



THE J.M. SMUCKER Co

NEWS RELEASE

The J. M. Smucker Company Announces Record Third Quarter and Nine Month Results; Sales Double; Earnings Triple

2/14/2003

Strong Contributions from Jif and Crisco; Company Raises FY 2003 Guidance

ORRVILLE, Ohio, Feb. 14 /PRNewswire-FirstCall/ -- The J.M. Smucker Company (NYSE: SJM) today announced results for the third quarter of its 2003 fiscal year ended January 31, 2003.

Third Quarter Results

Company sales were \$340.8 million for the third quarter, up 102 percent compared to \$168.4 million in the third quarter of 2002. The Jif® and Crisco® brands contributed \$167.6 million to sales in the third quarter of 2003, the second full quarter of integrated operations of these businesses. Excluding the contribution of the Jif and Crisco brands, sales increased 3 percent and quarter-over-quarter gains were realized in all business areas other than industrial.

Net income was \$28.0 million, or \$0.56 per share for the third quarter versus \$7.9 million or \$0.34 per share in the comparable period last year. Net income for the third quarter included Jif and Crisco merger related costs of \$1.5 million or \$0.02 per share in this quarter and \$0.9 million or \$0.02 in last year's third quarter. Excluding those costs, the Company's earnings per share would have been \$0.58 and \$0.36, respectively.

The Company recorded earnings before interest, taxes, depreciation, and amortization (EBITDA) of \$57.4 million, excluding merger related costs, up 152 percent from \$22.8 million in the third quarter of last year.

Richard K. Smucker, president and co-chief executive officer, commenting on the results stated, "We were pleased to see strength across the board. Once again, our traditional brands performed well while we are seeing the benefits of our investments in the Jif and Crisco brands. We continue to invest behind our brands and in new products to ensure future growth."

Nine-Month Results

Sales for the nine-month period ended January 31, 2003, were up 92 percent to \$982.7 million, versus \$511.0 million for the first nine months of fiscal 2002. The contribution of the Jif and Crisco brands in the first nine months was \$428.0 million. Excluding sales from these brands, sales were up nearly 9 percent. Net income for the first nine months of the fiscal year was \$73.1 million, more than tripling last year's \$24.2 million. EBITDA for the first nine months increased 136 percent to \$158.4 million. Earnings per share for the first nine months were \$1.56, compared to \$1.03 last year. Income for the first nine months of 2003 includes merger related costs of \$8.9 million, or \$0.11 per share. Merger related costs of \$0.9 million, or \$0.02 per share, were included in the comparable period last year. Excluding merger costs in both years, earnings per share would have been \$1.67 and \$1.05, respectively. The Company expects that total costs associated with the merger will be approximately \$15 million, in line with its previously announced target. Of that total, \$10 million will have been incurred in fiscal 2003.

Tim Smucker, chairman and co-chief executive officer, stated, "We are pleased with our performance this year, especially given the many challenges and significant changes we have experienced. These results reflect the dedication of our employees and are a tribute to their ability to maintain focus on our existing businesses, while at the same time successfully integrating Jif and Crisco and implementing our plans for those new businesses."

Earnings per share for the third quarter and for the first nine months of fiscal 2002 have been restated to reflect the effect of the merger exchange ratio of .9451 on the weighted average shares outstanding for those periods. In addition, for comparative purposes, if the nonamortization provisions of Statement of Financial Accounting Standards 142, "Accounting for Goodwill and Other Intangible Assets" had been in effect last year, earnings per share would have been \$0.02 higher for the third quarter and \$0.07 higher for the first nine months of fiscal 2002.

Segment Performance

The Company has posted in the presentations section of its website a three-year history of its quarterly segment information, formatted to align with the new segment reporting structure that became effective in the first quarter of fiscal 2003.

U.S. Retail Market

The U.S. retail market segment is composed of the Company's consumer and consumer oils business areas and represents domestic sales of Smucker's®, Jif and Crisco brand products to retail customers.

Sales for the third quarter in the U.S. retail market segment were \$241.6 million compared to \$76.6 million last year. Jif and Crisco accounted for \$161.7 million of the increase. For the first nine months of fiscal 2003, sales in the U.S. retail segment were \$667.4 million compared to \$246.1 million, an increase of 171 percent. Jif and Crisco accounted for \$414.7 million of the increase.

Excluding Jif and Crisco, the traditional Smucker business increased 4 percent over the previous year's third quarter. The increase was due primarily to volume growth in the fruit spreads and natural peanut butter categories and the retail roll out of Smucker's Uncrustables®. In addition, the Company's specialty foods market had a strong quarter with sales up over 30 percent.

Sales of Jif were strong during the quarter with volume up 13 percent over the same period last year. The Jif brand has been gaining momentum over the last several months and outpaced the overall category during the most recent 12-week period. The Crisco brand also demonstrated good growth during the third quarter with consumer volume up 8 percent over last year. As expected, the Company's holiday bake promotions had a favorable impact on consumer take-away during the period, and resulted in Crisco making share-of-market gains for the first time in nearly two years.

Special Markets

The Special Markets segment is composed of the foodservice, industrial, international, and beverage business areas.

Third quarter sales in this segment were \$99.2 million versus \$91.8 million for the third quarter of fiscal 2002, an increase of 8 percent. For the nine-month period, sales in this segment were \$315.3 million compared to \$264.9 million during the prior year, an increase of 19 percent.

In the foodservice area, sales were up 15 percent for the quarter with the dollar growth split evenly between the traditional foodservice market and the schools market. Sales of Uncrustables in the schools market were up 46 percent, helped by expansion into new school districts and the introduction of the grilled cheese line extension. The traditional foodservice business increased 9 percent led by double-digit growth in traditional portion control items.

In the international area, sales for the third quarter increased 22 percent over the prior year. This increase was

primarily due to the sales of Crisco in Canada. In Brazil, sales were up over 40 percent in local currency, but were down 2 percent in U.S. dollars as a result of unfavorable foreign exchange rates. Sales also were down in the Company's export markets.

Sales in the industrial area were down by 13 percent over the same quarter of last year. The decrease in sales is mainly due to the Company's previously announced decision to exit certain contracts. Approximately \$5 million in sales of now discontinued business were included in last year's quarter and the amount of discontinued sales for the full year is expected to be in the range of \$20-\$22 million.

Sales in the beverage area were up 7 percent for the quarter and have increased 24 percent on a year-to-date basis. As expected, the rate of sales growth in the beverage area slowed during the quarter from levels realized during the first half of the year due principally to a reduction in contribution from seasonal items.

Expenses

Third quarter operating income increased \$35.2 million over last year and operating income margins improved from 8.5 percent to 14.5 percent. Gross margin performance also improved in the quarter, increasing 340 basis points from 32.7 percent last year to 36.1 percent this year. The addition of the higher-margin Jif and Crisco businesses and operating efficiencies at several of the Company's manufacturing facilities contributed to the improvement in operating profit. Margins were also favorably impacted by lower peanut costs during the quarter as strong sales of both Jif and natural peanut butter resulted in the Company utilizing the lower cost, new peanut crop earlier than originally anticipated. Year-to-date, gross margin was 34.8 percent compared to 32.9 percent for the first nine months of last year.

Selling, distribution, and administrative (SD&A) expenses as a percent of sales improved from 23.6 percent for the third quarter last year to 21.1 percent in the third quarter this year. For the nine-month period, SD&A expense was 21.0 percent of sales this year, an improvement from 24.0 percent last year. 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 much broader revenue base. The Company achieved the lower SD&A percent-to-sales despite an increase in marketing expenses relating primarily to incremental support for the Jif and Crisco brands.

Outlook for the Remainder of Fiscal 2003

Based on the strength in the first nine months of the Company's traditional businesses, the Company is revising its earnings guidance for fiscal year 2003 to a range of \$2.10 to \$2.14 per share excluding merger costs, an increase from the previously announced range of \$1.98 to \$2.05 per share. While the Company expects the businesses to

continue to perform well in the fourth quarter, that will be offset to some degree by the marketing support costs expected in connection with an acceleration of the Uncrustables roll out into the northeastern portion of the U.S.

Conference Call

The Company will conduct a third quarter earnings conference call and webcast on February 14, 2003, at 8:30 a.m. E.T. The webcast can be accessed from the Company's website at www.smuckers.com. For those unable to listen to the webcast, a replay will be available following the call and can be accessed by calling (800) 428-6051 in the United States or (973) 709-2089 internationally and entering replay pass code 286178. The audio replay will be available until Monday, February 17, 2003, at 11:59 p.m. E.T.

About the J. M. Smucker Company

The J. M. Smucker Company (www.smuckers.com) was founded in 1897 when the Company's namesake and founder sold his first product -- apple butter -- from the back of a horse-drawn wagon. Today, over a century later, the Company is the market leader in fruit spreads, ice cream toppings, health and natural foods beverages, and natural peanut butter in North America. In June of 2002, the Company further enhanced its leadership position with the addition of Jif peanut butter and Crisco shortening and oils to the Smucker family of brands. For over 100 years, the Company has been headquartered in Orrville, Ohio, and has been family run for four generations. The J. M. Smucker Company has 2,700 employees worldwide and distributes products in more than 45 countries.

This press release contains certain forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially. These include statements regarding estimates of future earnings and cash flows. Other uncertainties include, but are not limited to, the success of the Company's pricing strategies with regard to the Jif and Crisco businesses, the success and cost of new 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 strength of commodity markets from which raw materials are procured and the related impact on costs, the exact time frame in which loss of sales associated with discontinued industrial contracts will occur, and other factors affecting share prices and capital markets generally. Other risks and uncertainties that may materially affect the Company are detailed from time to time in the respective reports filed by the Company with the Securities and Exchange Commission, including Forms 10-Q, 10-K, and 8-K.

THE J. M. SMUCKER COMPANY
FINANCIAL HIGHLIGHTS
(Unaudited)

Three Months Ended

Nine Months Ended

	January 31, 2003		January 31, 2002	
(Dollars in thousands, except per share data)	2003	2002	2003	2002
Net sales	\$340,826	\$168,392	\$ 982,737	\$511,028
Income before merger and integration costs	\$ 28,937	\$ 8,505	\$ 78,603	\$ 24,756
Income per common share before merger and integration costs	\$ 0.58	\$ 0.37	\$ 1.69	\$ 1.07
Income per common share before merger and integration costs - assuming dilution	\$ 0.58	\$ 0.36	\$ 1.67	\$ 1.05
Net income	\$ 27,993	\$ 7,947	\$ 73,097	\$ 24,198
Net income per common share	\$ 0.56	\$ 0.34	\$ 1.57	\$ 1.05
Net income per common share - assuming dilution	\$ 0.56	\$ 0.34	\$ 1.56	\$ 1.03

2002 amounts have been restated for the change in accounting for certain inventory from the last-in, first-out (LIFO) method to the first-in, first-out (FIFO) method. Per share amounts for 2002 have been restated to reflect the effect of the Company's merger with Jif and Crisco whereby Smucker common shareholders received 0.9451 new Smucker common share for each Smucker common share held.

THE J. M. SMUCKER COMPANY
STATEMENTS OF CONSOLIDATED INCOME
(Unaudited)

	Three Months Ended January 31,		Nine Months Ended January 31,	
(Dollars in thousands, except per share data)	2003	2002	2003	2002
Net sales	\$340,826	\$168,392	\$982,737	\$511,028
Cost of products sold	217,895	113,391	641,042	343,027
Gross Profit	122,931	55,001	341,695	168,001
Selling, distribution,				

and administrative expenses	71,907	39,787	206,802	122,779
Merger and integration costs	1,524	914	8,881	914
Operating Income	49,500	14,300	126,012	44,308
Other income (expense)				
Interest income	449	380	1,624	1,713
Interest expense	(2,275)	(2,073)	(6,884)	(6,710)
Other - net	(2,525)	421	(2,854)	358
Income before income taxes	45,149	13,028	117,898	39,669
Income taxes	17,156	5,081	44,801	15,471
Net Income	\$ 27,993	\$ 7,947	\$ 73,097	\$ 24,198

Net Income per common share	\$ 0.56	\$ 0.34	\$ 1.57	\$ 1.05
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Net Income per common share - assuming dilution	\$ 0.56	\$ 0.34	\$ 1.56	\$ 1.03
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Dividends declared per common share	\$ 0.20	\$ 0.17	\$ 0.60	\$ 0.51
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Weighted-average shares outstanding	49,586,817	23,201,134	46,561,533	23,029,944
Weighted-average shares outstanding - assuming dilution	50,095,540	23,642,944	47,007,143	23,395,048

THE J. M. SMUCKER COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

January 31,
2003 2002
(Dollars in thousands)

ASSETS

Current Assets:

Cash and cash equivalents	\$ 150,831	\$ 67,440
Trade receivables	93,853	54,424
Inventories	176,415	129,519
Other current assets	16,099	14,749

Total Current Assets	437,198	266,132
Property, Plant & Equipment, Net	264,653	164,975
Noncurrent Assets	873,164	80,828
	\$1,575,015	\$511,935
LIABILITIES & SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	\$48,833	\$ 30,580
Other current liabilities	115,518	47,312
Total Current Liabilities	164,351	77,892
Long-Term Debt	135,000	135,000
Other Noncurrent Liabilities	162,698	27,214
Shareholders' Equity, Net	1,112,966	271,829
	\$1,575,015	\$511,935

Source: The J.M. Smucker Company