SMUCKER'S®

ANNUAL REPORT

2003

Financial Highlights

The J. M. Smucker Company

(Dollars in thousands, except per share data)	Year Ended April 30, 2003	2002
Net sales	**$1,311,744**	$687,148
Net income and net income per common share:		
Net income	**$ 96,342**	$ 30,851
Net income per common share – assuming dilution	**$ 2.02**	$ 1.31
Income and income per common share before restructuring and merger and integration costs:(1)		
Income	**$ 104,432**	$ 34,011
Income per common share – assuming dilution	**$ 2.19**	$ 1.45
Common shares outstanding at year end	**49,767,540**	23,504,129
Number of employees	**2,775**	2,300

(1) Reconciliation to net income:		
Income before income taxes	**$ 155,390**	$ 50,198
Merger and integration costs	**10,511**	5,031
Cost of products sold – restructuring	**1,256**	—
Other restructuring costs	**1,281**	—
Income before income taxes, restructuring, and merger and integration costs	**168,438**	55,229
Income taxes	**64,006**	21,218
Income before restructuring and merger and integration costs	**$ 104,432**	$ 34,011

On Our Cover

"Making Jam" ©Ann Baker

The painting featured on this year's annual report cover depicts American values of home, family, and handmade, quality products. The painting was in the personal collection of Paul H. and Lorraine E. Smucker.

California artist Ann Baker, known as "Mrs. B", is highly regarded for her primitive-style scenes of 19th-century American life. Her whimsical bumblebee "signature" appears on all of her compositions.

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Dear Fellow Shareholders:

"Transformational" is the best way to characterize The J. M. Smucker Company's 2003 fiscal year. Last year at this time, we described the upcoming merger of the *Jif* and *Crisco* brands into our Company. We anticipated that the merger would transform our organization, and we predicted a positive impact on our sales and earnings, our momentum, our brands, and our future. All of these expectations — and more — have been realized.

- Sales nearly doubled to over $1.3 billion.
- Earnings after tax increased threefold, to $96.3 million.
- Earnings per share increased over 50 percent.
- The *Jif* and *Crisco* brands were revitalized, increasing their leadership positions in their respective markets.
- The traditional Smucker business achieved record results across all of our business units, and the *Smucker's* brand remains as strong as ever.

In addition, we received two recognitions for which we are very grateful. First, The J. M. Smucker Company ranked eighth on *Fortune* magazine's list of "The 100 Best Companies to Work For." This is the sixth consecutive year that we have been included on this roster. Second, *Business Ethics Magazine* rated our Company 23rd in the nation for corporate citizenship.

To us, these awards acknowledge the integrity of our people and their commitment to our Company's Basic Beliefs and the time-honored values they reflect — invaluable qualities in an era when the public has taken a wary view of business in general. It *is* possible to be a good employer and a good corporate citizen *and* achieve record results.

At the beginning of the year, we identified the following key objectives:

- successfully integrate the *Jif* and *Crisco* businesses;
- maintain the momentum of our core businesses; and
- begin the revitalization of the *Jif* and *Crisco* brands.

The integration was extremely successful, thanks to hard work, detailed planning, and outstanding cooperation between The Procter & Gamble Company, its employees, and our employees. In fact, several of our customers commented that the integration was one of the smoothest they had ever seen in our industry. There was absolutely no interruption to our business, and the process was completed two months ahead of schedule.

We more than maintained the momentum of our traditional businesses, with sales growing by eight percent for the year.

Comments From Our Consumers

"My husband, who is 32 years old, has had a Smucker's *red raspberry preserve sandwich every day since he was in the first grade. It has to be* Smucker's *and it has to be the red raspberry preserves. He is a diehard* Smucker's *fan. My husband is by far the pickiest eater you will ever meet. He literally only eats about ten different things — your preserves being one of them... Keep up the good work."*

Our decision to increase marketing support behind *Jif* and *Crisco* by nearly 50 percent over the prior year paid significant dividends. Both brands exceeded their sales and profit projections and are well positioned for fiscal 2004. In the coming year, we intend to increase *Jif* and *Crisco* marketing support by another 25 percent to continue to enhance the brands' leadership positions.

Momentum across our entire business has never been greater. Following are further details of last year's accomplishments and our plans for the future.

U.S. Retail Segment

U.S. Retail, our largest segment, had an outstanding year, with total sales up 175 percent. This segment includes the sales of *Smucker's, Jif,* and *Crisco* products to grocery, club, drug, mass market, and warehouse channels. Of course, a significant portion of the segment's growth resulted from the addition of *Jif* and *Crisco* to our existing business. But even without these brands, segment sales were up four percent.

One of our objectives for the year was to leverage the combined strength of the *Smucker's, Jif,* and *Crisco* brands. All three brands are sold to our existing customers and similar consumers. And all are American icon brands—names consumers associate with homemade goodness. We think we have made excellent headway, and we expect to see greater benefits in the coming year and beyond.

Smucker's The *Smucker's* brand grew by five percent through our leadership in fruit spreads, toppings, and natural peanut butter, as well as through growth in the distribution and sales of *Uncrustables*. *Smucker's* continues to lead the fruit spread category, with a record market share of 41 percent.

Providing options in terms of flavors, varieties, sizes, and packaging is a *Smucker's* tradition that contributes to our growth. Consumers welcome the choices we offer, as evidenced by the success in fiscal 2003 of our newly introduced *Smucker's Squeeze* fruit spreads in convenient plastic bottle packaging. We continue to focus on developing new segments of the fruit spread category and are especially excited about the growth of our *Sugar Free* products.

Our range of ice cream toppings continues to lead the market, with a 61 percent share of the category. The launch of *Twix Magic Shell* and *Milky Way* toppings this past year—a result of our continuing relationship with Masterfoods, USA, a division of Mars, Inc.—helped strengthen our leadership position in this category.

We remain extremely excited about our *Uncrustables* product. Based on very promising test market results from the previous year, in 2003 we rolled out our peanut butter and jelly *Uncrustables* sandwich

Comments From Our Consumers

"I have been using Jif *all of my life. My mother would TRY to switch peanut butter on me and my siblings, but we could always tell when it was not* Jif*…and we wouldn't eat it! She finally only purchased* Jif *peanut butter. Now that I do my own grocery shopping, I of course, only purchase* Jif. *It is a wonderful product, and I want to commend you on its superior taste."*

to retail stores across 70 percent of the United States. We supported the launch with considerable advertising, especially during back-to-school and return-to-school periods. We will bring the product to the entire country in the first quarter of fiscal 2004.

Also in fiscal 2003, we introduced our pre-toasted grilled cheese *Uncrustables* product to the retail market, and it too has been well received. This new offering is consistent with our aim to provide consumers with convenient, wholesome, tasty foods — in this case, a grilled cheese sandwich that's ready to eat after just a minute or less in the microwave. Along with completing the rollout of peanut butter and jelly *Uncrustables,* we will take the grilled cheese product national in fiscal 2004. We will back these efforts with new *Uncrustables* television ads and a number of exciting consumer promotions.

Jif The entire peanut butter category expanded by four percent this past year, as consumers turn to peanut butter as a healthy and inexpensive source of protein. As we mentioned earlier, one of our major accomplishments in 2003 was to revitalize the *Jif* brand. We significantly increased the amount of consumer advertising behind *Jif* and are extremely pleased with the way *Jif* sales outpaced the category's overall growth rate. The *Jif* brand commands a 35 percent share of the peanut butter category. This share, combined with our other peanut butter brands — *Smucker's* natural peanut butter, *Laura Scudder's, Adam's,* and *Goober* — gives us a 42 percent share of the total category. In October 2002, the U.S. Congress approved the Farm Bill, resulting in lower peanut prices. We passed along a portion of those savings to our consumers and invested the balance of the savings in the *Jif* brand, primarily in advertising. Advertising spending against *Jif* will increase again in 2004, and we are developing new television commercials with our advertising agency, Grey Worldwide. Our *Jif* plant in Lexington, Kentucky, achieved record production results and did an outstanding job meeting our customers' demands. We are investing in the Lexington plant to further increase its capacity.

Crisco For our Company, cooking oil is a new category that presents a unique set of opportunities. We are extremely pleased with how this business performed in fiscal 2003, and we are especially grateful to our team at the *Crisco* plant in Cincinnati, Ohio, for their many contributions.

As with *Jif,* our primary emphasis in 2003 was on revitalizing the *Crisco* brand, and again, we are pleased with the results of our investments. During the holiday baking season, we began to see our market share increase in response to consumer initiatives, including the first television advertising of *Crisco* in five years.

We intend to further strengthen *Crisco* advertising in fiscal 2004 as part of our strategy to build our brands with consistent levels of high-quality consumer support.

Comments From Our Consumers

"I was raised in the 1950s when Crisco *was used by most cooks. It was a trusted product that meant good flavor. I'm happy to say that after all these years,* Crisco *remains the number-one product that beats all of the other products when it comes to flavor. Thanks for all the years of enjoyment."*

Throughout our Company, we embrace a clearly articulated set of values that guide our behavior and set the tone for our work environment. Our Basic Beliefs—People, Quality, Ethics, Independence, and Growth—have been our guiding principles for more than a century.

SMUCKER'S
All Natural Ingredients
Strawberry
Preserves
Jif
CREAMY
PEANUT BUTTER
FRESH ROASTED

Special Markets

Beverages Our Beverage business set a new record, with a double-digit increase in sales of *R.W. Knudsen Family, Santa Cruz Organic,* and *Smucker's* powdered lemonades. Sales of our natural foods brands in the health and natural foods channel are outpacing the category's growth, and we continue to gain placement in mainstream grocery stores as they expand their offerings of leading natural food brands.

Foodservice Despite weaknesses in the travel and leisure industry, we saw very good growth in our portion control lines in fiscal 2003. In fact, sales of *Smucker's* and *Dickinson's* portion control products to hotels, restaurants, airlines, and healthcare institutions have never been stronger.

Our Foodservice group is also responsible for managing the sales of *Smucker's Uncrustables* to schools and restaurants. *Uncrustables* sales in this channel increased 38 percent in 2003, making it the fastest-growing line in our Foodservice area. With the recent introduction of a pre-toasted grilled cheese sandwich, we anticipate continued significant growth opportunities for this sandwich platform. *Uncrustables* are now enjoyed by children in more than 4,000 school systems throughout the U.S.

Industrial Sales and profits in our Industrial business area also exceeded expectations this past year, primarily due to growth in the business we acquired last year from International Flavors and Fragrances. The U.S. portion of that business is now fully integrated into our production facilities.

As we announced last year, in keeping with our brand-focused strategy, we are discontinuing the production of certain less-profitable Industrial items. To date, approximately $21 million of such business has been eliminated, and by the end of 2004, we will discontinue another $24 million.

Our strategy for the Industrial business is to focus on our current bakery and dairy customers, doing all we can to secure our place as their preferred supplier of formulated ingredients while maximizing the utilization of existing assets.

International The majority of sales in our International business area are in Canada and Australia. Our Canadian business performed well in fiscal 2003, while our Australian operations remain challenged.

In 2003, a significant contributor to growth in Canada was the addition of *Crisco* brand sales. In Canada, as in the U.S., we have dedicated resources to revitalizing this brand, and we are seeing positive results.

Comments From Our Consumers

"I would like to thank you for your incredibly terrific Smucker's natural chunky peanut butter! It is, in my opinion, the best peanut butter on the market. It is so good I could eat it straight from the jar (and I have!). Your preserves only add to the superb taste of the peanut butter. When peanut butter and jelly taste this good, who needs bread?!"

Canadian sales of *Smucker's* products remain strong, and we continue to hold the leadership position in that country's fruit spread category, with 33 percent of the market. We plan to launch a new *Smucker's* advertising campaign in Canada in 2004 to further support the brand and help maintain positive momentum.

Our Australian business posted mixed results for 2003. Sales of *IXL* fruit bars, *Taylor's* marinades and sauces, and our foodservice and industrial businesses outperformed their goals for the year. While *IXL* has maintained its leadership position in the Australian retail fruit spread market, we continue to face competitive challenges. Our focus in Australia remains on providing value to our consumers through new product and packaging innovations, and strengthening the *IXL* brand position through a new advertising campaign.

We are also pleased with the performance and margin contributions of our industrial ingredient businesses in Brazil and Scotland.

Operations

In order to provide our customers with the lowest-possible total-delivered cost, we must continually seek ways to increase the efficiency of our supply chain. To address this key strategic issue, in 2003 we initiated our Supply Chain Optimization Project. Our objectives are threefold:

- to capitalize on the synergies resulting from the *Jif* and *Crisco* transaction;
- to streamline our supply chain functions; and
- to provide better focus on our branded product strategy.

The initial project decisions were announced in March 2003. These included a significant reduction in our number of SKUs (stock keeping units), decreased involvement in fresh fruit processing, and centralized production and distribution of the *Smucker's Uncrustables* line.

As part of this process, we will close three facilities: Watsonville, California; Woodburn, Oregon; and West Fargo, North Dakota. Although these were difficult decisions to make, the purpose is to strengthen our Company as a whole and position it for continued growth with very efficient operations.

In the coming year, we will make record capital investments, totaling some $80 million, in our manufacturing plants and facilities. This includes a major investment that we are making in a state-of-the-art production plant in Scottsville, Kentucky, where we will produce all *Uncrustables* beginning in fiscal 2005. Consolidating all of our *Uncrustables* production in one plant will significantly improve the efficiency of our processes and lower our production and distribution costs.

Comments From Our Consumers

"I recently purchased your Uncrustables, *and I have to let you know that they are absolutely delicious. I knew when buying them that they would be good, but I did not know how good until I tried them. It is so close to homemade I cannot get over it. Thank you once again for coming up with something delicious and affordable."*

Looking Ahead

Four key factors give us confidence in our Company's ability to continue to grow while benefiting all of our constituencies.

First, we have a clear vision for the future. We will own and market number-one food brands, with an emphasis on North America. In addition, we will achieve balanced growth through:

- increased market share of our core brands;
- acquisitions of other leading food brands; and
- new products that are convenient, good and good for you, and that make you smile.

Second, we have an extremely talented, dedicated family of employees who take pride in what they do and take pleasure in each other's accomplishments. This past year, more than 400 *Jif* and *Crisco* employees joined our team and played a key role in the success of those businesses. Welcome. Our employees' dedication, vision, attention to detail, and camaraderie are what make our Company one of America's best places to work.

Third, throughout our Company, we embrace a clearly articulated set of values that guide our behavior and set the tone for our work environment. Our Basic Beliefs — People, Quality, Ethics, Independence, and Growth — have been our guiding principles for more than a century.

Fourth, we are committed to maintaining a long-term vision for our business. This has enabled our Company to avoid many of the problems and pitfalls that come from making short-term decisions in response to financial market pressure. Our Company has always taken a long-range approach to building the business — a posture we believe ultimately serves the best interests of our consumers, customers, employees, shareholders, suppliers, and the communities in which we work.

We are grateful for what our team has achieved; we are focused on the future; and we believe the best is yet to come.

Sincerely,

Tim Smucker

Richard Smucker

Comments From Our Consumers

"I just had to tell you how much my family loves Smucker's Sugar Free *jam. You certainly can't tell it is sugar free, and it has the great* Smucker's *taste. We have always loved your products and appreciate the quality. When a company cares about the products it is making, it certainly shows. Thank you very much."*

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Five-Year Summary of Selected Financial Data

The following table presents selected financial data for each of the five years in the period ended April 30, 2003, as restated to reflect the effect of the merger exchange ratio discussed in Note C to the consolidated financial statements. The selected financial data was derived from the consolidated financial statements and should be read in conjunction with "Management's Discussion and Analysis of Results of Operations and Capital Resources and Liquidity" and the consolidated financial statements and notes thereto.

	Year Ended April 30,				
(Dollars in thousands, except per share data)	**2003**	2002	2001	2000	1999
Statement of Income:					
Net sales	**$1,311,744**	$687,148	$651,242	$641,885	$612,662
Income before cumulative effect of change in accounting method	**$ 96,342**	$ 30,851	$ 28,198	$ 26,273	$ 38,233
Cumulative effect of change in accounting method	**—**	—	(992)	—	—
Net income	**$ 96,342**	$ 30,851	$ 27,206	$ 26,273	$ 38,233
Financial Position:					
Long-term debt	**$ 135,000**	$135,000	$135,000	$ 75,000	$ —
Total assets	**1,615,407**	524,892	479,104	477,698	437,657
Shareholders' equity	**1,124,171**	280,144	250,785	320,608	331,548
Other Data:					
Earnings per common share:					
Income before cumulative effect of change in accounting method	**$ 2.04**	$ 1.33	$ 1.17	$ 0.97	$ 1.39
Cumulative effect of change in accounting method	**—**	—	(0.04)	—	—
Net income	**$ 2.04**	$ 1.33	$ 1.13	$ 0.97	$ 1.39
Income before cumulative effect of change in accounting method – assuming dilution	**$ 2.02**	$ 1.31	$ 1.16	$ 0.97	$ 1.38
Cumulative effect of change in accounting method – assuming dilution	**—**	—	(0.04)	—	—
Net income – assuming dilution	**$ 2.02**	$ 1.31	$ 1.12	$ 0.97	$ 1.38
Dividends declared per common share	**$ 0.83**	$ 0.68	$ 0.68	$ 0.65	$ 0.60

Summary of Quarterly Results of Operations

The following is a summary of unaudited quarterly results of operations for the years ended April 30, 2003 and 2002, as restated to reflect the effect of the merger exchange ratio discussed in Note C to the consolidated financial statements.

(Dollars in thousands, except per share data)

	Quarter Ended	Net Sales	Gross Profit	Net Income	Net Income per Common Share	Net Income per Common Share – Assuming Dilution
Fiscal 2003	July 31, 2002	$274,936	$ 92,352	$16,017	$0.39	$0.39
	October 31, 2002	366,975	126,412	29,087	0.59	0.58
	January 31, 2003	340,826	122,931	27,993	0.56	0.56
	April 30, 2003	329,007	114,386	23,245	0.47	0.46
Fiscal 2002	July 31, 2001	$169,792	$ 57,180	$ 8,547	$0.37	$0.37
	October 31, 2001	172,844	55,820	7,704	0.34	0.33
	January 31, 2002	168,392	55,001	7,947	0.34	0.34
	April 30, 2002	176,120	56,990	6,653	0.28	0.28

Annual earnings per share may not equal the sum of the individual quarters due to differences in the average number of shares outstanding during the respective periods.

Stock Price Data

The Company's common shares are listed on the New York Stock Exchange — ticker symbol SJM. The table below presents the high and low market prices for the shares and the quarterly dividends declared as restated to reflect the effect of the merger exchange ratio discussed in Note C to the consolidated financial statements. There were 131,570 shareholders of record as of June 16, 2003.

	Quarter Ended	High	Low	Dividends
Fiscal 2003	July 31, 2002	$37.50	$28.71	$0.20
	October 31, 2002	38.84	32.03	0.20
	January 31, 2003	42.25	33.30	0.20
	April 30, 2003	40.80	33.00	0.23
Fiscal 2002	July 31, 2001	$29.38	$25.30	$0.17
	October 31, 2001	38.20	25.29	0.17
	January 31, 2002	39.92	32.80	0.17
	April 30, 2002	38.78	32.06	0.17

On June 1, 2002, the Company merged the *Jif* peanut butter and *Crisco* shortening and oils businesses of The Procter & Gamble Company with and into the Company in a tax-free stock transaction. As a result, earnings per share for all fiscal years have been restated to reflect the effect of the merger exchange ratio of 0.9451 on the weighted-average shares outstanding.

With the addition of the *Jif* and *Crisco* businesses, the Company realigned its business segment structure. Reportable segments have been restated to conform to the new structure, which consists of two reportable segments: U.S. retail market and special markets. The U.S. retail market segment is composed of the Company's consumer and consumer oils businesses and includes domestic sales of *Smucker's, Jif,* and *Crisco* branded products at retail. The special markets segment is composed of the foodservice, international, industrial, and beverage businesses.

Results of Operations

Comparison of fiscal 2003 with fiscal 2002

Sales in fiscal 2003 were $1,311.7 million, up 91 percent compared to $687.1 million in fiscal 2002. The *Jif* and *Crisco* brands contributed $571.0 million to sales from the close of the transaction on June 1, 2002. Excluding the *Jif* and *Crisco* contribution, sales increased $53.6 million or eight percent over the prior year. Sales in the U.S. retail market segment were $889.9 million, up $566.3 million, while special markets segment sales were $421.8 million compared to $363.5 million last year. Net income was $96.3 million, or $2.02 per share, in 2003 compared to $30.9 million, or $1.31 per share, last year. Net income includes merger and integration costs of $10.5 million, or $0.14 per share, in 2003 and $5.0 million, or $0.14 per share, in 2002. Also included in 2003 are approximately $2.5 million, or $0.03 per share, in restructuring costs.

In the U.S. retail market segment, *Jif* and *Crisco* contributed nearly 98 percent of the overall sales increase for the segment. Sales of *Smucker's* branded products increased five percent for the year as the Company realized increased sales in its fruit spreads, toppings, natural peanut butter, and *Goober* categories. The retail rollout during the year of *Smucker's Uncrustables* to 70 percent of the country also contributed to the segment's growth. The only area within the segment realizing a decline was the Company's specialty foods channel, which was down nine percent. Following the close of the merger, the Company initiated its strategic plans to increase marketing support for both *Jif* and *Crisco* through increased levels of advertising and promotional spending. As a result, both brands realized share-of-market gains, particularly *Jif,* during the last half of 2003.

In the Company's special markets, sales were up 16 percent over 2002 with all business areas recording an increase in sales over the prior year. The majority of the increase occurred in the foodservice, international, and beverage business areas.

In foodservice, sales were up 16 percent due to a combination of growth in *Smucker's* traditional portion control items and increased distribution of *Smucker's Uncrustables* to the schools market. In the international area, sales were up 26 percent due primarily to the addition of *Crisco* in the Canadian market. Excluding *Jif* and *Crisco,* Canada's business experienced good growth, up six percent in local currency. The Canadian business was favorably impacted by exchange rates throughout the year as sales were up nine percent in U.S. dollars, excluding the impact of *Jif* and *Crisco* sales. In Australia, the Henry Jones Foods business was up eight percent in U.S. dollars, but relatively flat in local currency due to competitive activity in the fruit spreads category. In Brazil, sales were up over 61 percent in local currency, but up 21 percent in U.S. dollars due to an unfavorable exchange rate impact. On the whole, exchange rates did not have a significant impact on international results, but they did fluctuate widely by country. Export sales increased 14 percent primarily due to increased sales to Latin American markets.

Beverage area sales were up 23 percent over the prior year, due primarily to increased sales of *R.W. Knudsen Family* and *Santa Cruz Organic* products and the success of new products introduced early in the fiscal year. Finally, sales in the Company's industrial business were up two percent for the year, despite the planned loss of approximately $21 million in sales resulting from the strategic decision to exit certain low-margin contracts. Helping to offset this loss was the full year inclusion of sales from the International Flavors & Fragrances Inc. (IFF) business, acquired in October 2001.

The Company's operating income was $164.5 million or 12.5 percent of sales for the year representing a significant increase in both dollars and as a percent of sales. This was attributed to improvements in both gross margin and lower selling, distribution, and administrative costs (SD&A) as a percent of sales. The Company's gross margin was 34.8 percent in 2003, compared to 32.7 percent in 2002. The addition of the higher-margin *Jif* and *Crisco* businesses and the impact of lower peanut costs resulting from the 2002 Farm Bill drove the overall improvement in gross margin. Excluding *Jif* and *Crisco,* cost of products sold for the remainder of the Company's business was constant with the prior year, as raw material costs remained essentially flat. SD&A costs were 21.3 percent and 24.0 percent of sales in 2003 and 2002, respectively. The improvement in the expense ratio

reflects the impact of the merger where the Company has been able to utilize its existing administrative infrastructure and thus allocate costs over a broader revenue base. The reduction in SD&A as a percent of sales was in-line with the Company's expectations from the merger. Marketing expenses increased at a greater rate than sales as the Company implemented its strategic plans to increase support against both the *Jif* and *Crisco* brands and to accelerate its rollout of *Uncrustables*.

As of May 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, and in accordance with this pronouncement, goodwill and indefinite-lived intangible assets are no longer amortized but are reviewed at least annually for impairment. The adoption of this standard resulted in a decrease in SD&A costs of approximately $3.5 million compared to 2002.

Interest expense decreased $0.5 million from 2002 due to the effect of favorable interest rate swaps, that reduced interest expense by $1.4 million. Interest income also decreased slightly despite an overall increase in investment balances due to lower interest rates throughout the year.

During the fourth quarter of 2003, the Company announced its plan to restructure certain operations as part of its ongoing efforts to optimize its production capacity, improve productivity and operating efficiencies, and lower the Company's overall cost base. These initiatives include reducing the Company's involvement in fruit processing, centralizing production and distribution of the fast growing *Uncrustables* product line, and significantly reducing the number of items available for sale. The program calls for the closing of three of the Company's plants — Watsonville, California; Woodburn, Oregon; and West Fargo, North Dakota. The Company will continue to process the majority of its requirements for strawberries and grapes, its two most significant fruit raw materials. The Company is confident that its decision to reduce its involvement in fresh fruit processing will not materially impact its ability to source fruit raw materials.

The Company expects to record a restructuring charge of approximately $18 million, of which approximately $2.5 million was recorded in the fourth quarter of 2003. The balance of the charge will be incurred over the next two fiscal years, with approximately $12 million to be recorded in fiscal 2004. Included in the restructuring charge are cash outlays of approximately $12 million that relate primarily to employee separation costs and equipment relocation expenses. The Company estimates that the annual pretax benefit from the plan will be approximately $10 million upon full implementation in fiscal 2006. These benefits represent a combination of a reduction in overhead related to the closed facilities and a reduction in *Uncrustables* operating costs.

Comparison of fiscal 2002 with fiscal 2001

Sales in fiscal 2002 were $687.1 million, up six percent over the $651.2 million in sales in fiscal 2001. Excluding the impact of acquisitions, sales were up approximately $21 million or three percent. Sales in the U.S. retail market segment were $323.6 million, up three percent, while special markets segment sales were $363.5 million, an eight percent increase. Fiscal 2002 net income was $30.9 million, or $1.31 per share, compared to $27.2 million, or $1.12 per share, in 2001. Net income includes merger and integration costs of $5.0 million, or $0.14 per share, in 2002 and restructuring costs of $2.1 million, or $0.06 per share, and the cumulative effect of an accounting change of $1.6 million, or $0.04 per share, in 2001. During the fourth quarter of 2002, the Company elected to change the method of accounting for certain inventory from the last-in, first-out method to the first-in, first-out method. As a result, the Company restated its 2001 financial results, resulting in a reduction in net income of $3.5 million, or $0.14 per share.

Sales in the U.S. retail market segment were up three percent due primarily to increases in the grocery, club store, and mass retail business areas. These increases were offset by modest decreases in the military and consumer direct business areas. The Company's retail business increase was due mostly to new products and growth in *Sugar Free* fruit spreads, natural peanut butters, and *Goober* products. During the year, the Company discontinued selling its low-margin, value-priced *Sunberry Farms* brand. The Company's share of market in the fruit spreads category continued to grow, reaching an all-time high at the time, in excess of 40 percent across all retail segments.

Sales in the special markets segment were up eight percent due primarily to increases in the foodservice and industrial business areas. In the foodservice area, sales were up nine percent as sales and distribution of *Smucker's Uncrustables* to schools continued to increase. This new business helped offset a general softness in traditional foodservice sales, which were impacted during most of the year by the weak economy and declines in the travel and leisure industry following the events of September 11, 2001. Despite those events, the traditional foodservice business area realized an overall increase, up one percent over 2001.

Sales in the Company's industrial business area were up 11 percent for the year as a result of the acquisition of the IFF business. The IFF acquisition contributed approximately $13 million to domestic sales and $0.06 per share to earnings during the year. Sales in the beverage business area were up seven percent over 2001, due primarily to increased sales of *R.W. Knudsen Family* and *Santa Cruz Organic* products.

In the international business area, the Company's Canadian business continued to perform well, with sales increasing four percent in the local currency. Export sales increased three percent and sales in the Company's Mexican market increased 22 percent over 2001. Approximately $1.9 million of the $3.5 million increase in international sales was due to the addition of that portion of the business acquired from IFF that is located in Brazil. In Australia, the Henry Jones Foods business was up one percent in local currency compared to 2001. The impact of the strong U.S. dollar as compared primarily to the local currencies in Australia, Brazil, and Canada resulted in 2002 sales being approximately $5.4 million less than they would have been had exchange rates remained constant with exchange rates in 2001.

Company operating income was $54.8 million in 2002 compared to $49.2 million in 2001, an increase of 11 percent. The gross profit margin was 32.7 percent in 2002, compared to 31.8 percent in 2001. The cost of products sold for the majority of the Company's businesses was consistent with 2001, as raw material costs remained essentially flat. SD&A costs were 24.0 percent of sales, the same as 2001. The dollar increase in SD&A expenses was primarily due to higher amortization charges associated with previously capitalized information systems implementation costs. Marketing expenses were down one percent from 2001, due to lower expenditures in the beverage and consumer direct business areas.

Interest expense increased $1.4 million over 2001 as the long-term debt placement that was completed during the second quarter of 2001 was on the books for a full year in 2002. The Company capitalized approximately $0.5 million in interest during 2002 that was associated with the Company's information technology reengineering project. Also during the year, the Company entered into interest rate swap agreements in order to manage interest rate exposure and lower financing costs. The interest rate swaps reduced interest expense by approximately $0.6 million in 2002.

Capital Resources and Liquidity

	Year Ended April 30,		
(Dollars in thousands)	**2003**	2002	2001
Net cash provided by operating activities	**$165,965**	$67,000	$88,196
Net cash used for investing activities	**52,979**	20,510	27,612
Net cash used for financing activities	**26,784**	5,808	32,325

Financial Condition — Liquidity and Capital Resources

The financial position of the Company continues to be strong, as cash and cash equivalents have increased to record levels. Cash and cash equivalents increased $89.3 million during the year with cash generated from operations of $166.0 million. The increase in cash is primarily the result of strong cash flows generated by the *Jif* and *Crisco* businesses. The ratio of working capital, less cash and cash equivalents, to sales has also been favorably impacted by the merger, decreasing from 15.6 percent last year to 9.0 percent at April 30, 2003.

Cash used for investing activities more than doubled the previous year as 2003 capital expenditures were $49.5 million, up from $23.5 million in 2002. The Company also incurred approximately $10.8 million of capitalized merger costs. This was in addition to the $10.5 million that was expensed during the year. Cash used for financing also increased significantly due mostly to an increase in the payment of dividends to $0.77 per share, or $33.6 million.

Looking towards 2004, capital expenditures are expected to increase to approximately $80 million with the majority of the spending attributed to the cost of the new *Uncrustables* manufacturing facility currently under construction in Scottsville, Kentucky. Other primary uses of cash are dividends, estimated at $46 million next year, and payments related to the Company's restructuring activities.

Assuming there are no other material acquisitions or other significant investments, the Company believes that cash on hand, together with cash generated by operations and existing lines of credit totaling $120 million, will be sufficient to meet 2004 cash requirements, including the payment of dividends and interest on outstanding debt.

Critical Accounting Estimates and Policies

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that in certain circumstances affect amounts reported in the accompanying consolidated financial statements. In preparing these financial statements, management has made its best estimates and judgments of certain amounts included in the financial statements, giving due consideration to materiality. The Company does not believe there is a great likelihood that materially different amounts would be reported under different conditions or using different assumptions related to the accounting policies described below. However, application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates.

Accrued Marketing and Merchandising. In order to support the Company's products, various marketing programs are offered to customers, which reimburse them for a portion, or all of their promotional activities related to the Company's products. The Company regularly reviews and revises, when it deems necessary, estimates of costs to the Company for these marketing and merchandising programs based on estimates of what has been incurred by customers. Actual costs incurred by the Company may differ significantly if factors such as the level and success of the customers' programs or other conditions differ from expectations. Such differences did not occur during 2003.

Impairment of Long-Lived Assets. Historically, long-lived assets have been reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to future net cash flows estimated to be generated by such assets. If such assets are considered to be impaired, the impairment to be recognized is the amount by which the carrying amount of the assets exceeds the fair value of the assets. However, determining fair value is subject to estimates of both cash flows and interest rates and different estimates could yield different results. There are no events or changes in circumstances of which management is aware indicating that the carrying value of the Company's long-lived assets may not be recoverable, with the exception of planned restructuring activities noted under Restructuring.

Goodwill and Other Indefinite-Lived Intangible Assets. Effective May 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* (SFAS 142). In accordance with SFAS 142, goodwill and indefinite-lived intangible assets are no longer amortized but are reviewed at least annually for impairment. As required by SFAS 142, management performed transitional impairment testing during the second quarter of 2003, and annual impairment testing of goodwill and indefinite-lived intangible assets during the fourth quarter of 2003. These tests confirmed that the fair value of the Company's reporting units exceeds their carrying values, and that no impairment loss needed to be recognized for goodwill upon the adoption of SFAS 142.

The annual evaluation of goodwill and other indefinite-lived intangible assets requires the use of estimates about future operating results for each reporting unit to determine their estimated fair value. Changes in forecasted operations can materially affect these estimates. Additionally, other changes in the estimates and assumptions, including the discount rate and expected long-term growth rate, which drive the valuation techniques employed to estimate the fair value of goodwill and other indefinite-lived intangible assets could change and, therefore, impact the assessments of impairment in the future.

Pension Plans and Other Postretirement Benefit Plans. To determine the Company's ultimate obligation under its defined benefit pension plans and other postretirement benefit plans, management must estimate the future cost of benefits and attribute that cost to the time period during which each covered employee works. To record the related net assets and obligations of such benefit plans, management uses assumptions related to inflation, investment returns, mortality, employee turnover, rate of compensation increases, medical costs, and discount rates. Management, along with third-party actuaries, reviews all of these assumptions on an ongoing basis to ensure that the most reasonable information available is being considered. For 2004 expense recognition, the Company will use a discount rate of 6.25 percent, an expected rate of return on plan assets of 8.75 percent, and a rate of compensation increase of 4.50 percent. Use of these assumptions will result in a higher calculated pension expense.

Accrued Expenses. Management estimates certain material expenses in an effort to record those expenses in the period incurred. The most material accrued estimates

are insurance-related expenses, including self-insurance. Workers' compensation and general liability insurance accruals are recorded based on insurance claims processed as well as historical claims experience for claims incurred but not yet reported. These estimates are based on historical loss development factors. Employee medical insurance accruals are recorded based on medical claims processed as well as historical medical claims experience for claims incurred but not yet reported. Differences in estimates and assumptions could result in an accrual requirement materially different from the calculated accrual.

Recovery of Accounts Receivable. In the normal course of business, the Company extends credit to customers that satisfy predefined criteria. The Company evaluates the collectibility of accounts receivable based on a combination of factors. When aware of a specific customer's inability to meet its financial obligations, such as in the case of bankruptcy filings or deterioration in the customer's operating results or financial position, the Company records a specific reserve for bad debt to reduce the related receivable to the amount the Company reasonably believes is collectible. The Company also records reserves for bad debt for all other customers based on a variety of factors, including the length of time the receivables are past due, historical collection experience, and an evaluation of current and projected economic conditions at the balance sheet date. Actual collections of accounts receivable could differ from management's estimates due to changes in future economic or industry conditions or specific customers' financial condition.

Restructuring. During the fourth quarter, the Company announced its plan to restructure certain operations as part of its ongoing efforts to optimize its production capacity, improve productivity and operating efficiencies, and lower the Company's overall cost base. The expected restructuring charge includes estimates related to employee separation costs, the closure and consolidation of facilities, contractual obligations, and the valuation of certain assets including property, plant, and equipment, and inventories. Estimates of such costs are determined by contractual agreement or estimated by management based on historical experience. Actual amounts could differ from the original estimates.

Other Matters. The Company does not have off-balance sheet arrangements, financings, or other relationships with unconsolidated entities or other persons, also known as "special purpose entities." Transactions with related parties are in the ordinary course of business, are conducted on an arm's-length basis, and are not material to the Company's results of operations, financial condition, or cash flows.

Recently Issued Accounting Standards

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards No. 148, *Accounting for Stock-Based Compensation — Transition and Disclosure* (SFAS 148). SFAS 148 amends Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* (SFAS 123), to provide alternative methods of transition when a company voluntarily changes to the fair value-based method of recognizing expense in the income statement for stock-based employee compensation, including stock options granted to employees. As allowed by SFAS 123, the Company has adopted the disclosure-only provisions of the standard and does not recognize compensation expense for stock options granted to employees.

In July 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* (SFAS 146). SFAS 146 addresses financial accounting and reporting for costs associated with exit and disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)*. The provisions of SFAS 146 are effective for exit or disposal activities that are initiated after December 31, 2002. The adoption of SFAS 146 did not have a material impact on the Company's consolidated financial statements.

Derivative Financial Instruments and Market Risk

The following discussions about the Company's market risk disclosures involve forward-looking statements. Actual results could differ from those projected in the forward-looking statements. The Company is exposed to market risk related to changes in interest rates, commodity prices, and foreign currency exchange rates.

Interest Rate Risk. The fair value of the Company's cash and short-term investment portfolio at April 30, 2003, approximate carrying value. Exposure to interest rate risk on the Company's long-term debt is mitigated since it is at a fixed rate until maturity. Market risk, as measured by the change in fair value resulting from a hypothetical ten percent change in interest rates, is not material. Based on the Company's overall interest rate exposure as of and during the year ended April 30, 2003, including derivative and other instruments sensitive to interest rates, a hypothetical ten percent movement in interest rates (relating to the Company's variable-rate borrowings) would not materially affect the Company's results of operations.

Foreign Currency Exchange Risk. The Company has concluded that its foreign currency exposure on future earnings or cash flows is not significant, and has currently chosen not to hedge its foreign currency exposure.

The Company has operations outside the United States with foreign currency denominated assets and liabilities, primarily denominated in Australian, Brazilian, and Canadian currencies. Because the Company has foreign currency denominated assets and liabilities, financial exposure may result, primarily from the timing of transactions and the movement of exchange rates. The foreign currency balance sheet exposures as of April 30, 2003, are not expected to result in a significant impact on future earnings or cash flows.

Revenues from customers outside the United States represented approximately nine percent of net sales during 2003. Thus, certain sales and expenses have been, and are expected to be, subject to the effect of foreign currency fluctuations and these fluctuations may have an impact on operating results.

Commodity Price Risk. Raw materials used by the Company's consumer oils business are subject to price volatility caused by supply conditions, political and economic variables, and other unpredictable factors. To manage the volatility related to anticipated inventory purchases to be made by the consumer oils business, the Company uses futures and options with maturities generally less than one year. These instruments are designated as cash flow hedges. The mark-to-market gain or loss on qualifying hedges is included in other comprehensive income to the extent effective, and reclassified into cost of products sold in the period during which the hedged transaction affects earnings. The mark-to-market gains or losses on nonqualifying, excluded, and ineffective portions of hedges are recognized in cost of products sold immediately and were not significant.

Certain Forward-Looking Statements

This annual report includes certain forward-looking statements that are based on current expectations and are subject to a number of risks and uncertainties that could cause actual results to differ materially. These risks and uncertainties include, but are not limited to:

- the success and cost of marketing and sales programs and strategies intended to promote growth in the *Jif* and *Crisco* businesses, as well as the Company's other businesses;
- the success and cost of introducing new products, particularly *Smucker's Uncrustables;*
- the ability of the business areas to achieve sales targets and the costs associated with attempting to do so;
- the exact time frame in which the new *Uncrustables* facility in Scottsville, Kentucky will be completed and placed into operation;
- the estimated costs and benefits associated with the Company's plan to restructure certain of its operations;
- the strength of commodity markets from which raw materials are procured and the related impact on costs;
- raw material and ingredient cost trends;
- the exact time frame in which the loss of sales associated with discontinued industrial contracts will occur;
- foreign currency exchange and interest rate fluctuations;
- general competitive activity in the market;
- costs associated with the implementation of new business and information systems; and
- other factors affecting share prices and capital markets generally.

Management's Report on Responsibility for Financial Reporting

Management of The J. M. Smucker Company is responsible for the preparation, integrity, accuracy, and consistency of the consolidated financial statements and the related financial information in this report. Such information has been prepared in accordance with accounting principles generally accepted in the United States and is based on our best estimates and judgments.

The Company maintains systems of internal accounting controls supported by formal policies and procedures that are communicated throughout the Company. There is an extensive program of audits performed by the Company's internal audit staff and independent auditors designed to evaluate the adequacy of and adherence to these controls, policies, and procedures.

Ernst & Young LLP, independent auditors, has audited the Company's financial statements. Management has made all financial records and related data available to Ernst & Young LLP during its audit.

The Company's audit committee, comprised of three nonemployee members of the Board, meets regularly with the independent auditors and management to review the work of the internal audit staff and the work, audit scope, timing arrangements, and fees of the independent auditors. The audit committee also regularly satisfies itself as to the adequacy of controls, systems, and financial records. The manager of the internal audit department is required to report directly to the chair of the audit committee as to internal audit matters.

It is the Company's best judgment that its policies and procedures, its program of internal and independent audits, and the oversight activity of the audit committee work together to provide reasonable assurance that the operations of the Company are conducted according to law and in compliance with the high standards of business ethics and conduct to which the Company subscribes.

Timothy P. Smucker
Chairman and
Co-Chief Executive Officer

Richard K. Smucker
President, Co-Chief Executive Officer,
and Chief Financial Officer

Report of Independent Auditors

Board of Directors and Shareholders
The J. M. Smucker Company

We have audited the accompanying consolidated balance sheets of The J. M. Smucker Company as of April 30, 2003 and 2002, and the related statements of consolidated income, shareholders' equity, and cash flows for each of the three years in the period ended April 30, 2003. 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 in accordance with auditing standards generally accepted in the United States. Those standards 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of The J. M. Smucker Company at April 30, 2003 and 2002, and the consolidated results of its operations and its cash flows for each of the three years in the period ended April 30, 2003, in conformity with accounting principles generally accepted in the United States.

As discussed in Note B to the consolidated financial statements, the Company adopted Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets,* as of May 1, 2002.

Ernst & Young LLP

Akron, Ohio
June 6, 2003

Statements of Consolidated Income

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The J.M. Smucker Company

(Dollars in thousands, except per share data)	Year Ended April 30, 2003	2002	2001
Net sales	**$1,311,744**	$687,148	$651,242
Cost of products sold	**854,407**	462,157	443,948
Cost of products sold – restructuring	**1,256**	—	—
Gross Profit	**456,081**	224,991	207,294
Selling, distribution, and administrative expenses	**279,760**	165,172	155,973
Merger and integration costs	**10,511**	5,031	—
Other restructuring costs	**1,281**	—	2,152
Operating Income	**164,529**	54,788	49,169
Interest income	**2,039**	2,181	2,918
Interest expense	**(8,752)**	(9,207)	(7,787)
Other (expense) income – net	**(2,426)**	2,436	192
Income Before Income Taxes and Cumulative Effect of Change in Accounting Method	**155,390**	50,198	44,492
Income taxes	**59,048**	19,347	16,294
Income Before Cumulative Effect of Change in Accounting Method	**96,342**	30,851	28,198
Cumulative effect of change in accounting method, net of tax benefit of $572	**—**	—	(992)
Net Income	**$ 96,342**	$ 30,851	$ 27,206
Earnings per Common Share:			
Income Before Cumulative Effect of Change in Accounting Method	**$ 2.04**	$ 1.33	$ 1.17
Cumulative effect of change in accounting method	**—**	—	(0.04)
Net Income per Common Share	**$ 2.04**	$ 1.33	$ 1.13
Income Before Cumulative Effect of Change in Accounting Method – Assuming Dilution	**$ 2.02**	$ 1.31	$ 1.16
Cumulative effect of change in accounting method – assuming dilution	**—**	—	(0.04)
Net Income per Common Share – Assuming Dilution	**$ 2.02**	$ 1.31	$ 1.12

See notes to consolidated financial statements.

Consolidated Balance Sheets

The J.M. Smucker Company

Assets

(Dollars in thousands)	April 30, 2003	2002
Current Assets		
Cash and cash equivalents	**$ 181,225**	$ 91,914
Trade receivables, less allowance for doubtful accounts	**101,364**	57,371
Inventories:		
Finished products	**85,495**	52,817
Raw materials	**83,632**	63,722
	169,127	116,539
Other current assets	**14,944**	13,989
Total Current Assets	**466,660**	279,813
Property, Plant, and Equipment		
Land and land improvements	**26,250**	16,911
Buildings and fixtures	**117,612**	87,126
Machinery and equipment	**331,325**	242,590
Construction in progress	**21,503**	7,504
	496,690	354,131
Accumulated depreciation	**(221,704)**	(191,342)
Total Property, Plant, and Equipment	**274,986**	162,789
Other Noncurrent Assets		
Goodwill	**525,942**	33,510
Other intangible assets	**320,409**	14,825
Other assets	**27,410**	33,955
Total Other Noncurrent Assets	**873,761**	82,290
	$1,615,407	$524,892

Liabilities and Shareholders' Equity

(Dollars in thousands)	April 30, 2003	2002
Current Liabilities		
Accounts payable	**$ 68,704**	$ 32,390
Salaries, wages, and additional compensation	**31,788**	24,579
Accrued marketing and merchandising	**29,252**	11,563
Income taxes	**18,783**	2,078
Dividends payable	**11,447**	3,979
Other current liabilities	**7,300**	5,842
Total Current Liabilities	**167,274**	80,431
Noncurrent Liabilities		
Long-term debt	**135,000**	135,000
Postretirement benefits other than pensions	**17,614**	14,913
Deferred income taxes	**134,018**	4,105
Other noncurrent liabilities	**37,330**	10,299
Total Noncurrent Liabilities	**323,962**	164,317
Shareholders' Equity		
Serial preferred shares – no par value:		
Authorized – 3,000,000 shares; outstanding – none	**—**	—
Common shares – no par value:		
Authorized – 150,000,000 shares; outstanding – 49,767,540 in 2003 and 23,504,129 in 2002 (net of 6,900,393 and 7,140,338 treasury shares, respectively), at stated value	**12,442**	6,217
Additional capital	**815,767**	33,184
Retained income	**323,064**	267,793
Less:		
Deferred compensation	**(2,825)**	(2,725)
Amount due from ESOP Trust	**(8,093)**	(8,562)
Accumulated other comprehensive loss	**(16,184)**	(15,763)
Total Shareholders' Equity	**1,124,171**	280,144
	$1,615,407	$524,892

See notes to consolidated financial statements.

Statements of Consolidated Cash Flows

The J. M. Smucker Company

	Year Ended April 30,		
(Dollars in thousands)	**2003**	2002	2001
Operating Activities			
Net income	**$ 96,342**	$30,851	$27,206
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	**35,934**	23,932	22,521
Amortization	**1,817**	4,625	4,400
Cumulative effect of change in accounting method, net of tax benefit	**—**	—	992
Deferred income tax (benefit) expense	**(3,680)**	1,545	2,040
Changes in assets and liabilities, net of effect from business acquisitions:			
Trade receivables	**(43,016)**	(1,217)	5,196
Inventories	**(12,062)**	(2,063)	17,326
Other current assets	**(889)**	(11)	3,830
Accounts payable and accrued items	**56,169**	12,483	10,558
Income taxes	**22,645**	25	(1,084)
Other – net	**12,705**	(3,170)	(4,789)
Net Cash Provided by Operating Activities	**165,965**	67,000	88,196
Investing Activities			
Additions to property, plant, and equipment	**(49,525)**	(23,464)	(29,385)
Businesses acquired, net of cash acquired	**(10,767)**	(5,714)	—
Disposal of property, plant, and equipment	**1,179**	7,060	278
Other – net	**6,134**	1,608	1,495
Net Cash Used for Investing Activities	**(52,979)**	(20,510)	(27,612)
Financing Activities			
Proceeds from long-term debt	**—**	—	60,000
Purchase of treasury shares	**—**	(1,128)	(80,964)
Dividends paid	**(33,603)**	(15,568)	(16,686)
Other – net	**6,819**	10,888	5,325
Net Cash Used for Financing Activities	**(26,784)**	(5,808)	(32,325)
Effect of exchange rate changes on cash	**3,109**	107	(907)
Net increase in cash and cash equivalents	**89,311**	40,789	27,352
Cash and cash equivalents at beginning of year	**91,914**	51,125	23,773
Cash and Cash Equivalents at End of Year	**$181,225**	$91,914	$51,125

( ) Denotes use of cash

See notes to consolidated financial statements.

Statements of Consolidated Shareholders' Equity

The J.M. Smucker Company

(Dollars in thousands)	Common Shares	Additional Capital	Retained Income	Deferred Compensation	Amount Due From ESOP Trust	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance at May 1, 2000	$ 7,081	$ 17,190	$317,978	$(3,091)	$(9,223)	$ (9,327)	$ 320,608
Net income			27,206				27,206
Foreign currency translation adjustment						(7,308)	(7,308)
Comprehensive Income							19,898
Purchase of treasury shares	(1,074)	(4,027)	(75,863)				(80,964)
Stock plans	83	4,820		843			5,746
Cash dividends declared – $0.68 a share			(16,095)				(16,095)
Tax benefit of stock plans		1,295					1,295
Other					297		297
Balance at April 30, 2001	6,090	19,278	253,226	(2,248)	(8,926)	(16,635)	250,785
Net income			30,851				30,851
Foreign currency translation adjustment						1,669	1,669
Minimum pension liability						(797)	(797)
Comprehensive Income							31,723
Purchase of treasury shares	(11)	(483)	(634)				(1,128)
Stock plans	138	11,590		(477)			11,251
Cash dividends declared – $0.68 a share			(15,650)				(15,650)
Tax benefit of stock plans		2,799					2,799
Other					364		364
Balance at April 30, 2002	6,217	33,184	267,793	(2,725)	(8,562)	(15,763)	280,144
Net income			96,342				96,342
Foreign currency translation adjustment						8,268	8,268
Minimum pension liability						(8,629)	(8,629)
Loss on available-for-sale securities						(296)	(296)
Gains on cash flow hedging derivatives						236	236
Comprehensive Income							95,921
Merger share exchange	(341)	341					—
Business acquired	6,506	774,979					781,485
Stock plans	60	5,628		(100)			5,588
Cash dividends declared – $0.83 a share			(41,071)				(41,071)
Tax benefit of stock plans		1,635					1,635
Other					469		469
Balance at April 30, 2003	**$12,442**	**$815,767**	**$323,064**	**$(2,825)**	**$(8,093)**	**$(16,184)**	**$1,124,171**

See notes to consolidated financial statements.

▪▪▪ Note A: Accounting Policies ▪▪▪

Principles of Consolidation: The consolidated financial statements include the accounts of the Company, its wholly-owned subsidiaries, and its majority-owned equity investment. All significant intercompany transactions and accounts are eliminated in consolidation.

Use of Estimates: The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make certain estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Significant estimates in these consolidated financial statements include: restructuring costs, allowances for doubtful accounts receivable, estimates of future cash flows associated with assets, asset impairments, useful lives for depreciation and amortization, loss contingencies, net realizable value of inventories, accruals for marketing and merchandising programs, and the determination of discount and other rate assumptions for defined benefit pension and other postretirement benefit expenses. Actual results could differ from these estimates.

Revenue Recognition: The Company recognizes revenue when products are shipped and title has transferred to the customer.

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, *Revenue Recognition in Financial Statements* (SAB 101), which among other guidance, clarified the Staff's view on various revenue recognition and reporting matters. The implementation of SAB 101 was accounted for as a change in accounting method and applied cumulatively as if the change occurred as of May 1, 2000. The effect of the change was a one-time, noncash reduction to the Company's earnings of $992,000 (net of tax of $572,000), or approximately $0.04 per share.

Financial Instruments: Financial instruments, other than derivatives, that potentially subject the Company to significant concentrations of credit risk consist principally of cash investments and accounts receivable. The Company places its cash investments with high quality financial institutions and limits the amount of credit exposure to any one institution. The Company considers all short-term investments with a maturity of three months or less when purchased to be cash equivalents. With respect to accounts receivable, concentration of credit risk is limited due to the large number of customers. The Company does not require collateral from its customers. The fair value of the Company's financial instruments, other than certain of its fixed-rate long-term debt, approximates their carrying amounts. The fair value of the Company's fixed-rate long-term debt, estimated using current market rates and a discounted cash flow analysis was approximately $130,350,000 at April 30, 2003.

Major Customer: Sales to Wal-Mart Stores, Inc., and subsidiaries amounted to approximately 14 percent of consolidated net sales in fiscal 2003. These sales are included in the U.S. retail market. No other customer exceeded ten percent of consolidated net sales for any year.

Derivative Financial Instruments: The Company utilizes derivative instruments such as commodity futures contracts and interest rate swaps to hedge exposure to changes in commodity prices, interest rates, and foreign currency exchange rates. The Company accounts for these derivative instruments under Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133). SFAS 133 requires that all derivative instruments be recognized in the financial statements and measured at fair value regardless of the purpose or intent for holding them. For derivatives that are designated as a hedge and used to hedge an existing asset or liability, both the derivative and hedged item are recognized at fair value with any changes recognized immediately in the Statements of Consolidated Income. For derivatives designated as a hedge that are used to hedge an anticipated transaction, changes in fair value are deferred and recorded in shareholders' equity as a component of accumulated other comprehensive loss to the extent the hedge is effective and then recognized in cost of products sold in the period during which the hedged transaction affects earnings. Any ineffectiveness associated with the hedge or changes in fair value of derivatives that are nonqualifying are recognized immediately in earnings. By policy, the Company has not historically entered into derivative financial instruments for trading purposes or for speculation.

Allowance for Doubtful Accounts: On a regular basis, the Company evaluates its accounts receivable and establishes the allowance for doubtful accounts based on a combination of specific customer circumstances, credit conditions, and historical write-offs and collections. A receivable is considered past due if payments have not been received within the agreed upon invoice terms. The allowance for doubtful accounts at April 30, 2003 and 2002, was $972,000 and $515,000, respectively.

Inventories: Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out method.

Goodwill and Other Intangible Assets: Goodwill is the excess of the purchase price paid over the fair value of the net assets of the business acquired. As discussed in Note B, the Company adopted Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* (SFAS 142), effective May 1, 2002. In accordance with SFAS 142, goodwill and indefinite-lived intangible assets are no longer amortized but are reviewed at least annually for impairment. The Company conducts its annual test of impairment for goodwill and indefinite-lived intangible assets in the fourth quarter. In addition, the Company will test again for impairment if events or circumstances occur subsequent to the Company's annual impairment tests that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Other finite-lived intangible assets will continue to be amortized over their useful lives. Prior to fiscal 2003, goodwill and other intangible assets, principally trademarks and patents, were amortized using the straight-line method over periods ranging from 5 to 40 years for acquisitions prior to July 1, 2001.

Property, Plant, and Equipment: Property, plant, and equipment are recorded at cost and are depreciated on a straight-line basis over the estimated useful lives of the assets (3 to 15 years for machinery and equipment, and 10 to 40 years for buildings, fixtures, and improvements).

The Company leases certain land, buildings, and equipment for varying periods of time, with renewal options. Leases of cold storage facilities are continually renewed. Total rental expense in fiscal 2003, 2002, and 2001 totaled $17,324,000, $10,430,000, and $11,827,000, respectively. Rental expense for cold storage facilities, which is based on quantities stored, amounted to $2,801,000, $2,324,000, and $3,319,000 in fiscal 2003, 2002, and 2001, respectively.

Impairment of Long-Lived Assets: Effective May 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets* (SFAS 144). SFAS 144 supersedes Statement of Financial Accounting Standards No. 121, *Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of,* to supply a single accounting approach for measuring impairment of long-lived assets, including finite-lived intangible assets, businesses accounted for as a discontinued operation, assets to be sold, and assets to be disposed of other than by sale. The initial adoption of SFAS 144 did not have a significant impact on the Company's results of operations or financial position.

Under SFAS 144, long-lived assets, except goodwill and indefinite-lived intangible assets, are reviewed for impairment when circumstances indicate the carrying value of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of the assets to future net cash flows estimated by the Company to be generated by such assets. If such assets are considered to be impaired, the impairment to be recognized is the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are recorded at the lower of carrying value or estimated net realizable value.

Software Costs: The Company capitalizes significant costs associated with the development and installation of internal use software. Amounts capitalized are amortized over the estimated useful lives of the software, ranging from three to seven years, beginning with the project's completion. Net capitalized software costs as of April 30, 2003 and 2002, were $27,504,000 and $28,173,000, respectively, of which $4,400,000 and $3,484,000 were included in construction in progress.

Shipping and Handling Costs: Shipping and handling costs are included in cost of products sold.

Advertising Expense: Advertising costs are expensed as incurred. Advertising expense was $45,783,000, $15,525,000, and $14,178,000 in fiscal 2003, 2002, and 2001, respectively.

Stock Compensation: As provided under Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* (SFAS 123), the Company has elected to follow Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (APB 25), and related interpretations in accounting for its employee stock options. Under APB 25, because the exercise price of the Company's employee stock options equals the market price of the underlying stock on the date of grant, no compensation expense is recognized.

If compensation costs for the stock options granted had been determined based on the fair market value method of SFAS 123, the Company's pro forma net income and earnings per share would have been as follows:

	Year Ended April 30,		
(Dollars in thousands, except per share data)	**2003**	2002	2001
Net income, as reported	**$96,342**	$30,851	$27,206
Total stock-based compensation expense determined under fair value-based methods for all awards, net of tax benefit	**(2,581)**	(1,061)	(1,188)
Net income, as adjusted	**$93,761**	$29,790	$26,018
Earnings per common share:			
Net income, as reported	**$ 2.04**	$ 1.33	$ 1.13
Total stock-based compensation expense determined under fair value-based methods for all awards, net of tax benefit	**(0.06)**	(0.04)	(0.05)
Net income, as adjusted	**$ 1.98**	$ 1.29	$ 1.08
Net income, as reported – assuming dilution	**$ 2.02**	$ 1.31	$ 1.12
Total stock-based compensation expense determined under fair value-based methods for all awards, net of tax benefit – assuming dilution	**(0.06)**	(0.04)	(0.05)
Net income, as adjusted – assuming dilution	**$ 1.96**	$ 1.27	$ 1.07

The fair value of each option grant was estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions:

	Year Ended April 30,	
	2003	2001
Average expected term (years)	**5**	5
Risk-free interest rate	**4.08%**	5.75%
Dividend yield	**2.50%**	2.60%
Volatility	**27.70%**	27.00%
Fair value of options granted	**$8.06**	$6.49

The Black-Scholes option-pricing model was developed for use in estimating the fair value of traded options that have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including the expected share price volatility.

Income Taxes: The Company accounts for income taxes pursuant to the asset and liability method. Under that method, deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in the tax rate is recognized in income or expense in the period that the change is effective.

Foreign Currency Translation: Assets and liabilities of the Company's foreign subsidiaries are translated using the exchange rates in effect at the balance sheet date, while income and expenses are translated using average rates. Translation adjustments are reported as a component of shareholders' equity in accumulated other comprehensive loss.

Recently Issued Accounting Standards: The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards No. 148, *Accounting for Stock-Based Compensation—Transition and Disclosure* (SFAS 148). SFAS 148 amends Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* (SFAS 123), to provide alternative methods of transition when a company voluntarily changes to the fair value-based method of recognizing expense in the income statement for stock-based employee compensation, including stock options granted to employees. As allowed by SFAS 123, the Company has adopted the disclosure-only provisions of the standard and does not recognize compensation expense for stock options granted to employees.

In July 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* (SFAS 146). SFAS 146 addresses financial accounting and reporting for costs associated with exit and disposal activities and nullifies Emerging Issues Task Force Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)*. The provisions of SFAS 146 are effective for exit or disposal activities that are initiated after December 31, 2002. The adoption of SFAS 146 did not have a material impact on the Company's consolidated financial statements.

Risks and Uncertainties: In the domestic markets, the Company's products are primarily sold through brokers to food retailers, food wholesalers, club stores, mass merchandisers, military commissaries, health and natural food stores, foodservice distributors, and chain operators including: hotels and restaurants, schools and other institutions, and other food manufacturers. The Company's operations outside the United States is principally in Canada, Australia, and Brazil. The Company believes there is no concentration of risk with any single customer or supplier whose failure or nonperformance would materially affect the Company's results. In addition, the Company insures its business and assets in each country against insurable risks, to the extent that it deems appropriate, based upon an analysis of the relative risks and costs. The Company believes that the risk of loss from noninsurable events would not have a material adverse effect on the Company's operations as a whole.

Reclassifications: Certain prior year amounts have been reclassified to conform to current year classifications.

▪▪▪ Note B: Changes in Accounting Principle ▪▪▪

Effective May 1, 2002, the Company adopted Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* (SFAS 142). In accordance with SFAS 142, goodwill and indefinite-lived intangible assets are no longer amortized but are reviewed at least annually for impairment. Prior to the adoption of SFAS 142, amortization expense was recorded for goodwill and other intangible assets.

The following table sets forth a reconciliation of net income and earnings per share information adjusted for the non-amortization provisions of SFAS 142.

	Year Ended April 30,		
(Dollars in thousands, except per share data)	**2003**	2002	2001
Net income, as reported	**$96,342**	$30,851	$27,206
Goodwill and indefinite-lived intangible asset amortization, net of tax benefit	—	2,177	2,347
Net income, as adjusted	**$96,342**	$33,028	$29,553
Earnings per common share:			
Net income, as reported	**$ 2.04**	$ 1.33	$ 1.13
Goodwill and indefinite-lived intangible asset amortization, net of tax benefit	—	0.10	0.10
Net income, as adjusted	**$ 2.04**	$ 1.43	$ 1.23
Net income, as reported – assuming dilution	**$ 2.02**	$ 1.31	$ 1.12
Goodwill and indefinite-lived intangible asset amortization, net of tax benefit – assuming dilution	—	0.10	0.10
Net income, as adjusted – assuming dilution	**$ 2.02**	$ 1.41	$ 1.22

In fiscal 2003, the Company completed its initial and annual impairment tests for goodwill, under SFAS 142. These tests confirmed that the fair value of the Company's reporting units exceeds their carrying values, and that no impairment loss needed to be recognized for goodwill during fiscal 2003.

▪▪▪ Note C: Merger ▪▪▪

On June 1, 2002, the Company merged the *Jif* peanut butter and *Crisco* shortening and oils businesses of The Procter & Gamble Company (P&G) with and into the Company in a tax-free stock transaction. Under the terms of the agreement, P&G spun off its *Jif* and *Crisco* businesses to its shareholders and immediately thereafter those businesses were merged with and into the Company. P&G shareholders received one Company common share for every 50 P&G common shares that they held as of the record date for the distribution of the *Jif* and *Crisco* businesses to the P&G shareholders. The Company's shareholders received 0.9451 of a new Company common share for each Company common share that they held immediately prior to the merger. Approximately 26,000,000 common shares were issued to the P&G shareholders, valued at approximately $781,485,000 based on the average market price of the Company's common shares over the period from three days before to three days after the terms of the merger were announced. Upon completion of the merger, the Company had 49,531,376 common shares outstanding.

The conversion of the Company's common shares into new Company common shares has been treated in a manner similar to a reverse stock split. All per share data for all periods presented have been restated to reflect the effects of the conversion.

The merger and the combination of three brands—*Smucker's, Jif,* and *Crisco*—enhances the Company's strategic and market position. The merger was accounted for as a purchase business combination and for accounting purposes, the Company was the acquiring enterprise. Accordingly, the results of the *Jif* and *Crisco* operations are included in the Company's consolidated financial statements from the date of the merger. The aggregate purchase price was approximately $792,252,000 including $10,767,000 of capitalized acquisition related expenses. In addition, the Company incurred costs of $10,511,000 and $5,031,000 in fiscal 2003 and 2002, respectively, that were directly related to the merger and integration of *Jif* and *Crisco*. Due to the nature of these costs, they were expensed as incurred.

The assets acquired and liabilities assumed in the merger of the *Jif* and *Crisco* businesses were recorded at estimated fair values as determined by Company management. The Company obtained independent appraisals for the fair value of property, plant, and equipment and identified intangible assets. A summary of the assets acquired and liabilities assumed in the merger follows:

(Dollars in thousands)	
Assets:	
Tangible assets	$ 138,152
Intangible assets not subject to amortization	305,000
Intangible assets subject to amortization (ten year useful life)	1,000
Goodwill	488,950
Total assets acquired	$ 933,102
Total liabilities assumed	$(140,850)
Net assets acquired	$ 792,252

The $488,950,000 of goodwill relates to the U.S. retail market segment and will not be deductible for tax purposes.

Had the merger of the *Jif* and *Crisco* businesses with and into the Company occurred at the beginning of fiscal 2002, pro forma consolidated results would have been as follows:

	Year Ended April 30,	
(Dollars in thousands)	**2003**	2002
Net sales	**$1,355,000**	$1,283,000
Operating income, excluding indirect expenses of the *Jif* and *Crisco* businesses	**$ 188,000**	$ 235,000

▪▪▪ Note D: Restructuring ▪▪▪

During fiscal 2003, the Company announced its plan to restructure certain operations as part of its ongoing efforts to optimize its production capacity, improve productivity and operating efficiencies, and lower the Company's overall cost base. These initiatives include reducing the Company's involvement in fruit processing, centralizing production and distribution of the *Uncrustables* product line, and significantly reducing the number of items available for sale. The program calls for the closing of three of the Company's plants—Watsonville, California; Woodburn, Oregon; and West Fargo, North Dakota. The closings will result in the elimination of approximately 335 full-time positions.

The Company expects to record a restructuring charge of approximately $18,000,000, of which $2,537,000 was recorded in fiscal 2003. The balance of the charge will be incurred over the next two fiscal years, with approximately $12,000,000 to be recorded in fiscal 2004.

The following table summarizes the activity with respect to the restructuring and asset impairment charges recorded and reserves established during fiscal 2003 and the total amount expected to be incurred in connection with the initiative:

(Dollars in thousands)	Employee Separation	Long-Lived Asset Charges	Equipment Relocation	Other Costs	Total
Total expected restructuring charge	$8,068	$5,158	$3,380	$1,394	$18,000
Balance at April 30, 2002	$ —	$ —	$ —	$ —	$ —
Current period charges	1,116	1,055	—	366	2,537
Current period utilization	—	—	—	(366)	(366)
Balance at April 30, 2003	**$1,116**	**$1,055**	**$ —**	**$ —**	**$ 2,171**
Remaining expected restructuring charge	$6,952	$4,103	$3,380	$1,028	$15,463

Approximately $1,256,000 of the total restructuring charge of $2,537,000 was reported in costs of products sold in the accompanying Statements of Consolidated Income, while the remaining charges were reported in other restructuring costs. In accordance with Statement of Financial Accounting Standards No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*, expected employee separation costs of approximately $8,068,000 are being recognized over the future service period.

Long-lived asset charges include accelerated depreciation related to machinery and equipment that will be used by the production facilities until they close.

During fiscal 2001, the Company finalized the sale of the Pottstown manufacturing facility, representing a continuation of the Company's divestiture of the *Mrs. Smith's* pie business. In connection with this sale, the Company recorded a non-cash restructuring charge of $2,152,000.

▪▪▪ Note E: Reportable Segments ▪▪▪

Effective June 1, 2002, the Company realigned its business segment structure in recognition of the changes resulting from the addition of the *Jif* and *Crisco* businesses. Prior year segment information has been restated to conform to the new structure.

The Company operates in one industry: the manufacturing and marketing of food products. The Company has two reportable segments: U.S. retail market and special markets. The U.S. retail market segment includes the consumer and the consumer oils businesses. This segment represents the primary strategic focus area for the Company—the sale of branded food products with leadership positions to consumers through mainstream domestic retail outlets. The special markets segment represents the aggregation of the foodservice, international, industrial, and beverage businesses. Special markets segment products are distributed through foreign countries, foodservice distributors and operators (i.e., restaurants, schools and universities, health care operations), other food manufacturers, and health and natural food stores.

The following table sets forth reportable segment and geographical information:

(Dollars in thousands)	Year Ended April 30, 2003	2002	2001
Net sales:			
U.S. retail market	**$ 889,871**	$323,636	$313,598
Special markets	**421,873**	363,512	337,644
Total net sales	**$1,311,744**	$687,148	$651,242
Segment profit:			
U.S. retail market	**$ 197,709**	$ 68,691	$ 59,502
Special markets	**53,960**	42,788	36,189
Total segment profit	**$ 251,669**	$111,479	$ 95,691
Interest income	**2,039**	2,181	2,918
Interest expense	**(8,752)**	(9,207)	(7,787)
Amortization expense	**(1,817)**	(4,625)	(4,400)
Restructuring costs	**(2,537)**	—	(2,152)
Merger and integration costs	**(10,511)**	(5,031)	—
Corporate administrative expenses	**(72,110)**	(46,681)	(39,443)
Other unallocated (expenses) income	**(2,591)**	2,082	(335)
Income before income taxes and cumulative effect of change in accounting method	**$ 155,390**	$ 50,198	$ 44,492
Net sales:			
Domestic	**$1,190,190**	$590,327	$557,921
International	**121,554**	96,821	93,321
Total net sales	**$1,311,744**	$687,148	$651,242
Assets:			
Domestic	**$1,511,553**	$438,644	$402,021
International	**103,854**	86,248	77,083
Total assets	**$1,615,407**	$524,892	$479,104
Long-lived assets:			
Domestic	**$1,109,859**	$211,380	$210,222
International	**38,888**	33,699	33,640
Total long-lived assets	**$1,148,747**	$245,079	$243,862

Segment profit represents revenue less direct and allocable operating expenses.

The following table presents product sales information:

	Year Ended April 30,		
	2003	2002	2001
Peanut butter	**26%**	7%	7%
Shortening and oils	**22**	—	—
Fruit spreads	**20**	37	38
Industrial ingredients	**8**	16	15
Portion control	**6**	11	12
Juices and beverages	**5**	10	10
Toppings and syrups	**5**	8	9
Other	**8**	11	9
Total	**100%**	100%	100%

▪▪▪ Note F: Earnings per Share ▪▪▪

The following table sets forth the computation of earnings per common share and earnings per common share—assuming dilution:

	Year Ended April 30,		
(Dollars in thousands, except per share data)	**2003**	2002	2001
Numerator:			
Net income for earnings per common share and earnings per common share – assuming dilution	**$96,342**	$30,851	$27,206
Denominator:			
Denominator for earnings per common share – weighted-average shares	**47,309,257**	23,114,494	24,032,113
Effect of dilutive securities:			
Stock options	**366,629**	318,104	140,535
Restricted stock	**88,891**	60,767	76,971
Denominator for earnings per common share – assuming dilution	**47,764,777**	23,493,365	24,249,619
Net income per common share	**$ 2.04**	$ 1.33	$ 1.13
Net income per common share – assuming dilution	**$ 2.02**	$ 1.31	$ 1.12

▪▪▪ Note G: Goodwill and Other Intangibles ▪▪▪

A summary of changes in the Company's goodwill during the year ended April 30, 2003, by reportable segment is as follows:

(Dollars in thousands)	Balance at April 30, 2002	Acquisitions	Other	Balance at April 30, 2003
U.S. retail market	$13,353	$488,950	$ —	**$502,303**
Special markets	20,157	—	3,482	**23,639**
Total	$33,510	$488,950	$3,482	**$525,942**

The Company's other intangible assets and related accumulated amortization is as follows:

	April 30, 2003			April 30, 2002		
(Dollars in thousands)	Acquisition Cost	Accumulated Amortization	Net	Acquisition Cost	Accumulated Amortization	Net
Finite-lived intangible assets:						
Patents	$ 1,000	$ 91	$ 909	$ —	$ —	$ —
Customer lists and formulas	3,887	583	3,304	3,887	194	3,693
Total intangible assets subject to amortization	$ 4,887	$674	$ 4,213	$ 3,887	$194	$ 3,693
Indefinite-lived intangible assets:						
Trademarks	$316,196	$ —	$316,196	$11,132	$ —	$11,132
Total intangible assets not subject to amortization	$316,196	$ —	$316,196	$11,132	$ —	$11,132
Total other intangible assets	$321,083	$674	$320,409	$15,019	$194	$14,825

Amortization expense for finite-lived intangible assets was approximately $480,000 in fiscal 2003. Based on the current amount of intangible assets subject to amortization, the estimated amortization expense for each of the succeeding five years is $490,000.

Pursuant to Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, the Company is required to review goodwill and indefinite-lived intangible assets at least annually for impairment. The annual impairment review of all appropriate assets was performed as of February 1, 2003.

▪▪▪ Note H: Pensions and Other Postretirement Benefits ▪▪▪

The Company has pension plans covering substantially all of its domestic employees. Benefits are based on the employee's years of service and compensation. The Company's plans are funded in conformity with the funding requirements of applicable government regulations.

In addition to providing pension benefits, the Company sponsors several unfunded, defined postretirement plans that provide health care and life insurance benefits to substantially all active and retired domestic employees not covered by certain collective bargaining agreements, and their covered dependents and beneficiaries. These plans are contributory, with retiree contributions adjusted periodically, and contain other cost-sharing features, such as deductibles and coinsurance. Covered employees generally are eligible for these benefits when they reach age 55 and have attained ten years of credited service.

Net periodic benefit cost included the following components:

(Dollars in thousands)	Defined Benefit Pension Plans			Other Postretirement Benefits		
Year Ended April 30,	**2003**	2002	2001	**2003**	2002	2001
Service cost	**$3,121**	$2,414	$2,133	**$ 695**	$ 506	$424
Interest cost	**5,976**	5,504	5,303	**990**	737	673
Expected return on plan assets	**(6,106)**	(6,444)	(6,571)	**—**	—	—
Amortization of prior service cost (credit)	**1,239**	1,087	1,086	**(45)**	(61)	(61)
Amortization of initial net asset	**(234)**	(234)	(142)	**—**	—	—
Recognized net actuarial loss (gain)	**131**	(177)	(823)	**(78)**	(160)	(218)
Net periodic benefit cost	**$4,127**	$2,150	$ 986	**$1,562**	$1,022	$818

The following table sets forth the combined status of the plans as recognized in the Consolidated Balance Sheets:

	Defined Benefit Pension Plans		Other Postretirement Benefits	
	April 30,		April 30,	
(Dollars in thousands)	**2003**	2002	**2003**	2002
Change in benefit obligation:				
Benefit obligation at beginning of the year	**$ 81,453**	$ 74,898	**$ 11,788**	$ 9,991
Service cost	**3,121**	2,414	**695**	506
Interest cost	**5,976**	5,504	**990**	737
Amendments	**5,252**	197	**214**	—
Acquisition	**—**	—	**2,018**	—
Actuarial loss	**15,331**	1,457	**6,908**	887
Participant contributions	**—**	—	**205**	193
Benefits paid	**(3,415)**	(3,017)	**(1,084)**	(526)
Benefit obligation at end of the year	**$107,718**	$ 81,453	**$ 21,734**	$ 11,788
Change in plan assets:				
Fair value of plan assets at beginning of the year	**$ 68,747**	$ 72,685	**$ —**	$ —
Actual return on plan assets	**(4,160)**	(2,499)	**—**	—
Company contributions	**3,001**	1,578	**879**	333
Participant contributions	**—**	—	**205**	193
Benefits paid	**(3,415)**	(3,017)	**(1,084)**	(526)
Fair value of plan assets at end of the year	**$ 64,173**	$ 68,747	**$ —**	$ —
Net amount recognized:				
Funded status of the plans	**$ (43,545)**	$(12,706)	**$(21,734)**	$(11,788)
Unrecognized net actuarial loss (gain)	**26,836**	1,370	**4,553**	(2,433)
Unrecognized prior service cost (credit)	**13,345**	9,332	**(433)**	(692)
Unrecognized initial asset	**(531)**	(765)	**—**	—
Net benefit liability recognized	**$ (3,895)**	$ (2,769)	**$(17,614)**	$(14,913)
Accrued benefit liability	**$ (32,385)**	$(13,996)	**$(17,614)**	$(14,913)
Prepaid benefit costs	**—**	5,589	**—**	—
Intangible asset	**13,345**	4,410	**—**	—
Minimum pension liability	**15,145**	1,228	**—**	—
Net benefit liability recognized	**$ (3,895)**	$ (2,769)	**$(17,614)**	$(14,913)
Weighted-average assumptions:				
Discount rate	**6.25%**	7.25%	**6.25%**	7.25%
Expected return on plan assets	**9.00%**	9.00%	**—**	—
Rate of compensation increase	**4.50%**	4.50%	**—**	—

For fiscal 2004, the assumed health care cost trend rates are 8.5 percent for all participants. The rate for participants under age 65 is assumed to decrease to five percent in fiscal 2008. The health care cost trend rate assumption has a significant effect on the amount of the other postretirement benefits obligation and periodic other postretirement benefits cost reported. A one-percentage point annual change in the assumed health care cost trend rate would have the following effect as of April 30, 2003:

	One Percentage Point	
(Dollars in thousands)	Increase	Decrease
Effect on total service and interest cost components	$ 357	$ (277)
Effect on benefit obligation	$4,031	$(3,169)

Pension plan assets consist of listed stocks and government obligations, including 317,552 of the Company's common shares at April 30, 2003 and April 30, 2002. The market value of these shares is $11,521,000 at April 30, 2003. The Company paid dividends of $245,000 on these shares during fiscal 2003. Prior service costs are being amortized over the average remaining service lives of the employees expected to receive benefits.

The Company also charged to operations approximately $1,129,000, $958,000, and $870,000 in fiscal 2003, 2002, and 2001, respectively, for contributions to foreign pension plans and to plans not administered by the Company on behalf of employees subject to certain labor contracts. These amounts were determined in accordance with foreign actuarial computations and provisions of the labor contracts. The Company is unable to determine its share of either the accumulated plan benefits or net assets available for benefits under such plans.

In addition, certain of the Company's active employees participate in multiemployer plans that provide defined postretirement health care benefits. The aggregate amount contributed to these plans, including the charge for net periodic postretirement benefit costs, totaled $2,316,000, $1,851,000, and $1,719,000 in fiscal 2003, 2002, and 2001, respectively.

▪▪▪ Note I: Savings Plans ▪▪▪

ESOP: The Company sponsors an Employee Stock Ownership Plan and Trust (ESOP) for certain domestic, nonrepresented employees. The Company has entered into loan agreements with the Trustee of the ESOP for purchases by the ESOP of the Company's common shares in amounts not to exceed a total of 1,134,120 unallocated common shares of the Company at any one time. These shares are to be allocated to participants over a period of not less than 20 years. ESOP loans bear interest at one-half percentage point over prime and are payable as shares are allocated to participants. Interest incurred on ESOP debt was $406,000, $538,000, and $768,000 in fiscal 2003, 2002, and 2001, respectively. Contributions to the plan are made annually in amounts sufficient to fund ESOP debt repayment. Dividends on unallocated shares are used to reduce expense and were $368,000, $336,000, and $362,000 in fiscal 2003, 2002, and 2001, respectively. The principal payments received from the ESOP in fiscal 2003, 2002, and 2001 were $469,000, $364,000, and $297,000, respectively.

As permitted by Statement of Position 93-6, *Employers' Accounting for Employee Stock Ownership Plans*, the Company will continue to recognize future compensation using the cost basis as all shares currently held by the ESOP were acquired prior to 1993. At April 30, 2003, the ESOP held 458,419 unallocated shares. All shares held by the ESOP were considered outstanding in earnings per share calculations for all periods presented.

401(k) Plan: The Company offers employee savings plans under Section 401(k) of the Internal Revenue Code for all domestic employees not covered by certain collective bargaining agreements. The Company's contributions under these plans are based on a specified percentage of employee contributions. Charges to operations for these plans in fiscal 2003, 2002, and 2001 were $2,635,000, $1,445,000, and $1,421,000, respectively.

▪▪▪ Note J: Stock Benefit Plans ▪▪▪

The Company provides for equity-based incentives to be awarded to key employees through the 1998 Equity and Performance Incentive Plan, the Restricted Stock Bonus Plan adopted in 1979, and the 1987 Stock Option Plan, and to nonemployee directors through the Nonemployee Director Stock Option Plan adopted in fiscal 2002.

1998 Equity and Performance Incentive Plan: This plan provides for the issuance of stock options and restricted stock, which may include performance criteria, as well as stock appreciation rights, deferred shares, and performance shares. At April 30, 2003, there were 2,472,779 common shares available for future issuance under this plan. Of this total amount available for issuance, the amount of restricted stock available for issuance is limited to 891,726 common shares. Restricted stock issued under this plan is subject to a risk of forfeiture for at least three years in the event of termination of employment or failure to meet performance criteria, if any. All restricted shares issued to date under the plan are subject to a four-year forfeiture period. Options granted under this plan become exercisable at the rate of one-third per year, beginning one year after the date of grant, and the option price is equal to the market value of the shares on the date of the grant.

Restricted Stock Bonus Plan: Shares awarded under this plan contain certain restrictions for four years relating to, among other things, forfeiture in the event of termination of employment and to transferability. Shares awarded are issued as of the date of the award and a deferred compensation charge is recorded at the market value of the shares on the date of the award. The deferred compensation charge is recognized as expense over the period during which restrictions are in effect. In fiscal 2002, 46,499 common shares were awarded under this plan. No awards were granted in fiscal 2001 and 2003. There are no common shares available for future issuance under this plan.

1987 Stock Option Plan: Options granted under this plan become exercisable at the rate of one-third per year, beginning one year after the date of grant, and the option price is equal to the market value of the shares on the date of the grant. There are 18,162 common shares available for future grant under this plan.

Nonemployee Director Stock Option Plan: This plan provides for the issuance of stock options to nonemployee directors annually, on September 1 of each year. Options granted under this plan become exercisable six months after the date of grant, and the option price is equal to the market value of the shares on the date of the grant. There are 69,510 common shares available for future grant under this plan.

A summary of the Company's stock option activity, and related information follows:

	Options	Weighted-Average Exercise Price
Outstanding at May 1, 2000	2,496,692	$22.47
Granted	388,408	25.00
Exercised	(531,394)	19.52
Forfeited	(168,532)	25.32
Outstanding at April 30, 2001	2,185,174	$23.41
Granted	—	—
Exercised	(581,062)	24.96
Forfeited	(29,424)	31.63
Outstanding at April 30, 2002	1,574,688	$22.69
Granted	1,275,000	33.72
Exercised	(220,356)	22.69
Forfeited	(13,247)	30.15
Outstanding at April 30, 2003	**2,616,085**	**$28.03**
Exercisable at April 30, 2001	1,518,431	$23.69
Exercisable at April 30, 2002	1,279,258	$22.45
Exercisable at April 30, 2003	**1,258,103**	**$22.73**

The following table summarizes the range of exercise prices and weighted-average exercise prices for options outstanding and exercisable at April 30, 2003, under the Company's stock benefit plans:

Range of Exercise Prices	Outstanding	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (years)	Exercisable	Weighted-Average Exercise Price
$16.87–$24.99	688,899	$19.99	4.8	688,899	$19.99
$25.00–$36.64	1,927,186	$30.90	7.9	569,204	$26.05

The following table summarizes the Company's stock benefit plans in two categories—plans that have been approved by shareholders, and plans that have not:

Plan Category	Number of Common Shares to be Issued Upon Exercise of Outstanding Options	Weighted-Average Exercise Price of Outstanding Options	Number of Common Shares Available for Future Issuance Under Equity Compensation Plans
Stock benefit plans approved by shareholders	2,616,085	$28.03	2,560,451
Stock benefit plans not approved by shareholders	—	—	—
Total stock benefit plans	2,616,085	$28.03	2,560,451

▪▪▪ Note K: Long-Term Debt and Financing Arrangements ▪▪▪

Long-term debt consists of the following:

	April 30,	
(Dollars in thousands)	**2003**	2002
6.77% Senior Notes due June 1, 2009	**$ 75,000**	$ 75,000
7.70% Series A Senior Notes due September 1, 2005	**17,000**	17,000
7.87% Series B Senior Notes due September 1, 2007	**33,000**	33,000
7.94% Series C Senior Notes due September 1, 2010	**10,000**	10,000
Total long-term debt	**$135,000**	$135,000

The notes are unsecured and interest is paid semiannually. Among other restrictions, the note purchase agreements contain certain covenants relating to liens, consolidated net worth, and sale of assets as defined in the agreements. The Company is in compliance with all covenants.

Interest paid totaled $10,613,000, $9,800,000, and $8,328,000 in fiscal 2003, 2002, and 2001, respectively.

Financing arrangements: The Company has uncommitted lines of credit providing up to $120,000,000 for short-term borrowings. No amounts were outstanding at April 30, 2003. The interest rate to be charged on any outstanding balance is based on prevailing market rates.

▪▪▪ Note L: Derivative Financial Instruments ▪▪▪

The Company is exposed to market risks, such as changes in interest rates, currency exchange rates, and commodity pricing. To manage the volatility relating to these exposures, the Company enters into various derivative transactions.

Commodity price management: In connection with the purchase of raw materials used by the Company's consumer oils business, primarily soybean and canola oils, the Company enters into commodity futures and options contracts to manage the price volatility related to anticipated inventory purchases. The commodity futures contracts generally have maturities of less than one year, meet the hedge criteria according to Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* (SFAS 133), and are accounted for as cash flow hedges. The mark-to-market gains or losses on qualifying hedges are deferred and included as a component of other comprehensive income/loss to the extent effective, and then recognized in earnings in the period during which the hedged transaction affects earnings.

In order to qualify as a hedge of commodity price risk, it must be demonstrated that the changes in the fair value of the commodities futures contracts are highly effective in hedging price risks associated with commodity purchases and related transportation costs. Hedge ineffectiveness is measured on a quarterly basis and the ineffective portion of gains and losses is recorded in cost of products sold in accordance with SFAS 133.

As of April 30, 2003, the deferred gain included in accumulated other comprehensive loss was $236,000, net of tax. This entire amount is expected to be recognized in earnings during fiscal 2004. Gains on commodities futures contracts and options recognized in earnings during fiscal 2003 were $4,050,000.

Interest rate hedging: The Company's policy is to manage interest cost using a mix of fixed- and variable-rate debt. To manage this mix in a cost efficient manner, the Company may periodically enter into interest rate swaps in which the Company agrees to exchange, at specified intervals, the difference between fixed and variable interest amounts calculated by reference to an agreed-upon notional principal amount. The interest rate swap agreements effectively modify the Company's exposure to interest risk by converting a portion of the Company's fixed-rate debt to a floating rate. The interest rate swap and the instrument being hedged is marked to market in the balance sheet. The mark-to-market value of both the fair value hedging instruments and the underlying debt obligations are recorded as equal and offsetting gains or losses in other (expense) income. No other cash payments are made unless the contract is terminated prior to maturity, in which case the amount paid or received in settlement is established by agreement at the time of termination, and usually represents the net present value, at current rates of interest, of the remaining obligations to exchange payments under the terms of the contract. Any gains or losses upon the early termination of the interest rate swap contracts are deferred and recognized over the remaining life of the contract.

During fiscal 2003, the Company terminated its interest rate swap agreements prior to maturity. These agreements were originally entered in fiscal 2002 and then subsequently again in December 2002. As a result of the early terminations, the Company received $4,092,000 in cash and realized a corresponding gain, which has been deferred. This deferred gain will be recognized in earnings over the remaining lives of the original swap agreements as a reduction of future interest expense. At April 30, 2003, the balance of the deferred gains related to the terminated swaps was $3,640,000 and is included in other noncurrent liabilities.

▪▪▪ Note M: Income Taxes ▪▪▪

Deferred income taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax reporting. Significant components of the Company's deferred tax assets and liabilities are as follows:

	April 30,	
(Dollars in thousands)	**2003**	2002
Deferred tax liabilities:		
Intangible assets	**$118,925**	$ 872
Depreciation	**28,109**	10,150
Software and other deferred expenses	**6,408**	4,898
Change in inventory accounting method	**—**	1,769
Other (each less than five percent of total liabilities)	**1,574**	910
Total deferred tax liabilities	**$155,016**	$18,599
Deferred tax assets:		
Postretirement benefits other than pensions	**$ 7,217**	$ 6,136
Other employee benefits	**7,267**	5,091
Pensions	**6,715**	—
Intangible assets	**4,041**	4,146
Marketing accruals	**2,036**	405
Other (each less than five percent of total assets)	**3,915**	2,825
Total deferred tax assets	**31,191**	18,603
Valuation allowance for deferred tax assets	**(1,755)**	(1,560)
Total deferred tax assets less allowance	**$ 29,436**	$17,043
Net deferred tax liability	**$125,580**	$ 1,556

The Company has recorded a valuation allowance related to certain foreign deferred tax assets due to the uncertainty of their realization.

Domestic income and foreign withholding taxes have not been recorded on undistributed earnings of foreign subsidiaries since these amounts are considered to be permanently reinvested. Any additional taxes payable on the earnings of foreign subsidiaries, if remitted, would be partially offset by domestic tax credits and deductions for foreign taxes already paid.

Income before income taxes and cumulative effect of change in accounting method is as follows:

(Dollars in thousands)	Year Ended April 30, 2003	2002	2001
Domestic	**$147,581**	$44,668	$40,809
Foreign	**7,809**	5,530	3,683
Income before income taxes and cumulative effect of change in accounting method	**$155,390**	$50,198	$44,492

The components of the provision for income taxes are as follows:

(Dollars in thousands)	Year Ended April 30, 2003	2002	2001
Current:			
Federal	**$ 53,767**	$13,447	$10,681
Foreign	**2,881**	2,449	1,938
State and local	**6,080**	1,906	1,635
Deferred	**(3,680)**	1,545	2,040
Total income tax expense	**$ 59,048**	$19,347	$16,294

A reconciliation of the statutory federal income tax rate and the effective income tax rate follows:

Percent of Pretax Income (Dollars in thousands)	Year Ended April 30, 2003	2002	2001
Statutory federal income tax rate	**35.0%**	35.0%	35.0%
Increase (decrease) in income taxes resulting from:			
State and local income taxes, net of federal income tax benefit	**2.5**	2.5	2.1
Research credits	**(0.1)**	(1.9)	(0.8)
Other items	**0.6**	2.9	0.3
Effective income tax rate	**38.0%**	38.5%	36.6%
Income taxes paid	**$ 46,119**	$18,003	$19,783

▪▪▪ Note N: Accumulated Other Comprehensive Loss ▪▪▪

Comprehensive income is included in the Statements of Consolidated Shareholders' Equity. The components of accumulated other comprehensive loss as shown on the Consolidated Balance Sheets are as follows:

(Dollars in thousands)	Foreign Currency Translation Adjustments	Minimum Pension Liability	Loss on Available-for-Sale Securities	Gains on Cash Flow Hedging Derivatives	Accumulated Other Comprehensive Loss
Balance at May 1, 2000	$ 9,327	$ —	$ —	$ —	$ 9,327
Current period charge	7,308	—	—	—	7,308
Income tax benefit	—	—	—	—	—
Balance at April 30, 2001	$16,635	$ —	$ —	$ —	$16,635
Current period (credit) charge	(1,669)	1,228	—	—	(441)
Income tax benefit	—	(431)	—	—	(431)
Balance at April 30, 2002	$14,966	$ 797	$ —	$ —	$15,763
Current period (credit) charge	(8,268)	13,917	477	(381)	5,745
Income tax (benefit) expense	—	(5,288)	(181)	145	(5,324)
Balance at April 30, 2003	**$ 6,698**	**$ 9,426**	**$ 296**	**$(236)**	**$16,184**

▪▪▪ Note O: Common Shares ▪▪▪

Reclassification of Common Shares: In August 2000, the Company combined its Class A and Class B common shares into a single class of common shares with terms similar to the former Class A common shares. In conjunction with this combination, on August 28, 2000, the Company repurchased 4,037,962 common shares at $19.57 per share. The Company incurred approximately $1,363,000 of cost related to the combination and repurchase of common shares. Such costs were recorded as a reduction of shareholders' equity.

Voting: The Company's Amended Articles of Incorporation provide that holders of the Company's common shares generally will be entitled to cast one vote per share on matters submitted to a vote of the shareholders. There are certain matters specified in the Amended Articles (including any matters that relate to or would result in the dissolution or liquidation of the Company; the amendment of the articles of incorporation or regulations of the Company other than any amendment that increases the number of votes to which holders of new common shares are entitled or expand the matters to which time phase voting applies; any proposal or other action to be taken by shareholders relating to the Company's shareholder rights plan or any successor plan; any matter relating to any benefit, stock option, compensation, or other similar plan; any matter that relates to or may result in a change in control of the Company including any merger, consolidation, majority share acquisition, control share acquisition, sale or other disposition of all, or substantially all, of the Company's assets; or any matter relating to the issuance, redemption, or repurchase of shares of the Company or any of its subsidiaries), however, with respect to which parties acquiring the Company's common shares will be entitled to cast one vote per share until they have held their shares for four years, after which time they will be entitled to cast ten votes per share on those specified matters.

Shareholders' Rights Plan: Pursuant to a shareholders' rights plan established during fiscal 1999, one share purchase right is associated with each of the Company's outstanding common shares.

Under the plan, the rights will initially trade together with the Company's common shares and will not be exercisable. In the absence of further action by the directors, the rights generally will become exercisable and allow the holder to acquire the Company's common shares at a discounted price if a person or group acquires ten percent or more of the outstanding common shares. Rights held by persons who exceed the applicable thresholds will be void. Shares held by members of the Smucker family are not subject to the thresholds. If exercisable, each right entitles the shareholder to buy one common share at a discounted price. Under certain circumstances, the rights will entitle the holder to buy shares in an acquiring entity at a discounted price.

The plan also includes an exchange option. In general, if the rights become exercisable, the directors may, at their option, effect an exchange of part or all of the rights, other than rights that have become void, for common shares. Under this option, the Company would issue one common share for each right, in each case subject to adjustment in certain circumstances.

The Company's directors may, at their option, redeem all rights for $0.01 per right, generally at any time prior to the rights becoming exercisable. The rights will expire May 14, 2009, unless earlier redeemed, exchanged, or amended by the directors.

Directors, Officers, and General Managers

The J.M. Smucker Company

Directors

Vincent C. Byrd
Vice President and General Manager, Consumer Market
The J. M. Smucker Company

R. Douglas Cowan
Chairman and Chief Executive Officer
The Davey Tree Expert Company
Kent, Ohio

Kathryn W. Dindo
Vice President and Chief Risk Officer
FirstEnergy Corp.
Akron, Ohio

Fred A. Duncan
Vice President – Special Markets
The J. M. Smucker Company

Elizabeth Valk Long
Former Executive Vice President
Time Inc.
New York, New York

Charles S. Mechem, Jr.
Retired Chairman
Convergys Corporation
Cincinnati, Ohio

Gary A. Oatey
Chairman and Chief Executive Officer
Oatey Company
Cleveland, Ohio

Richard K. Smucker
President, Co-Chief Executive Officer, and Chief Financial Officer
The J. M. Smucker Company

Timothy P. Smucker
Chairman and Co-Chief Executive Officer
The J. M. Smucker Company

William H. Steinbrink
Partner
Jones Day
Cleveland, Ohio

Officers & General Managers

Richard K. Smucker
President, Co-Chief Executive Officer, and Chief Financial Officer

Timothy P. Smucker
Chairman and Co-Chief Executive Officer

Mark R. Belgya
Treasurer

Vincent C. Byrd
Vice President and General Manager, Consumer Market

Barry C. Dunaway
Vice President – Corporate Development

Fred A. Duncan
Vice President – Special Markets

Robert E. Ellis
Vice President – Human Resources

M. Ann Harlan
General Counsel and Secretary

Donald D. Hurrle, Sr.
Vice President – Sales, Grocery Market

Richard G. Jirsa
Vice President – Information Services and Corporate Controller

John D. Milliken
Vice President – Logistics and Western Operations

Steven Oakland
Vice President and General Manager, Consumer Oils

Mark T. Smucker
Vice President and General Manager, International Market

Richard F. Troyak
Vice President – Operations

Paul Smucker Wagstaff
Vice President and General Manager, Foodservice Market

John W. Denman
Assistant Corporate Controller

Adam M. Ekonomon
Assistant Secretary

Debra A. Marthey
Assistant Treasurer

Gary A. Jeffcott
General Manager, Industrial Market

Julia L. Sabin
General Manager, Beverage Market

Properties

Corporate Offices:
Orrville, Ohio

Domestic Manufacturing Locations:
Chico, California
Cincinnati, Ohio
Havre de Grace, Maryland
Lexington, Kentucky
Memphis, Tennessee
New Bethlehem, Pennsylvania
Orrville, Ohio
Ripon, Wisconsin
Salinas, California
West Fargo, North Dakota*

Fruit Processing Locations:
Grandview, Washington
Oxnard, California
Watsonville, California
Woodburn, Oregon

International Manufacturing Locations:
Kyabram, Victoria, Australia
Livingston, Scotland
São José do Rio Pardo, Brazil
Ste-Marie, Quebec, Canada

Sales Offices:*
Bentonville, Arkansas
Carlton, Victoria, Australia
Mexico City, Mexico
São Paulo, Brazil
Staffordshire, England
Toronto, Ontario, Canada

**Leased properties*

Shareholder Information

The J. M. Smucker Company

Company's Principal Place of Business

The J. M. Smucker Company
Strawberry Lane
Orrville, Ohio 44667
(330) 682-3000

Annual Meeting

The annual meeting will be held at 11:00 a.m. Eastern Daylight Time, Thursday, August 14, 2003, in the Fisher Auditorium at the Ohio Agricultural Research and Development Center
1680 Madison Avenue
Wooster, Ohio

Form 10-K

A copy of the Company's Form 10-K is available on the Company's Web site at www.smuckers.com. It is also available without cost to shareholders who request it by writing to:

The J. M. Smucker Company
Strawberry Lane
Orrville, Ohio 44667
Attention: Secretary

Stock Listing

The J. M. Smucker Company's common shares are listed on the New York Stock Exchange — ticker symbol SJM.

Transfer Agent and Registrar for the Company's Shares

The transfer agent and registrar for the Company's common shares is:

Computershare Investor Services, LLC
2 North LaSalle Street
P.O. Box A3504
Chicago, Illinois 60602-3504
(800) 456-1169

The transfer agent has primary responsibility for administering the common shares held by registered shareholders in the direct registration system, share transfers, payment of dividends whether by check or reinvestment, and issuance of Form 1099 information.

Dividend Reinvestment/Direct Stock Purchase Plan

Computershare Trust Company, Inc. sponsors and administers a direct stock purchase plan that includes dividend reinvestment, Computershare BYDSSM, for investors in common shares of The J. M. Smucker Company. The plan brochure can be downloaded from www.computershare.com.

Dividends

The Company's Board of Directors normally declares a cash dividend each quarter. Dividends are generally payable on the first business day of March, June, September, and December. The record date is two weeks before the payment date. The Company's dividend disbursement agent is Computershare Investor Services, LLC.

Shareholder Inquiries

Inquiries regarding dividend payments, loss or nonreceipt of a dividend check, address changes, stock transfers (including name changes, gifts, and inheritances), lost share certificates, and Form 1099 information should be addressed to:

Computershare Investor Services, LLC
2 North LaSalle Street
P.O. Box A3504
Chicago, Illinois 60602-3504
(800) 456-1169

All questions, inquiries, remittances, and other correspondences related to direct stock purchases and dividend reinvestment services should be addressed to:

Computershare Investor Services, LLC
2 North LaSalle Street
P.O. Box A3309
Chicago, Illinois 60602-3309
(800) 456-1169

All other inquiries may be directed to:

The J. M. Smucker Company
Shareholder Relations
Strawberry Lane
Orrville, Ohio 44667
(330) 684-3838

For Additional Information

To learn more about The J. M. Smucker Company, visit us at www.smuckers.com.

Independent Auditors

Ernst & Young LLP
222 South Main Street
Akron, Ohio 44308

This annual report includes certain forward-looking statements that are based on current expectations and are subject to a number of risks and uncertainties. Please reference "Certain Forward-Looking Statements" located on page 17 in the Management's Discussion and Analysis section.

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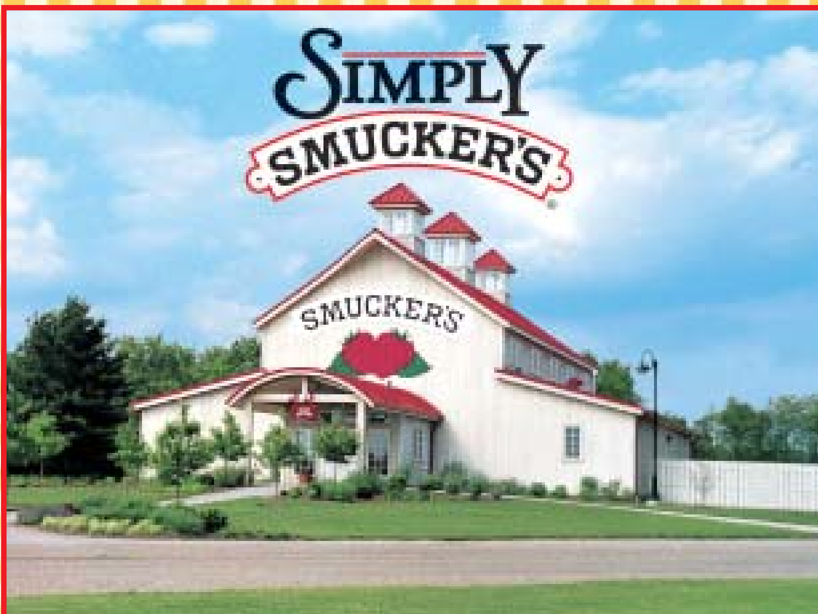

All the Goodness of Smucker's® In a Store

You've come to love our delicious jams, jellies, and toppings. Now there's a store with a whole lot more. It's *Simply Smucker's*, a showcase store brimming with all of your favorites. We have over 300 different flavors and varieties, as well as a wide array of household accessories, specialty gifts and gift baskets. We're just south of Orrville, so stop by when you're in the neighborhood, or learn more about us online at www.smuckers.com.

333 Wadsworth Road
(Rt. 57, one-quarter mile north of Rt. 30)
Orrville, Ohio 44667
(330) 684-1500
Monday – Saturday 9:00 a.m. to 6:00 p.m.
Closed Sunday

The J. M. Smucker Company

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www.smuckers.com

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