; weather conditions; construction schedules; and other factors referenced in this report.

The Company's operating results are heavily dependent upon the prices paid for raw materials. The marketing of the company's value-added products does not lend itself to instantaneous changes in selling prices. Changes in selling prices are relatively infrequent and do not compare with the volatility of commodity markets. The impact of inflation on the Company's financial position and results of operations has not been significant during the last three years. Management is of the opinion that the Company's strong financial position and its capital resources are sufficient to provide for its operating needs and capital expenditures.

Favorable operating results over the past several years have continued to provide significant liquidity to the Company. Net cash provided by operating activities was $10,189,000 in the 1997 fiscal year compared to $7,162,000 in 1996 and $5,580,000 in 1995. Accounts receivable balances increased $1,367,000 in 1997(13%) due to record fourth quarter sales, decreased by $185,000 in 1996 (2%) due to strong collections, and increased $769,000 (8%) in 1995 due to the continued expansion of the business and changing nature of the customer base. Inventories increased $1,754,000 (13%) in 1996 and $1,790,000 (15%) in 1995 due to continued business expansion, higher storage capacities, higher raw materials costs and increased distribution of the Company's products. Non-current assets increased $1,122,000 (17.1%), $1,240,000 (23.3%), and $1,170,000 (28.2%) in 1997, 1996, and 1995 due primarily to the increased cash surrender value of life-insurance polices and increases in deferred income tax benefits due primarily to increases in non-funded employee benefits. Accounts payable and accrued expenses increased $1,759,000 (18.5%) in 1997, due to higher purchasing activity to support record fourth quarter sales volume, and increased product promotion and bonus accruals. In 1996 the $1,083,000 (12.8%) increase was primarily a result of increases in accrued advertising.

The Company's capital improvement expenditures decreased in 1997 compared to recent years. Cash used for additions to property, plant and equipment decreased $4,039,000 (67%) in 1997 and by $2,787,000 (32%) in 1996. Significant projects were completed at all locations in 1996, primarily the Dallas freezer expansion at a total cost of $6,005,000 and the North Carolina plant at a total cost of $5,070,000. Capital expenditures for these projects totaled approximately $4.0 and $6.3 million in fiscal years 1996 and 1995, respectively. These investments are expected to yield higher production capacities, improved plant utilization and realize cost savings in future years.

Cash and cash equivalents increased $6,035,000 (95%) in 1997 primarily as a result of lower capital expenditures, improved profitability and significant increases in non-funded employee benefits. Cash and cash equivalents decreased $1,023,000 (14%) in 1996 and $5,282,000 (42%) in 1995 due primarily to significant investments made in property, plant and equipment and an increase in cash dividends paid. The Company has remained free of interest-bearing debt for eleven consecutive years. Working capital increased $5,436,000 (22.4%) in 1997. The increase in working capital reflects lower capital spending, improved profitability and significant increases in non-funded employee benefits. The Company maintains a line of credit with Bank of America that expires April 30, 1999. There were no borrowings under this line of credit during 1997.

Certain reclassification entries have been recorded in prior year balance sheets to conform to the fiscal 1997 year balance sheet presentation. These reclassifications increased working capital balances in all years presented.

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RESULTS OF OPERATIONS
1997 compared to 1996

Sales in fiscal year 1997 increased $9,543,000 (8.1%) when compared to sales of the prior year, primarily as a result of increased sales volume.

Cost of products sold increased by $4,747,000 (6.3%) when compared to the prior year. The gross margin was approximately 36.9% in 1997 and 35.9% 1996. Costs for pork commodity products remained at historically high levels while flour costs became more favorable in 1997 compared to the prior year. Improved sales of higher margin products and lower flour costs resulted in a slight improvement in the gross margin.

Selling, general and administrative expenses increased $2,801,000 (9.1%) when compared to the prior year. This increase was generally consistent with the overall increase in sales. Advertising expenses continued to outpace the increase in sales as a result of aggressive promotional programs to increase sales of the Company’s products and to maintain current distribution channels. The Company has and will continue to make certain investments in its software systems and applications to ensure year 2000 compliance. The financial impact to the Company has not been and is not anticipated to be material to its financial position or results of operations in any given year.

Depreciation expense increased $457,000 (18%) when compared to the prior year. The Company completed significant expansion projects to existing facilities located in Texas and a food processing facility in North Carolina. Second year (half-year convention) depreciation related to these projects totaled approximately $980,000. The Company expects to continue the growth and modernization of facilities and equipment used in the business and, after experiencing lower capital expenditures in 1997, anticipates increased capital investments in future years. The effective tax rate remained consistent with the prior year at 38%.

1996 (52 weeks) compared to 1995 (53 weeks)

Sales in fiscal year 1996 increased $5,819,000 (5.2%) when compared to sales of the prior year. After considering the 53-week year, sales volume increased approximately 7.2% when compared to the prior year.

Cost of products sold increased by $4,020,000 (5.6%) when compared to the prior year. The gross margin was approximately 36% in 1996 and 1995 compared to 35% for 1994. Costs for commodity products were less favorable in 1996 compared to prior years. However, a changing sales mix and increased selling prices helped mitigate the impact of these increased costs.

Selling, general and administrative expenses increased $2,784,000 (9.9%) when compared to the prior year. This increase was generally consistent with the overall increase in sales. Advertising expenses outpaced the increase in sales as a result of aggressive promotional allowances to promote the Company’s products and to maintain current distribution channels.

Depreciation expense increased $530,000 (27%) when compared to the prior year. The Company completed significant expansion projects to existing facilities located in Texas and a food processing facility in North Carolina. First year (half-year convention) depreciation from these projects totaled approximately $490,000. The Company expects to continue the growth and modernization of facilities and equipment used in the business. The effective tax rate remained consistent with the prior year at 38%.

1995 compared to 1994 (53 versus 52 weeks)

Sales in fiscal year 1995 increased $3,614,000 (3%) when compared to sales of the prior year. After considering the 53-week year, sales volume increased slightly more than 1% when compared to the prior year.

Cost of products sold increased by $1,274,000 (2%) when compared to the prior year. The gross margin increased to 36% in 1995 compared to 35% for 1994 and 1993. Commodity costs for meat products were more favorable in 1995 compared to prior years and this trend helped improve margins in 1995 despite the small increase in sales.

Selling, general and administrative expenses increased $1,523,000 (6%) when compared to the prior year. This increase was generally consistent with the overall increase in sales. Increased advertising expenses slightly outpaced the increase in sales as a result of efforts to more heavily promote the Company's products and to continue to expand distribution channels.

Depreciation expense increased $93,000 (5%) when compared to the prior year. The Company continued to expand its vehicle fleet in 1995 and this contributed to the increase. Several projects that were in process in the prior year were placed in service during 1995 which also contributed to the overall increase in depreciation. The Company expects to continue the growth and modernization of facilities and equipment used in the business. The effective tax rate remained consistent with the prior year at 38%.

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Consolidated Balance Sheets

ASSETS

	October 31 1997	November 1 1996
Current assets:		
• Cash and cash equivalents	$12,377,932	$6,343,022
• Accounts receivable, less allowance for doubtful accounts of $577,156 and $503,584	11,374,263	10,007,141
• Inventories	15,556,750	15,603,912
• Prepaid expenses	137,747	343,846
• Deferred income tax benefits	1,690,094	1,573,510
Total current assets	41,136,786	33,871,431
Property, plant and equipment, net of accumulated depreciation of $27,894,827 and $25,432,473	16,853,248	17,854,524
Other non-current assets	4,571,379	3,543,082
Deferred income tax benefits	3,102,479	3,008,911
	$65,663,892	**$58,277,948**

LIABILITIES AND SHAREHOLDERS' EQUITY

	October 31 1997	November 1 1996
Current liabilities:		
• Accounts payable	$5,343,687	$4,464,855
• Accrued payroll and other expenses	5,927,156	5,047,140
• Income taxes payable	183,857	113,318
Total current liabilities	11,454,700	9,625,313
Non-current liabilities	9,603,410	8,396,944
Contingencies and commitments (Note 6) Shareholders' equity:		
• Preferred stock, without par value Authorized - 1,000,000 shares Issued and outstand - none		

Common stock, $1.00 par value		
Authorized - 20,000,000 shares		
Issued and outstand - 10,336,415 and 9,396,933 shares		
(Note 7)	10,393,298	9,453,816
• Capital in excess of par value	13,946,359	3,024,881
• Retained earnings	20,266,125	27,776,994
	44,605,782	40,255,691
	$65,663,892	**$58,277,948**

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Consolidated Statements of Income

	Fiscal year ended		
	(52 weeks) October 31 1997	(52 weeks) November 1 1996	(53 weeks) November 3 1995
Net sales	$127,859,491	$118,316,70	$112,497,590
Cost of products sold, excluding depreciation	80,621,498	75,874,768	71,854,739
Selling, general and administrative expenses	33,633,263	30,832,011	28,048,294
Depreciation	2,950,376	2,493,308	1,963,702
	117,205,137	109,200,087	101,866,735
Income before taxes	10,654,354	9,116,383	10,630,855
Provision for taxes on income	4,049,000	3,465,000	4,040,000
Net income	**$6,605,354**	**$5,651,383**	**$6,590,855**
Net income per share	**$0.64**	**$0.55**	**$0.64**

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (NOTE 7)

	Common stock Shares	Common stock Amount	Capital in excess of par	Retained earnings	Total shareholder's equity
Balance, October 28, 1994	$9,396,933	$9,453,816	$3,024,881	$19,951,315	$32,430,012
- Net income			6,590,855	6,590,855	
- Cash dividends paid* ($.21 per share)				(2,161,295)	(2,161,295)
Balance, November 3, 1995	9,396,933	9,453,816	3,024,881	24,380,875	36,859,572
- Net income			5,651,383	5,651,383	
- Cash dividends paid ($.22 per share)				(2,255,264)	(2,255,264)
Balance, November 1, 1996	9,396,933	9,453,816	3,024,881	27,776,994	40,255,691
- Net income			6,605,354	6,605,354	
- Cash dividends paid* ($.22 per share)				(2,255,265)	(2,255,265)
Balance, October 31, 1997	10,336,415	10,393,298	13,946,359	20,266,125	44,605,782

* Per share amounts give effect to 10% stock dividends declared November 10, 1997.

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Consolidated Statements of Cash Flows

	Fiscal year ended		
	(52 weeks) October 31 1997	(52 weeks) November 1 1996	(53 weeks) November 3 1995
Cash flows from operating activities:			
Net income	$6,605,354	$5,651,383	$6,590,855
Income charges not affecting cash:			
Depreciation	2,950,376	2,493,308	1,963,702
Provision for losses on accounts receivable	149,150	139,150	138,650
Gain on sale of assets	(50,129)	(52,729)	(68,153)
Effect on cash of changes in assets and liabilities:			
Accounts receivable	(1,516,171)	45,388	(908,128)
Inventories	47,162	(1,753,965)	(1,789,927)
Prepaid expenses	206,099	90,281	(290,486)
Deferred income tax benefits	(859,636)	(210,152)	(1,124,607)
Other non-current assets	(1,028,297)	(584,589)	(558,786)
Accounts payable and accrued expenses	1,758,848	1,082,903	41,553
Income taxes payable	70,539	58,401	(254,915)
Non-current liabilities	1,206,466	1,117,108	1,420,658
Net cash provided by operating activities	10,189,145	7,162,032	5,580,451
Cash used in investing activities:			
Proceeds from sale of assets	50,129	57,601	73,454
Additions to property, plant and equipment	(1,949,100)	(5,987,709)	(8,774,616)
Net cash used in investing activities	(1,898,971)	(5,930,108)	(8,701,162)
Cash used in financing activities:			
Cash dividends paid	(2,255,264)	(2,255,264)	(2,161,295)
Net increase (decrease) in cash and cash equivalents	6,034,910	(1,023,340)	(5,282,006)
Cash and cash equivalents at beginning of year	6,343,022	7,366,362	12,648,368

Cash and cash equivalents at end of year	**$12,377,932**	**$6,343,022**	**$7,366,362**
Cash paid for income taxes	**$4,022,000**	**$3,955,717**	**$5,003,099**

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Notes to Consolidated Financial Statements

NOTE 1 - THE COMPANY AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly owned. All intercompany transactions have been eliminated. The carrying amount of cash and cash equivalents, accounts and other receivables, accounts payable and accrued liabilities approximate fair market value due to the short maturity of these instruments.

Business segment
The Company and its subsidiaries operate in one business segment - the manufacturing and/or distributing of refrigerated, frozen and snack food products.

Fiscal year
The Company maintains its accounting records on a 52-53 week fiscal basis. Fiscal years 1997 and 1996 include 52 weeks each. Fiscal year 1995 includes 53 weeks.

Revenues
Revenues are recognized upon product shipment or delivery to customers.

Cash equivalents
The Company considers all investments with original maturities of three months or less to be cash equivalents. Cash equivalents include treasury bills of $10,990,000 at October 31, 1997 and $5,194,000 at November 1, 1996.

Inventories
Inventories are stated at the lower of cost (determined on a first-in, first-out basis) or market.

Property, plant and equipment
Property, plant and equipment is carried at cost less accumulated depreciation. Major renewals and betterments are charged to the asset accounts while the cost of maintenance and repairs is charged to income as incurred. When assets are sold or otherwise disposed of, the cost and accumulated depreciation are removed from the respective accounts and the resulting gain or loss is credited or charged to income. Depreciation is computed on the straight-line basis over 10 to 20 years for buildings and improvements, 5 to 10 years for machinery and equipment and 3 to 5 years for transportation equipment.

Income taxes
Deferred taxes are provided for items whose financial and tax bases differ.

Earnings per share
Net income and cash dividends per share are calculated based on the weighted average number of shares outstanding, 10,336,415 for all periods presented, after giving effect to a 10% stock dividend declared November 10, 1997.

Reclassifications
Certain reclassifications have been made in prior years to conform to the current year presentation.

NOTE 2 - COMPOSITION OF CERTAIN FINANCIAL STATEMENT CAPTIONS:

	1997 (in thousands)	1996 (in thousands)
Property, plant and equipment:		
Land	$1,083	$1,083
Buildings and improvements	10,736	10,683
Machinery and equipment	24,889	23,672
Transportation equipment	5,577	5,055
	42,285	40,493
Accumulated depreciation	25,432	22,638
	$16,853	**$17,855**
Inventories:		
Meat, ingredients and supplies	$4,453	$4,320
Work in progress	1,357	1,501
Finished goods	9,747	9,783
	$15,557	**$15,604**
Accrued payroll and other expenses:		
Payroll, vacation and payroll taxes	$4,581	$3,660
Property taxes	265	228
Other	1,081	1,159
	$5,927	**$5,047**

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Notes to Consolidated Financial Statements

NOTE 3 - RETIREMENT AND BENEFITS PLANS:

The Company has noncontributory trusteed defined benefit retirement plans for sales, administrative, supervisory and certain other employees. The benefits under these plans are primarily based on years of service and compensation levels. The Company's funding policy is to contribute annually the maximum amount deductible for federal income tax purposes.

Net pension cost consisted of the following (in thousands):

	1997	1996	1995
Cost of benefits earned during the year	$485	$611	$568
Interest cost on projected benefit obligation	810	689	585
Actual return on plan assets	(1,602)	(1,238)	(1,123)
Deferral of unrecognized gain (loss) on plan assets	931	679	638
Amortization of unrecognized gain	(38)		
Amortization of transition asset	(76)	(76)	(76)
Amortization of unrecognized prior service costs	34	34	34
Net pension cost	**$544**	**$699**	**$615**

The transition asset is being amortized using the straight-line method over 16.42 years, the average remaining service periods of active plan participants. The discount rate and expected long-term rate of return used in determining the projected benefit obligation for fiscal years 1997 and 1996 was 7.75%. The assumed rate of future compensation increases was 6%.

Plan assets are primarily invested in marketable equity securities, corporate and government debt securities and real estate and are administered by a life insurance company.

The funded status of the plan is as follows (in thousands):

	1997	1996	1995
Plan assets at fair market value	$10,081	$8,657	$7,554
Actuarial present value of benefit obligations:			
&mbsp;Accumulated benefits based on current salary levels, including vested benefits of $8,927, $7,324 and $6,823	9,415	7,917	7,208
&mbsp;Additional benefits based on estimated future salary levels	1,152	2,044	1,978
&mbsp;Projected benefit obligation	10,567	9,961	9,186
Projected benefit obligation in excess of plan assets	(486)	(1,304)	(1,632)
Unrecognized prior service costs	281	315	235
Unrecognized gain on plan assets	(3,065)	(1,661)	(479)
Unrecognized net transition asset	(520)	(596)	(671)
Accrued pension cost	**$(3,790)**	**$(3,246)**	**$(2,547)**

In fiscal year 1991, the Company adopted a non-qualified supplemental retirement plan for certain key employees. Benefits provided under the plan are equal to 60% of the employee’s final average earnings, less amounts provided by the Company’s defined benefit pension plan and amounts available through Social Security. Total annual benefits are limited to $120,000 for each participant in the plan. Effective January 1, 1991 the Company adopted a deferred compensation savings plan for certain key employees. Under this arrangement, selected employees contribute a portion of their annual compensation to the plan. The Company contributes an amount to each participant’s account by computing an investment return equal to Moody’s Average Seasoned Bond Rate plus 2%. Employees receive vested amounts upon death, termination or retirement. Total benefit expense recorded under these plans for fiscal years 1997, 1996 and 1995 was $348,000, $405,000 and $470,000, respectively. Benefits payable related to these plans and included in other non-current liabilities the accompanying financial statements were $2,988,000 and $2,480,000 at October 31, 1997 and November 1, 1996, respectively. In connection with this arrangement the Company is the beneficiary of life insurance policies on the lives of certain key employees. The aggregate cash surrender value of these policies, included in non-current assets was $4,359,000 and $3,341,000 at October 31, 1997 and November 1, 1996, respectively.

The Company provides a deferred compensation plan for certain key executives, which is based upon the Company’s pretax income and return on shareholders’ equity. The payment of these bonuses is generally deferred over a five-year period. The total amount payable related to this arrangement was $3,574,000 and $3,387,000 at October 31, 1997 and November 1, 1996, respectively. Future payments are approximately $1,089,000, $992,000, $722,000, $487,000 and $284,000 for fiscal years 1998 through 2002, respectively.

Postretirement health care benefits in the approximate amount of $340,000 and $322,000 are included in non-current liabilities at October 31, 1997 and November 1,1996, respectively.

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Notes to Consolidated Financial Statements

NOTE 4 - INCOME TAXES:

The provision for taxes on income includes the following (in thousands):

	1997	1996	1995
Current:			
Federal	$3,602	$4,039	$4,102
State	658	551	643
	4,260	4,590	4,745
Deferred:			
Federal	(99)	(933)	(609)
State	(112)	(192)	(96)
	(211)	(1,125)	(705)
	$4,049	**$3,465**	**$4,040**

The total tax provision differs from the amount computed by applying the statutory federal income tax rate to income before income taxes as follows (in thousands):

	1997	1996	1995
Provision for federal income taxes at the applicable statutory rate	$3,622	$3,100	$3,614
Increase in provision resulting from: State income taxes, net of federal income tax benefit	416	335	397
Other, net	11	30	29
	$4,049	**$3,465**	**$4,040**

Deferred income taxes result from differences in the bases of assets and liabilities for tax and accounting purposes.

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Deferred tax assets (liabilities) are comprised of the following (in thousands):

	1997	1996
Receivables allowance	$233	$199
Inventory capitalization	290	297
Deferred compensation	385	406
Franchise tax	107	93
Employee benefits	631	592
Other	44	(13)
Current tax assets	**$1,690**	**$1,574**
Deferred compensation	$1,001	$929
Pension and health care benefits	2,870	2,392
Depreciation	(769)	(313)
Non-current taz assets, net	**3,102**	**3,008**

No valuation allowance was provided against deferred tax assets in the accompanying statements.

Notes to Consolidated Financial Statements

NOTE 5 - LINE OF CREDIT:

Under the terms of a revolving line of credit with Bank of America, the Company may borrow up to $2,000,000 through April 30, 1999. At any time prior to May 1999, the Company may convert borrowings, if any, into a three-year term loan with principal and interest payable monthly commencing May 31, 1999. The interest rate is at the bank's reference rate unless the Company elects an optional interest rate. The borrowing agreement contains various covenants, the more significant of which require the Company to maintain certain levels of shareholders' equity and working capital. The Company was in compliance with all provisions of the agreement during the year. There were no borrowings under this line of credit during the year.

NOTE 6 - CONTINGENCIES AND COMMITMENTS:

The preparation of financial statements in conformity with generally accepted accounting principles, requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported revenues and expenses during the respective reporting periods. Actual results could differ from those estimates.

The Company leases certain transportation equipment under an operating lease expiring in 1999. The terms of the lease provide for annual renewal options and contingent rental payments based upon mileage and adjustments of rental payments based on the Consumer Price Index. Minimum rental payments were $255,000, $263,000 and $272,000 in fiscal years 1997, 1996 and 1995, respectively. Contingent payments were $98,000 in 1997 and $95,000 in 1996 and 1995. Future minimum lease payments are approximately $260,000 in 1998, and $130,000 in 1999. The Company also leases certain other properties which do not result in material commitments.

The Company has and will continue to make certain investments in its software systems and applications to ensure year 2000 compliance. The financial impact to the Company has not been and is not anticipated to be material to its financial position or results of operations in any given year.

NOTE 7 – COMMON STOCK AND PER SHARE DATA:

In November 1997, the Board of Directors declared a 10% stock dividend. Net income and cash dividends per share are calculated based on the weighted average number of shares after giving retroactive effect to the stock dividend. The weighted average shares used for computing earnings per share in the accompanying statements of income was 10,336,415 for all periods presented.

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Report of Independent Accountants

Price Waterhouse LLP

To the Board of Directors and Shareholders of Bridgford Foods Corporation

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income, shareholders' equity and cash flows present fairly, in all material respects, the financial position of Bridgford Foods Corporation and its subsidiaries at October 31, 1997 and November 1, 1996, and the results of their operations and their cash flows for each of the three years in the period ended October 31, 1997, in conformity with generally accepted accounting principles. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with generally accepted auditing standards which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for the opinion expressed above.

Price Waterhouse LLP

Costa Mesa, California
December 19, 1997