SMUCKER J M CO
Form DEFM14A
September 04, 2008
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

SCHEDULE 14A

(Rule 14a-101)

Proxy Statement pursuant to Section 14(a) of the

Securities Exchange Act of 1934

Filed by the Registrant x Filed by a Party other than the Registrant ¨

Check the appropriate box:

¨ Preliminary Proxy Statement

¨ **Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**

x Definitive Proxy Statement

¨ Definitive Additional Materials

¨ Soliciting Material Pursuant to §240.14a-12

The J. M. Smucker Company

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

¨ No fee required.

¨ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.

(1) Title of each class of securities to which transaction applies:

(2) Aggregate number of securities to which transaction applies:

(3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):

(4) Proposed maximum aggregate value of transaction:

(5) Total fee paid:

x Fee paid previously with preliminary materials.

¨ Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number or the Form or Schedule and the date of its filing.

(1) Amount previously paid:

(2) Form, Schedule or Registration Statement No.:

(3) Filing Party:

(4) Date Filed:

Table of Contents

September 3, 2008

MERGER PROPOSED YOUR VOTE IS IMPORTANT

You are cordially invited to attend The J. M. Smucker Company s Special Meeting of Shareholders at 11:00 a.m. Eastern Daylight Time, on Thursday, October 16, 2008, in Fisher Auditorium at the Ohio Agricultural Research and Development Center, 1680 Madison Avenue, Wooster, Ohio 44691. A notice of the special meeting and the proxy statement follow.

At the meeting, you will be asked to approve a proposal to issue Smucker common shares in a merger of the coffee business of The Procter & Gamble Company, including the Folgers brand, with a wholly owned subsidiary of Smucker and to authorize the transactions relating to the merger. You will also be asked to approve a proposal to adopt amended articles of incorporation of Smucker in connection with the merger. After the completion of the merger and related transactions, the coffee business of P&G, including the Folgers brand, will be owned by The Folgers Coffee Company, which will be a wholly owned subsidiary of Smucker. As more fully described in the accompanying proxy statement, P&G will make an offer to P&G shareholders to exchange shares of P&G common stock for shares of Folgers common stock, based upon the market prices of shares of P&G common stock and Smucker common shares calculated during a specified period pursuant to the terms of the exchange offer, at a discount to be set by P&G when the exchange offer is commenced. If the exchange offer is completed but not fully subscribed, any shares of Folgers common stock not exchanged for shares of P&G common stock in the exchange offer will be distributed pro rata to P&G shareholders. Pursuant to the merger, Folgers common stock will convert into Smucker common shares on a one-for-one basis. Shareholders of Smucker as of a record date prior to the commencement of the exchange offer will also receive a cash dividend of $5.00 per share. In the merger, Smucker expects to issue approximately 63,077,885 Smucker common shares, which may be increased in the event Folgers is unable to obtain all of the $350 million in debt financing that is contemplated in connection with the transactions, as described in this proxy statement. We expect that, subject to adjustment, the Smucker common shares outstanding immediately prior to the merger will represent approximately 46.5% of the Smucker common shares that will be outstanding immediately after the merger, and that Smucker common shares issued in connection with the conversion of Folgers common stock in the merger will represent approximately 53.5% of the Smucker common shares that will be outstanding immediately after the merger. All Smucker common shares issued in the merger will be listed on The New York Stock Exchange under our current symbol SJM.

Your board of directors believes that the merger and the addition of the coffee business of P&G, which includes the Folgers brand, should enhance shareholder value by further enhancing the high quality, great tasting, diverse product offerings that consumers expect from Smucker and by growing revenue and earnings power while maintaining a strong financial position to continue Smucker s historic dividend practice. **Your Board of Directors unanimously recommends that you vote FOR the proposal to issue Smucker common shares in the merger and to authorize the related transactions, FOR the proposal to adopt amended articles of incorporation of Smucker in connection with the merger, and FOR the proposal to approve adjournments or postponements of the special meeting for the purpose of soliciting additional proxies, if necessary.**

Your vote is very important. Please vote by completing, signing and dating the enclosed proxy card(s) for the special meeting and mailing the proxy card(s) to us, whether or not you plan to attend the special meeting. If you sign, date and mail your proxy card without indicating how you want to vote, your proxy will be counted as a vote **FOR** each of the proposals presented at the special meeting. In addition, you may vote by proxy by calling the toll-free telephone number or by using the internet as described in the instructions included with the enclosed proxy card(s). If you do not return your card, vote by telephone or by using the internet, or if you do not specifically instruct your broker how to vote any shares held for you in street name, your shares will not be voted on the proposals relating to the merger at the special meeting.

This document is a proxy statement by Smucker for its use in soliciting proxies for the special meeting. This document answers questions about the proposed merger and related transactions and the special meeting and includes a summary description of the merger and related transactions. We urge you to review this entire document carefully. **In particular, you should also consider the matters discussed under Risk Factors beginning on page 29.**

We are very excited about the opportunities the proposed merger brings, and we thank you for your consideration and continued support.

Sincerely,

Timothy P. Smucker *Richard K. Smucker*

Chairman and	*President and*
Co-Chief Executive Officer	*Co-Chief Executive Officer*

This document is dated September 3, 2008 and is first being mailed to Smucker shareholders on or about September 8, 2008.

Table of Contents

THE J. M. SMUCKER COMPANY

Strawberry Lane

Orrville, Ohio 44667-0280

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

A special meeting of shareholders of The J. M. Smucker Company (Smucker) will be held at 11:00 a.m., Eastern Daylight Time, on Thursday, October 16, 2008 in Fisher Auditorium at the Ohio Agricultural Research and Development Center, 1680 Madison Avenue, Wooster, Ohio 44691. The special meeting will be held for the following purposes:

1. A proposal to approve the issuance of Smucker common shares in a merger of the coffee business of P&G with a wholly owned subsidiary of Smucker and to authorize the transactions relating to the merger.

2. Subject to the approval of the first proposal, a proposal to approve the adoption of amended articles of incorporation of Smucker in connection with the merger to change the date applicable to determining whether a share entitles the holder thereof to one vote per share or ten votes per share under Smucker s time phase voting rights to the closing date of the merger.

3. To consider and vote upon a proposal to approve adjournments or postponements of the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve the above proposals.

4. To consider and take action upon any other business that may properly come before the special meeting or any reconvened meeting following an adjournment or postponement of the special meeting.

Smucker s board of directors has unanimously approved the merger and related transactions, the transaction agreement, and the other agreements relating to the merger and related transactions, and determined that the merger and related transactions, including the issuance of Smucker common shares in the merger, are advisable, fair to and in the best interests of Smucker and its shareholders. Smucker s board of directors unanimously recommends that shareholders vote FOR the proposal to issue Smucker common shares in the merger and to authorize the related transactions, FOR the proposal to adopt amended articles of incorporation of Smucker in connection with the merger, and FOR the proposal to approve adjournments or postponements of the special meeting for the purpose of soliciting additional proxies, if necessary.

All Smucker shareholders are cordially invited to attend the special meeting, although only those shareholders of record at the close of business on September 8, 2008 are entitled to notice of the special meeting and to vote at the special meeting and any adjournments or postponements of the special meeting.

WHETHER OR NOT YOU PLAN TO ATTEND THE SPECIAL MEETING IN PERSON, PLEASE COMPLETE, DATE, SIGN AND RETURN THE ENCLOSED PROXY CARD(S) IN THE ENCLOSED POSTAGE-PAID ENVELOPE OR VOTE YOUR COMMON SHARES BY CALLING THE TOLL-FREE TELEPHONE NUMBER OR BY USING THE INTERNET AS DESCRIBED IN THE INSTRUCTIONS INCLUDED WITH YOUR PROXY CARD(S) AT YOUR EARLIEST CONVENIENCE.

M. ANN HARLAN
Vice President, General Counsel and Secretary

Please vote your shares promptly. You can find instructions for voting on the enclosed proxy card(s).

If you have questions, contact

D. F. KING & CO., INC.

Call Toll-Free: 1-800-769-7666

or

1-212-269-5550 (call collect)

Orrville, Ohio, September 3, 2008

Your vote is important. Please complete, date, sign and return your proxy card(s) or vote your common shares by calling the toll-free telephone number or by using the internet as described in the instructions included with your proxy card(s) at your earliest convenience.

Table of Contents

TABLE OF CONTENTS

Table of Contents

TABLE OF CONTENTS

(continued)

Table of Contents

TABLE OF CONTENTS

(continued)

Table of Contents

TABLE OF CONTENTS

(continued)

TABLE OF CONTENTS

(continued)

Table of Contents

INFORMATION REGARDING CONTENT OF THIS DOCUMENT

Securities and Exchange Commission Filings

This document incorporates important business and financial information about Smucker from documents that Smucker has filed with the Securities and Exchange Commission but that have not been included in or delivered with this document. For a list of documents incorporated by reference into this document, see Where You Can Find More Information; Incorporation By Reference beginning on page 168.

This information is available to you without charge upon your written or oral request. You can obtain the documents incorporated by reference into this document by accessing the Securities and Exchange Commission s website maintained at www.sec.gov.

In addition, Smucker s Securities and Exchange Commission filings are available to the public on Smucker s website, www.smuckers.com. Information contained on Smucker s website is not incorporated by reference into this document, and you should not consider information contained on that website as a part of this document.

Smucker will provide you with copies of this information, without charge, if you request them in writing or by telephone from:

The J. M. Smucker Company

Strawberry Lane

Orrville, Ohio 44667-0280

Attention: Shareholder Relations

Telephone: (330) 682-3000

If you would like to request documents from Smucker, please do so by October 9, 2008 in order to receive them before the special meeting.

Information Authorship

All information contained in this document with respect to P&G, Folgers and their subsidiaries (up to the closing date of the Transactions) has been provided by P&G. All other information contained or incorporated by reference in this document, including information with respect to Smucker and its subsidiaries, has been provided by Smucker. All descriptions of Dunkin Donuts® and the exclusive licensing agreement with Dunkin Donuts LLC included in this document have been prepared by P&G and not by Dunkin Donuts LLC or any of its affiliates.

Folgers Trademarks and Market and Industry Data

This document contains references to some of Folgers owned or licensed trademarks, trade names and service marks, including Folgers®, Folgers Gourmet Selections® and, in connection with its exclusive licensing agreement with Dunkin Donuts LLC to sell packaged coffee in the grocery stores, drug stores, mass merchandisers and club stores retail channels (excluding Dunkin Donuts® locations), Dunkin Donuts®. All of the marks and names of Folgers included in this document are either Folgers registered trademarks or those of its licensors.

Unless otherwise specified in this document, all industry and market share data included in this document relating to Folgers and the coffee industry is based on P&G s market research and internally developed, proprietary analytical modeling system as well as statistical data obtained or derived from independent market research firms. Some of these third-party firms, such as ACNielsen, Information Resources Inc. (IRI) and Datamonitor plc (Datamonitor), categorize data differently than Folgers. Market share data is used by P&G in order to standardize

Table of Contents

market share information across different products and retail channels and is regularly used by P&G in the analysis of the Coffee Business. Folgers market share data is not publicly available industry information and is not used by Folgers competitors in analyzing their businesses. While P&G has no reason to believe any third-party information is not reliable, P&G has not independently verified this information. Unless otherwise stated in this document, all market share data for Folgers in this information statement refers to market share as defined under Helpful Information.

HELPFUL INFORMATION

In this document:

Code means the Internal Revenue Code of 1986, as amended;

Coffee Business means the business of P&G and its subsidiaries, including the Folgers and Millstone brands, relating to the sourcing, producing, marketing, selling, distributing, and developing products related to coffee, tea and related products and services, in a variety of different packages and formats, including roast and ground coffee beans, instant coffee, tea, caffeine, decaffeination services, and coffee equipment service and maintenance that will be transferred by P&G and its subsidiaries to Folgers as part of the Contribution;

Contribution means the transfer by P&G of certain of the assets and liabilities related to P&G s Coffee Business, including certain subsidiaries of P&G, to Folgers;

Distribution means the distribution by P&G of its shares of Folgers common stock to P&G shareholders by way of an exchange offer and, if the exchange offer is completed but is not fully subscribed, the distribution of the Remaining Shares as a pro rata dividend to P&G shareholders described herein;

Folgers means The Folgers Coffee Company, a Delaware corporation and wholly owned subsidiary of P&G;

Folgers Debt means up to $350 million in new indebtedness to be incurred by Folgers and which will be guaranteed by Smucker following the completion of the Transactions, subject to the requirements of the Separation Agreement;

immediately after the completion of the Distribution means immediately after notice of acceptance of the shares of P&G common stock tendered for exchange is given by P&G to the exchange agent appointed by P&G and irrevocable delivery by P&G of its right and title to all shares of Folgers common stock to the exchange agent for distribution to eligible P&G shareholders in the exchange offer and pursuant to a pro rata dividend, if any;

Merger means the merger of Merger Sub with and into Folgers, with Folgers as the surviving corporation, as contemplated by the Transaction Agreement;

Merger Sub means Moon Merger Sub, Inc., a Delaware corporation and wholly owned subsidiary of Smucker;

NYSE means the New York Stock Exchange;

P&G means The Procter & Gamble Company, an Ohio corporation and, unless the context otherwise requires, its consolidated subsidiaries;

P&G shareholders means the holders of shares of P&G common stock;

Remaining Shares means any remaining shares of Folgers common stock held by P&G after completion of the exchange offer;

Smucker means The J. M. Smucker Company, an Ohio corporation and, unless the context otherwise requires, its consolidated subsidiaries;

Table of Contents

Smucker Group means Smucker and its consolidated subsidiaries and, for periods after the Merger, Folgers and its consolidated subsidiaries;

Smucker Special Dividend means the special cash dividend of $5.00 per share to each record holder of Smucker common shares as of a record date prior to the commencement of the exchange offer, in connection with the Merger;

Smucker Special Dividend Financing means up to approximately $274 million of new debt that may be incurred by Smucker to finance the payment of the Smucker Special Dividend;

Separation Agreement means the Separation Agreement, dated as of June 4, 2008, among P&G, Folgers and Smucker, which is attached hereto as Annex B;

Transaction Agreement means the Transaction Agreement, dated as of June 4, 2008, among P&G, Folgers, Smucker and Merger Sub, which is attached hereto as Annex A; and

Transactions means the transactions contemplated by the Transaction Agreement and the Separation Agreement, which provides, among other things, for the Contribution, the Folgers Debt, the Distribution and the Merger.

In addition, the following information is helpful with respect to descriptions of Folgers and the Coffee Business in this document:

at-home means packaged coffee products purchased for consumption at home or to be carried away from home;

away-from-home means coffee products purchased outside of the home;

brick packaging means a form of packaged roast and ground coffee in which the coffee is vacuum packed in the form and consistency of a brick to retain freshness for extended periods of time;

consumer means a coffee drinker, including an at-home consumer;

customer means Folgers direct customers, including grocery stores, drug stores, mass merchandisers, club stores and dollar stores as well as commercial businesses, such as foodservice, offices, convenience stores and quick service and casual dining restaurants;

foodservice means institutional foodservice outlets such as sporting arenas, hotels, hospitals, universities, nursing homes and cafés located within places of work;

gourmet means premium roast and ground or whole bean coffee sold in bag or bulk format as opposed to canister format;

green coffee beans means raw coffee beans that have not been roasted;

market share means the share of the U.S. retail packaged coffee market estimated by P&G based on the retail distribution channels in which Folgers competes using P&G s internally developed, proprietary analytical modeling system. Market share data is determined by combining U.S. market share data from ACNielsen and/or Information Resources, Inc. (IRI) with additional sales data purchased from a representative group of retailers, household panel data and P&G internal analytical models to create P&G s best estimate of the total U.S. retail packaged coffee market. In calculating market share, P&G defines the U.S. retail packaged coffee market as packaged coffee sold in grocery stores, drug stores, mass merchandisers, club stores and dollar stores, but not packaged coffee sold in coffee shops or other foodservice establishments, health/natural food stores, gourmet stores, convenience stores and various other channels;

market share on a volume basis means market share as measured by P&G based on servings of coffee that can be made from various forms of coffee products;

market share on a sales basis means market share as measured by P&G based on sales in dollars to the customer;

3

retail or retail market means packaged coffee sold in grocery stores (*e.g.*, Kroger, Supervalu, Albertsons), drug stores (*e.g.*, CVS, Walgreens), mass merchandisers (*e.g.*, Wal-Mart), club stores (*e.g.*, Costco, Sam s Club) and dollar stores (*e.g.*, Family Dollar) and does not include prepared or ready-to-drink products or other packaged coffee sold in coffee shops or other foodservice establishments, health/natural food stores, gourmet stores, convenience stores and various other channels;

single serve means coffee products for single cup use, as opposed to multi-cup use, such as Folgers Instant®, Folgers Singles®, Folgers Cappuccino® and Folgers Pods®; and

volume means servings of coffee that can be made from various forms of coffee products.

Table of Contents

QUESTIONS AND ANSWERS ABOUT

THE TRANSACTIONS AND THE SPECIAL MEETING

The following are some of the questions that Smucker shareholders may have, and answers to those questions. These questions and answers, as well as the following summary, are not meant to be a substitute for the information contained in the remainder of this document, and this information is qualified in its entirety by the more detailed descriptions and explanations contained elsewhere in this document. Smucker urges its shareholders to read this document in its entirety prior to making any decision.

The Transactions

Q: Why am I receiving this document?

A: Smucker and P&G have entered into a Transaction Agreement under which a subsidiary of Smucker will merge with and into Folgers, a subsidiary of P&G that will own the Coffee Business. In connection with the Merger, Folgers will become a wholly owned subsidiary of Smucker. Smucker is holding a special meeting of its shareholders in order to obtain their approval of the issuance of Smucker common shares in connection with the Merger and authorization of the Transactions, as well as approval of the adoption of amended articles of incorporation of Smucker in connection with the Merger. Smucker cannot complete the Merger unless the issuance of Smucker common shares in connection with the Merger and the Transactions are approved by the affirmative vote of the holders of at least two-thirds of the outstanding voting power of Smucker, giving effect to ten-vote shares.

This document includes important information about the Merger and the Transactions and the special meeting of the shareholders of Smucker. Smucker shareholders should read this information carefully and in its entirety. A copy of the Transaction Agreement is attached as Annex A to this document. The enclosed voting materials allow Smucker shareholders to vote their shares without attending the special meeting. **The vote of Smucker shareholders is very important and Smucker encourages its shareholders to vote their proxy as soon as possible. Please follow the instructions set forth on the enclosed proxy card(s) or on the voting instruction form provided by the record holder if the shares of Smucker shareholders are held in the name of their broker or other nominee.**

Q: What is Smucker proposing?

A: Smucker is proposing a business combination with the Coffee Business through a series of Transactions that are described in more detail below and elsewhere in this document. At the conclusion of the Transactions:

- the Coffee Business will be owned by Folgers, which will be a wholly owned subsidiary of Smucker;

- Folgers is expected to incur $350 million of new Folgers Debt, the proceeds of which will be distributed by Folgers to P&G as a cash dividend, and which Folgers Debt will be guaranteed by Smucker following the completion of the Transactions, subject to the terms of the Separation Agreement;

- the Smucker common shares outstanding immediately prior to the Merger will represent approximately 46.5% of the Smucker common shares that will be outstanding immediately after the Merger, and the Smucker common shares issued in connection with the conversion of shares of Folgers common stock in the Merger will represent approximately 53.5% of the Smucker common shares that will be outstanding immediately after the Merger, in each case on a fully diluted basis. The number of Smucker common shares to be issued in the Merger is subject to adjustment in certain events as described in this document under The Transactions Determination of Number of Shares of Folgers Common Stock to be Distributed to P&G Shareholders. As used within this document, the term fully diluted basis means Smucker s and P&G s estimate of the number of Smucker common shares that will be outstanding on the closing date of the Transactions, together with the number of Smucker restricted common shares and deferred stock units that will be outstanding on the closing date of the Transactions and the estimated number of Smucker common shares that will be issuable on the closing date upon exercise of any then-outstanding options or rights, in each case, based on the treasury stock method. Smucker s and P&G s binding estimate of the number of Smucker common shares on a fully diluted basis will be made in good faith prior to commencing the exchange offer, and will use, for purposes of the treasury stock method calculations, $50.85 per share for the price of Smucker common shares and for all restricted common shares, deferred stock units, options and rights included in the calculations.

Q: What are the key steps of the Transactions?

A: Below is a summary of the key steps of the Transactions. A more detailed step-by-step description of material events relating to the Transactions is set forth under The Transactions.

In connection with the Contribution, the following events will take place:

P&G will contribute certain of the assets and liabilities of the Coffee Business to Folgers.

Folgers will issue a number of shares of Folgers common stock to P&G so that the total number of shares of Folgers common stock issued and outstanding after the issuance will be 1.1524 times the number of Smucker common shares calculated on a fully diluted basis (as described in the preceding question). This ratio of 1.1524-to-1 is referred to in this document as the Exchange Ratio.

Folgers is expected to enter into a credit facility under which it is expected to borrow $350 million, the proceeds of which will be distributed to P&G as a cash dividend. This indebtedness will be guaranteed by Smucker following the completion of the Transactions, subject to the terms of the Separation Agreement.

P&G will distribute all of the outstanding shares of Folgers common stock to P&G shareholders participating in the exchange offer based upon the market prices of shares of P&G common stock and Smucker common shares calculated during a specified period pursuant to the terms of the exchange offer, at a discount which will be set by P&G at the time of commencement of the exchange offer, and, if the exchange offer is completed but is not fully subscribed, P&G will distribute the Remaining Shares as a pro rata dividend to P&G shareholders. On or prior to the consummation of the exchange offer, P&G will irrevocably deliver all of the shares of Folgers common stock owned by P&G to the exchange agent with irrevocable instructions to hold the shares of Folgers common stock in trust for P&G shareholders whose shares of P&G common stock are being accepted for exchange in the exchange offer and, in the case of any pro rata dividend, P&G shareholders whose shares of P&G common stock are outstanding after consummation of the exchange offer. If there is a pro rata dividend to be distributed, the exchange agent will calculate the exact number of shares of Folgers common stock not exchanged in the exchange offer and to be distributed in a pro rata dividend and that number of Smucker common shares, into which the Remaining Shares will be converted in the Merger, will be transferred to P&G shareholders (after giving effect to the consummation of the exchange offer) on a pro rata basis as promptly as practicable thereafter.

Smucker will distribute the Smucker Special Dividend to each record holder of Smucker common shares as of a record date prior to the commencement of the exchange offer, the payment of which will be financed by Smucker in whole or in part through the Smucker Special Dividend Financing. P&G shareholders participating in the exchange offer will not receive the Smucker Special Dividend in respect of the Smucker common shares that they receive in the exchange offer (and in any subsequent pro rata dividend of any Remaining Shares).

Merger Sub, a wholly owned subsidiary of Smucker, will merge with and into Folgers, with Folgers as the surviving corporation, immediately after the completion of the Distribution. In connection with the Merger, the shares of Folgers common stock distributed in the Distribution will automatically convert into the right to receive Smucker common shares on a one-for-one basis. It is contemplated that the Merger will be effective immediately after the completion of the Distribution.

Subject to adjustment, the Smucker common shares outstanding immediately prior to the Merger will represent approximately 46.5% of the Smucker common shares that will be outstanding immediately after the Merger, and the Smucker common shares issued in connection with the conversion of shares

Table of Contents

of Folgers common stock in the Merger will represent approximately 53.5% of the Smucker common shares that will be outstanding immediately after the Merger.

In connection with the Transactions, P&G and Smucker have entered into various agreements, and will enter into additional agreements, establishing the terms of the separation. These agreements include a transition services agreement in which P&G will agree to provide certain services to Folgers for a limited period of time following the Transactions in order to facilitate Folgers transition to becoming a wholly owned subsidiary of Smucker. See Additional Agreements.

Q: What will Smucker shareholders receive in connection with the Merger?

A: Smucker shareholders will not directly receive any consideration in the Merger. All Smucker common shares issued and outstanding immediately before the Merger will remain issued and outstanding after consummation of the Merger. Immediately after the Merger, Smucker shareholders will continue to own shares in Smucker, which will include the Coffee Business, the $350 million in Folgers Debt that will be guaranteed by Smucker, subject to the requirements of the Separation Agreement, and up to approximately $274 million of debt that will be incurred by Smucker in the Smucker Special Dividend Financing.

However, Smucker will distribute the Smucker Special Dividend to each record holder of Smucker common shares as of a record date to be established prior to the commencement of the exchange offer. P&G shareholders participating in the exchange offer will not receive this special cash dividend from Smucker in respect of the Smucker common shares that they receive in the exchange offer (and in any subsequent pro rata dividend of any Remaining Shares). Smucker will distribute the Smucker Special Dividend primarily for the purpose of facilitating the tax-free nature of the Transactions, as well as for the purpose of providing a return on investment to Smucker s pre-Merger shareholders.

After the Merger, if the proposal relating to the adoption of amended articles of incorporation of Smucker in connection with the Merger is approved, the rights of holders of Smucker common shares will be governed by the amended articles of incorporation attached to this document as Annex F, rather than Smucker s current articles of incorporation. These amended articles of incorporation are sometimes referred to in this document as amended articles. Those articles differ from Smucker s current articles in that the amended articles will reset the date applicable to determining whether a share entitles the holder thereof of one vote per share or ten votes per share under Smucker s time phase voting rights. Under Smucker s current articles, no holder of common shares is entitled to exercise more than one vote on any matter submitted to a vote of the shareholders in respect of any common share for which there has been a change in beneficial ownership during the four years preceding the record date applicable to the determination of the shareholders who are entitled to vote on the matter. Under Smucker s amended articles, all Smucker shareholders, including P&G shareholders who receive Smucker common shares in the Merger, after giving effect to the Merger, will be entitled to exercise ten votes per share on the matters specified in the articles of incorporation and described in this document under Description of Smucker Capital Stock Smucker Common Shares Voting Rights until such time as there is a change in beneficial ownership following the effective time of the Merger. Upon any change of beneficial ownership, the shareholder will be entitled to exercise only one vote per share on all matters submitted to a vote of the shareholders until a period of four years has passed from the date of the change in beneficial ownership.

Smucker is proposing that its shareholders adopt the amended articles of incorporation in order to reduce the decrease in the voting power resulting from the Transactions on the voting rights of those Smucker shareholders who currently are entitled to exercise only one vote per share on all matters submitted to a vote of the shareholders under Smucker s time phase voting rights. If the amended articles of incorporation are adopted, all post-Merger holders of Smucker common shares, including all P&G shareholders receiving Smucker common shares in the Merger and those pre-Merger holders who are currently entitled to exercise only one vote per share, will be entitled to exercise ten votes per share on applicable matters under Smucker s time phase voting rights until such time as there is a change of their beneficial ownership after the Merger. By decreasing the dilutive effect of the Transactions on the voting rights of holders entitled to

Table of Contents

exercise only one vote per share, however, the adoption of the amended articles of incorporation will increase the dilutive effect of the Transactions on the voting rights of holders of Smucker s common shares who are currently entitled to ten votes per share on applicable matters under Smucker s time phase voting rights. The approval of the proposal to adopt the amended articles of incorporation is conditioned upon the approval of the proposal to issue Smucker common shares in the Merger and authorize the Transactions. However, the Merger is not conditioned upon the approval of the amended articles of incorporation. See The Transactions Amended Articles of Incorporation.

Q: What are the material U.S. federal income tax consequences to Smucker and Smucker shareholders resulting from the Transactions?

A: The Merger will not be a taxable event to Smucker, its shareholders, Merger Sub or Folgers. Smucker shareholders should generally recognize ordinary dividend income upon the receipt of the Smucker Special Dividend. Further, the adoption of the amended Smucker articles of incorporation will be treated as a recapitalization within the meaning of section 368(a)(1)(E) of the Code in which gain or loss should not be recognized by Smucker shareholders.

However, the federal income tax treatment of the Smucker Special Dividend and the adoption of the amended Smucker articles of incorporation is not entirely free from doubt. While Smucker believes it to be unlikely, the IRS might assert that the Smucker Special Dividend should be integrated with the amended articles of incorporation. If so integrated, instead of the treatment described above, a Smucker shareholder would realize gain, but not loss, equal to the excess, if any, of the Smucker Special Dividend plus the fair market value of its Smucker common shares immediately following the amendment over the shareholder s adjusted tax basis in its Smucker common shares. The portion of such realized gain that is recognized would be limited, however, to the amount of the Smucker Special Dividend. Depending on the circumstances, such gain could be treated as capital gain or as a dividend distribution.

Smucker shareholders should consult their own tax advisor for a full understanding of the tax consequences to them of the Merger, the Smucker Special Dividend and the adoption of amended Smucker articles of incorporation. The material U.S. federal income tax consequences of the Merger, the Smucker Special Dividend and the adoption of amended Smucker articles of incorporation are described in more detail under The Transactions Certain Material U.S. Federal Income Tax Consequences.

Q: What are the principal adverse consequences of the Transactions to Smucker shareholders?

A: Following the consummation of the Transactions, Smucker shareholders will participate in a company that owns the Coffee Business, but their interests in Smucker will have been diluted. Pre-Merger Smucker shareholders will own approximately 46.5% of the Smucker common shares that will be outstanding after the Transactions on a fully diluted basis. In addition, all Smucker common shares to be issued to P&G shareholders participating in the exchange offer in connection with the Merger initially will be ten-vote shares for time phase voting purposes. Consequently, the voting power of pre-Merger Smucker shareholders, especially those Smucker shareholders who now hold ten-vote shares, will be diluted. If the proposal relating to the adoption of amended articles of incorporation of Smucker in connection with the Merger is approved at the special meeting, the new articles will reset the date applicable to determining whether a share entitles the holder thereof to one vote per share or ten votes per share under Smucker s time phase voting rights. If that proposal is not approved at the special meeting, the voting power of pre-Merger Smucker shareholders who now hold one-vote shares will be even further diluted, as the shares held by those shareholders will not be reset to ten-votes per share, while all Smucker common shares to be issued in connection with the Merger initially will be ten-vote shares for time phase voting purposes.

P&G shareholders that participate in the exchange offer will be exchanging their shares of P&G common stock for shares of Folgers common stock at a discount to the per-share value of Smucker common shares. The discount, along with the issuance of Smucker common shares pursuant to the Merger, may negatively affect the market price of Smucker common shares. Please see Information on the Distribution to obtain additional information regarding the discount. Further, Smucker anticipates that it

Table of Contents

will incur one-time charges of approximately $100 million to $125 million as a result of costs associated with the Transactions, the amount and timing of which could adversely affect the period to period operating results of Smucker and result in a reduction in the market price of Smucker common shares.

Please see Risk Factors Risks Relating to the Transactions for a further discussion of the material risks associated with the Transactions.

Q: What will P&G and P&G shareholders receive in the Transactions?

A: P&G is offering to P&G shareholders the right to exchange all or a portion of their shares of P&G common stock for shares of Folgers common stock. Shares of Folgers common stock will be offered to P&G shareholders in the exchange offer based upon market prices of shares of P&G common stock and Smucker common shares calculated during a specified period pursuant to the terms of the exchange offer, at a discount which will be set by P&G at the time of commencement of the exchange offer. Promptly after the specific terms of the exchange offer are set, Smucker will publish a press release describing them. The press release will be filed with the SEC and available to shareholders on Smucker s web page (www.smuckers.com). If the exchange offer is completed but not fully subscribed, any shares of Folgers common stock that are not subscribed for in the exchange offer will be distributed as a pro rata dividend to P&G shareholders. In the Merger, each share of Folgers common stock will automatically convert into the right to receive one fully paid and nonassessable Smucker common share. Smucker common shares will continue to be listed on the NYSE under the symbol SJM.

P&G will receive as a cash dividend the proceeds of up to $350 million in Folgers Debt expected to be incurred by Folgers. The Folgers Debt will remain a debt obligation of Folgers that Smucker will guarantee following completion of the Transactions, subject to the terms of the Separation Agreement.

Q: Are there any conditions to the completion of the Transactions?

A: Yes. The completion of the Merger is subject to a number of conditions, including:

- the completion of the Contribution and Distribution;
- the approval of Smucker s shareholders of the issuance of Smucker common shares in connection with the Merger and authorization of the Transactions;
- the receipt of tax opinions from special tax counsel to P&G and special tax counsel to Smucker;
- enough shares of P&G common stock have been exchanged such that at least 59% of the Folgers common stock issued to P&G are distributed in the exchange offer; and
- other customary conditions.

In the event that Smucker waives the satisfaction of a material condition to the consummation of the Transactions, Smucker will resolicit shareholder approval of the issuance of Smucker common shares in connection with the Merger if required to do so by law.

This document describes these conditions in more detail under The Transaction Agreement Conditions to the Merger.

The Contribution and Distribution, in turn are conditioned on the satisfaction of all of the conditions to the Merger (other than the completion of the Contribution and the Distribution), and Folgers receipt of the $350 million in financing contemplated by the Folgers Debt. This document describes these conditions in more detail under The Separation Agreement Conditions to Contribution and Distribution.

P&G s exchange offer will be subject to various conditions listed in Folgers registration statement and Smucker s registration statement and will be completed on the closing date of the Transactions.

Q: When will the Transactions be completed?

A: The Transactions are expected to be completed in the fourth quarter of calendar 2008. However, it is possible that factors outside Smucker s and P&G s control could require the parties to complete the Transactions at a later time or not complete them at all. For a discussion of the conditions to the Transactions, see The Transaction Agreement Conditions to the Merger.

Table of Contents

Q: Are there risks associated with the Transactions?

A: Yes. The material risks associated with the Transactions are discussed in the section entitled Risk Factors. After completion of the Transactions, the Coffee Business will represent a substantial portion of the Smucker s business and Folgers will be Smucker s largest single brand. The material risks associated with the Transactions include, among others, that Smucker will be subject to the risks associated with the Coffee Business, the possibility that Smucker may fail to realize the anticipated benefits of the Transactions, the uncertainty that Smucker will be able to integrate the Coffee Business successfully, and the possibility that Smucker may be unable to provide benefits and services or access to equivalent financial strength and resources to the Coffee Business that historically have been provided by P&G.

Q: Will there be any change to the board of directors or the executive officers of Smucker after the Transactions?

A: No. The directors and executive officers of Smucker immediately following the closing of the Transactions are expected to be the directors and executive officers of Smucker immediately prior to the closing of the Transactions.

Q: What approvals of Smucker shareholders are needed in connection with the Transactions?

A: Smucker cannot complete the Merger unless the proposal relating to the issuance of Smucker common shares in connection with the Merger and authorization of the Transactions is approved by the affirmative vote of the holders of at least two-thirds of the outstanding voting power of Smucker, giving effect to ten-vote shares. Approval of the proposal to adopt amended articles of incorporation of Smucker in connection with the Merger is not required to complete the Merger.

Smucker estimates that, as of the record date of the special meeting, between 85% and 90% of the outstanding voting power of Smucker is held by holders of Smucker common shares entitled to exercise ten votes per share on applicable matters under Smucker s time phase voting rights, and between 10% and 15% of the outstanding voting power of Smucker is held by holders of Smucker common shares entitled to exercise only one vote per share on all matters submitted to a vote of shareholders. All of the Smucker common shares issued to P&G shareholders in the Merger will initially be entitled to exercise ten votes per share on applicable matters under Smucker s time phase voting rights. If the proposal relating to the issuance of Smucker common shares in the Merger and the authorization of the Transactions is approved, but the proposal relating to the adoption of the amended articles of incorporation is not approved, approximately 63,077,885 Smucker common shares will be issued in the Merger, but Smucker s time phase voting rights will not be reset with respect to the Smucker common shares outstanding prior to the Merger that are entitled to only one vote per share on all matters submitted to a vote of the shareholders. In this case, Smucker estimates that, after giving effect to the Merger, between 22% and 27% of the outstanding voting power of Smucker will be held by those holders of Smucker common shares currently entitled to exercise ten votes per share on applicable matters under Smucker s time phase voting rights, and between 2% and 7% of the outstanding voting power of Smucker will be held by holders of Smucker common shares currently entitled to exercise only one vote per share on all matters submitted to a vote of shareholders. If the amended articles of incorporation are approved, after giving effect to the Merger approximately 46.5% of the outstanding voting power of Smucker will be held by Smucker s pre-Merger shareholders and approximately 53.5% of the outstanding voting power of Smucker will be held by the holders of Smucker common shares issued in connection with the conversion of shares of Folgers common stock in the Merger.

Q: How does Smucker s board of directors recommend shareholders vote?

A: Smucker s board of directors has unanimously recommended that shareholders vote FOR the proposal to issue Smucker common shares in the Merger and to authorize the Transactions, FOR the proposal to adopt amended articles of incorporation of Smucker in connection with the Merger, and FOR the proposal to approve adjournments or postponements of the special meeting for the purpose of soliciting additional proxies, if necessary.

Table of Contents

Q: Do P&G shareholders have to vote to approve the Transactions?

A: No. No vote of P&G shareholders is required or being sought in connection with the Transactions.

Q: Have any Smucker shareholders already agreed to vote for the proposal to issue Smucker common shares in the Merger and to authorize the Transactions?

A: Yes. In connection with the Transactions, several Smucker family members entered into an agreement with P&G that requires them to vote in favor of the Transactions and grants to P&G a proxy to vote their shares:

- in favor of the issuance of Smucker common shares in connection with the Merger and authorizing the Transactions;
- against the approval of any action, agreement, or proposal that would result in Smucker breaching the Transaction Agreement or the other agreements relating to the Transactions or that would delay or hinder the completion of the Merger or the other Transactions or that would prevent fulfillment of a condition to any party s obligation to complete the Merger or the other Transactions; and
- against any action, agreement, or proposal made in opposition to or in competition with the issuance of Smucker common shares in connection with the Merger and the completion of the Merger, including any Smucker Takeover Proposal or Smucker Superior Proposal.

As of the record date for the special meeting, the shareholders that are a party to the Voting Agreement are estimated by Smucker to hold between 10% and 15% of the voting power of Smucker under its current time phase voting structure with respect to the proposal to issue Smucker common shares in the Merger and to authorize the Transactions and the proposal relating to the adoption of amended articles of incorporation of Smucker in connection with the Merger. See Summary Voting Agreement.

Q: How will the rights of Smucker shareholders differ after the Transactions?

A: After the Merger, if the proposal relating to the adoption of amended articles of incorporation of Smucker in connection with the Merger is approved, the rights of holders of Smucker common shares will be governed by the amended articles of incorporation attached to this document as Annex F, rather than Smucker s current articles of incorporation. The proposed amended articles of incorporation differ from Smucker s current articles in that the new articles will reset the date applicable to determining whether a share entitles the holder thereof of one vote per share or ten votes per share under Smucker s time phase voting rights. Under Smucker s current articles, no holder of common shares is entitled to exercise more than one vote on any matter submitted to a vote of the shareholders in respect of any common share for which there has been a change in beneficial ownership during the four years preceding the record date applicable to the determination of the shareholders who are entitled to vote on the matter. Under Smucker s new articles, all Smucker shareholders, after giving effect to the Merger, will be entitled to exercise ten votes per share on certain matters as specified in the articles of incorporation until such time as there is a change in beneficial ownership following the effective time of the Merger. Upon any change of beneficial ownership, the shareholder will be entitled to exercise only one vote per share on all matters submitted to a vote of the shareholders until a period of four years has passed from the date of the change in beneficial ownership. See The Transactions Amended Articles of Incorporation.

Q: If a Smucker shareholder does not vote in favor of the proposal to issue Smucker common shares in the Merger and to authorize the Transactions, will the Smucker shareholder have dissenters rights?

A:

A Smucker shareholder will be entitled to statutory dissenters rights if the shareholder does not vote in favor of the proposal to issue Smucker common shares in the Merger and to authorize the Transactions and follows the procedures described in this document to assert the shareholder s dissenters rights. See The Transactions Dissenters Rights of Appraisal. If a Smucker shareholder votes in favor of the proposal to issue Smucker common shares in the Merger and to authorize the Transactions, or submits a signed proxy that does not indicate how the shareholder wishes to vote his or her shares, the shareholder will not have dissenters rights.

Table of Contents

The Special Meeting

Q: What should I do now?

A: You should read this document carefully and return your completed, signed and dated proxy card(s) by mail in the enclosed postage-paid envelope as soon as possible so that your shares will be represented and voted at the special meeting. You may vote your shares by signing, dating and mailing the enclosed proxy card(s), by calling the toll-free telephone number or by using the internet as described in the instructions included with the proxy card(s). A number of banks and brokerage firms participate in a program that also permits shareholders whose shares are held in street name to direct their vote by using the internet or telephone. This option, if available, will be reflected in the voting instructions from the bank or brokerage firm that accompany this document and will allow you to direct the vote of these shares by the internet or telephone by following the voting instructions enclosed with the proxy form from the bank or brokerage firm. See Voting By Proxy Voting Your Proxy.

Q: If I am not going to attend the special meeting, should I return my proxy card(s)?

A: Yes. Returning your signed and dated proxy card(s) ensures that your shares will be represented and voted at the special meeting, even if you are unable to or do not attend. Instead of returning your proxy card(s), you may vote by proxy by calling the toll-free telephone number or by using the internet as described in the instructions included with the proxy card(s). See Voting By Proxy How to Vote.

Q: How will my proxy be voted?

A: If you complete, sign and date your proxy card(s), or vote by telephone or by using the internet, your proxy will be voted in accordance with your instructions. If you sign and date your proxy card(s) but do not indicate how you want to vote, your shares will be voted FOR the proposals at the special meeting.

Q: Can I change my vote after I mail my proxy card(s) or, if available, vote by telephone or the internet?

A: Yes. You can change your vote by:

- sending a written notice to the corporate secretary of Smucker that is received prior to the special meeting and states that you revoke your proxy;
- signing and dating a new proxy card(s) and submitting your proxy so that it is received prior to the special meeting or voting by telephone or by using the internet prior to the special meeting in accordance with the instructions included with the proxy card(s); or
- attending the special meeting and voting in person.

If your shares are held in street name by your broker, you will need to contact your broker to revoke your proxy. See Voting By Proxy Revoking Your Proxy.

Q: What if my shares are held in street name by my broker?

A: Your broker will vote your shares with respect to the proposals at the special meeting only if you instruct your broker how to vote. You should instruct your broker using the written instruction form and envelope provided by your broker. If you do not provide your broker with instructions, under the rules of the New York Stock Exchange, your broker will not be authorized to vote with respect to the proposal to issue Smucker common shares in the Merger and to authorize the Transactions or the proposal relating to the adoption of the amended articles of incorporation in connection with the Merger at the special meeting. If you hold your shares in your broker s name and wish to vote in person at the special meeting, you must contact your broker and request a document called a legal proxy. You must bring this legal proxy to the special meeting in order to vote in person. See Voting By Proxy How to Vote.

Table of Contents

Q: What if Smucker shareholders abstain from voting or do not instruct their brokers to vote their shares?

A: Abstentions and broker non-votes relating to Smucker common shares will have the same effect as a vote against the proposal to issue Smucker common shares in the Merger and to authorize the Transactions and the proposal relating to adoption of amended articles of incorporation in connection with the Merger. See The Special Meeting Vote Necessary at the Special Meeting to Approve the Proposals.

Q: What does it mean if I receive multiple proxy cards?

A: Your shares may be registered in more than one account, such as brokerage accounts and 401(k) accounts. It is important that you complete, sign, date and return each proxy card you receive, or vote using the telephone or by using the internet as described in the instructions included with your proxy card(s). See Voting By Proxy Voting Your Proxy.

Q: Who can answer my questions?

A: If you have any questions about the Transactions or the special meeting, need assistance in voting your shares, or need additional copies of this document or the enclosed proxy card(s) or voting instructions, you should contact:

D.F. King & Co., Inc.

48 Wall Street

New York, New York 10005

Call Toll Free: 1-800-769-7666

or

1-212-269-5550 (Call Collect)

or

The J. M. Smucker Company

Strawberry Lane

Orrville, Ohio 44667-0280

Attention: Shareholder Relations

Telephone: (330) 682-3000

Q: Where can I find more information about Smucker and Folgers?

A: Smucker shareholders can find more information about Smucker and Folgers in the sections entitled Information on Smucker and Information on Folgers and, in the case of Smucker, from the various sources described under Where You Can Find More Information; Incorporation by Reference.

13

Table of Contents

SUMMARY

Unless otherwise stated in this proxy statement or the context otherwise provides, the description of Folgers and the Coffee Business contained in this proxy statement is based on the assumption that the transferred assets and liabilities of the Coffee Business had been held by Folgers for all of the periods discussed. The following summary contains certain information from this document. It does not contain all the details concerning the Transactions, including information that may be important to you. To better understand the Transactions, you should carefully review this entire document and the documents it refers to. See Where You Can Find More Information; Incorporation by Reference.

Smucker s fiscal year begins on May 1 and ends on the following April 30. Folgers fiscal year begins on July 1 and ends on the following June 30. For example, Smucker s fiscal 2008 began on May 1, 2007 and ended on April 30, 2008 and Folgers fiscal 2008 began on July 1, 2007, and ended on June 30, 2008.

The Companies

The J. M. Smucker Company

The J. M. Smucker Company

Strawberry Lane

Orrville, Ohio 44667-0280

Telephone: (330) 682-3000

Smucker, an Ohio corporation, is a leading North American producer of branded food products with a strong portfolio of trusted, iconic market leading brands. Smucker primarily engages in the production and packaging of branded food products with leadership positions and the sale of these products to consumers through retail outlets in North America.

Smucker has strong packaging and distribution capabilities and a proven history of acquiring and growing leading household consumer food brands and products. Smucker s principal products are peanut butter, shortening and oils, flour and baking ingredients, fruit spreads, baking mixes and ready-to-spread frostings, fruit and vegetable juices, beverages, dessert toppings, syrups, frozen sandwiches, pickles and condiments, potato side dishes and canned milk. Smucker manufactures and packages these products at its 19 North American production and food processing facilities and sells them through its own sales force and third-party broker networks. For the fiscal year ended April 30, 2008, Smucker had $2.5 billion of net sales and generated operating income of $284.2 million.

Moon Merger Sub, Inc.

Moon Merger Sub, Inc.

c/o The J. M. Smucker Company

Strawberry Lane

Orrville, Ohio 44667-0280

Telephone: (330) 682-3000

Merger Sub is a newly formed, wholly owned subsidiary of Smucker and was organized specifically for the purpose of completing the Merger. Merger Sub has engaged in no business activities to date and it has no material assets or liabilities of any kind, other than those incident to its formation and in connection with the Transactions.

The Procter & Gamble Company

The Procter & Gamble Company

One Procter & Gamble Plaza

Cincinnati, Ohio 45202

Telephone: (513) 983-1100

P&G was incorporated in Ohio in 1905, having been built from a business founded in 1837 by William Procter and James Gamble. P&G manufactures and markets a broad range of consumer products in approximately 180 countries throughout the world. P&G has one of the strongest portfolios of trusted, quality, leadership brands, including Pampers®, Tide®, Ariel®, Always®, Whisper®, Pantene®, Mach3®, Bounty®, Dawn®, Gain®, Pringles®, Folgers®, Charmin®, Downy®, Lenor®, Iams®, Crest®, Oral-B®, Actonel®, Duracell®, Olay®, Head & Shoulders®, Wella® , Gillette®, and Braun®. As of December 31, 2007, P&G owned and operated 39 manufacturing facilities in the United States located in 23 different states. In addition, as of December 31, 2007, P&G owned and operated 102 manufacturing facilities in 42 other countries. Many of the domestic and international facilities produce products for multiple P&G business units.

The Folgers Coffee Company

The Folgers Coffee Company

6210 Center Hill Road

Cincinnati, Ohio 45202

Telephone: (513) 782-9000

Folgers is a wholly owned subsidiary of P&G organized in December 2007 for the purpose of effecting the separation of the Coffee Business from P&G and it has no material assets or liabilities of any kind, other than those incident to its formation and those incurred in connection with the Transactions.

Folgers is the leading producer of retail packaged coffee products in the United States with a broad portfolio of products sold primarily under its flagship Folgers brand. Folgers, through its 158 year history, has developed an in-depth understanding of coffee consumers, strong brand loyalty, blending and roasting expertise, a legacy of innovation and a commitment to operational excellence. Folgers primarily engages in sourcing, blending and roasting green coffee beans and packaging, marketing and distributing quality branded coffee products. These coffee products are sold in a variety of different packaging and coffee product formats, including roast and ground, whole bean and single serve coffee products. For the fiscal year ended June 30, 2007 and for the nine months ended March 31, 2008, Folgers generated combined net sales of $1,643.8 million and $1,374.3 million, respectively, and operating income of $318.7 million and $284.2 million, respectively.

The Transactions

On June 4, 2008, Smucker and P&G announced that they had entered into the Transaction Agreement, which provides for a business combination involving Smucker and the Coffee Business. In the Transactions, P&G will contribute certain of the assets and liabilities of the Coffee Business to Folgers. Prior to the Distribution, Folgers is expected to enter into a credit facility under which it is expected to borrow $350 million, the proceeds of which will be distributed to P&G as a cash dividend. This indebtedness will be guaranteed by Smucker following the completion of the Transactions, subject to the terms of the Separation Agreement. In connection with the Merger, Smucker will distribute the Smucker Special Dividend to each record holder of Smucker common shares as of a record date prior to the commencement of the exchange offer, the payment of which will be financed by Smucker in whole or in part through the Smucker Special Dividend Financing. P&G shareholders participating in the exchange offer or receiving shares of Folgers common stock as a pro rata dividend, if any, will not receive the Smucker Special Dividend in respect of the Smucker common shares that they receive in the Merger. On the closing date of the Transactions, P&G will distribute all of the outstanding shares of Folgers to P&G shareholders participating in an exchange offer and if the exchange offer is completed but is not fully subscribed, P&G will distribute all of the Remaining Shares as a pro rata dividend to P&G shareholders. Shares of Folgers common stock will be offered to P&G shareholders in the exchange offer based upon the market prices of shares of P&G common stock and Smucker common shares calculated during a specified period pursuant to the terms of the exchange offer, at a discount which will be set by P&G at the time of commencement of the exchange offer. Promptly after the specific terms of the exchange offer are set, Smucker

Table of Contents

will publish a press release describing them. The press release will be filed with the SEC and available to shareholders on Smucker s web page (www.smuckers.com). On or prior to the consummation of the exchange offer, P&G will irrevocably deliver all of the shares of Folgers common stock owned by P&G to the exchange agent with irrevocable instructions to hold the shares of Folgers common stock in trust for P&G shareholders whose shares of P&G common stock are being accepted for exchange in the exchange offer and, in the case of any pro rata dividend, P&G shareholders whose shares of P&G common stock remain outstanding after consummation of the exchange offer. If there is a pro rata dividend to be distributed, the exchange agent will calculate the exact number of shares of Folgers common stock not exchanged in the exchange offer and to be distributed in a pro rata dividend and that number of Smucker common shares, into which the Remaining Shares will be converted in the Merger, will be transferred to P&G shareholders (after giving effect to the consummation of the exchange offer) on a pro rata basis as promptly as practicable thereafter. Merger Sub, a wholly owned subsidiary of Smucker, will merge with and into Folgers, with Folgers surviving as a wholly owned subsidiary of Smucker, immediately after the completion of the Distribution. In connection with the Merger, the shares of Folgers common stock distributed in connection with the Distribution will automatically convert into the right to receive Smucker common shares on a one-for-one basis. See the sections of this document entitled The Transactions, The Transaction Agreement and The Separation Agreement.

Smucker expects to issue approximately 63,077,885 Smucker common shares in the Merger. Based upon the reported closing sales price of $54.17 per share for Smucker common shares on the NYSE on September 3, 2008, the date of this proxy statement, the total value of the consideration to be paid by Smucker in the Transactions, including the $350 million of Folgers Debt to be guaranteed by Smucker, subject to the requirements of the Separation Agreement, would have been $3.8 billion (prior to any adjustment for payment of the $274 million aggregate amount of the, or $5.00 per share, Smucker Special Dividend). The value of the consideration to be paid by Smucker will depend on the market price of Smucker common shares at the time of determination.

After the Merger, Smucker will operate the Coffee Business under its current brand names, including Folgers, and will also continue its current businesses. Smucker will continue to use the name The J. M. Smucker Company after the Merger. All Smucker common shares issued in the Merger will be listed on the NYSE under Smucker s current trading symbol SJM.

Table of Contents

Below is a step by step description of the sequence of material events relating to the Transactions.

Step 1 *Contribution; Issuance of Shares of Folgers Common Stock*

P&G will transfer to Folgers, a wholly owned subsidiary of P&G, certain assets relating to the Coffee Business, including certain subsidiaries of P&G. Folgers will also assume certain liabilities associated with the Coffee Business.

Folgers will issue a number of Folgers shares to P&G so that the total number of shares of Folgers common stock issued and outstanding after the issuance will be 1.1524 times the number of Smucker common shares calculated on a fully diluted basis. For these purposes, the term fully diluted basis means Smucker s and P&G s estimate of the number of Smucker common shares that will be outstanding on the closing date of the Transactions, together with the number of Smucker restricted common shares and deferred stock units that will be outstanding on the closing date of the Transactions and the estimated number of Smucker common shares that will be issuable on the closing date upon exercise of any then-outstanding options or rights, in each case, based on the treasury stock method. Smucker s and P&G s binding estimate of the number of Smucker common shares on a fully diluted basis will be made in good faith prior to commencing the exchange offer, and will use, for purposes of the treasury stock method calculations, $50.85 per share for the price of Smucker common shares and for all restricted common shares, deferred stock units, options and rights included in the calculations.

Step 2 *Folgers Debt; Cash Dividend; Smucker Special Dividend*

Folgers is expected to enter into a credit facility under which it is expected to borrow $350 million, the proceeds of which will be distributed to P&G as a cash dividend. This indebtedness will be guaranteed by Smucker following the completion of the Transactions, subject to the terms of the Separation Agreement. Also, Smucker will distribute the Smucker Special Dividend to each record holder of Smucker common shares as of a record date prior to the commencement of the exchange offer, the payment of which will be financed by Smucker in whole or in part through the Smucker Special Dividend Financing. P&G shareholders participating in the exchange offer will not receive the Smucker Special Dividend in respect of the Smucker common shares that they receive in the Merger.

Step 3 *Distribution Exchange Offer*

P&G will offer to P&G shareholders the right to exchange all or a portion of their shares of P&G common stock for shares of Folgers common stock in an exchange offer.

If the exchange offer is completed but is not fully subscribed, P&G will distribute the Remaining Shares as a pro rata dividend to P&G shareholders whose shares of P&G common stock remain outstanding after consummation of the exchange offer. If there is a pro rata dividend to be distributed, the exchange agent will calculate the exact number of shares of Folgers common stock not exchanged in the exchange offer and to be distributed in a pro rata dividend and that number of Smucker common shares, into which the Remaining Shares will be converted in the Merger, will be transferred to P&G shareholders (after giving effect to the consummation of the exchange offer) on a pro rata basis as promptly as practicable thereafter.

The exchange agent will hold, for the account of the relevant P&G shareholders, the global certificate(s) representing all of the outstanding shares of the Folgers common stock, pending the completion of the Merger. Shares of Folgers common stock will not be traded during this period.

Table of Contents

Step 4 *Merger*

Immediately after the completion of the Distribution, on the closing date of the Transactions, Merger Sub will merge with and into Folgers, with Folgers as the surviving entity.

Each share of Folgers common stock will be automatically converted into the right to receive one fully paid and nonassessable Smucker common share.

Set forth below are diagrams that graphically illustrate, in simplified form, the existing corporate structure, the corporate structure immediately following the Distribution but prior to the Merger, and the corporate structure immediately following the consummation of the Transactions.

Table of Contents

Following the Transactions, subject to adjustment, the Smucker common shares outstanding immediately prior to the Merger will represent approximately 46.5% of the Smucker common shares that will be outstanding immediately after the Merger, and the Smucker common shares issued in connection with the conversion of shares of Folgers common stock in the Merger will represent approximately 53.5% of the Smucker common shares that will be outstanding immediately after the Merger.

If Folgers is unable to obtain all of the $350 million in financing that is contemplated in connection with the Folgers Debt, P&G may, in its discretion, proceed with the transactions and instead elect to receive additional shares of Folgers common stock (which would similarly be distributed to P&G shareholders in connection with the exchange offer and any subsequent pro rata distribution of Remaining Shares) to account for any shortage, calculated based on the amount of Folgers Debt, if any, that is incurred by Folgers and the trading price of Smucker common shares. See The Transactions Determination of Number of Shares of Folgers Common Stock to be Distributed to P&G Shareholders.

Various factors were considered by Smucker and P&G in negotiating the terms of the Transactions, including the equity ownership levels of Smucker shareholders and current and former P&G shareholders receiving Smucker common shares in the Distribution. The principal factors considered by the parties in negotiating the allocation of equity ownership following the Transactions were the relative actual results of operations and prospects of Smucker and the Coffee Business, the synergies expected to be obtained from combining the two businesses and the terms of the Transactions, including the amount of the Smucker Special Dividend and the $350 million cash dividend to be received by P&G from Folgers prior to the Distribution. Smucker also considered, among other things, the expected short- and long-term impacts of the integration of the Coffee Business with Smucker, and the other factors identified in the section of this document entitled The Transactions Smucker s Reasons for the Transactions; Recommendation of Smucker s Board of Directors. The section of this document entitled The Transactions Opinion of Smucker s Financial Advisors describes the financial analyses performed by Smucker s financial advisors and considered by Smucker s Board of Directors, including the relative projected contributions of Smucker and the Coffee Business to projected earnings before interest, taxes, depreciation and amortization, or EBITDA, and earnings before interest and taxes, or EBIT, of Smucker following the Transactions. P&G also considered, among other things, the value to P&G that could be realized in the Transactions as compared to the value to P&G that could be realized under other options available with respect to the Coffee Business and the proposed tax treatment of the Transactions. The relative net sales and total assets of Smucker and the Coffee Business were not given substantial weight in the parties negotiations. Smucker s net sales and total assets (before adjustments to goodwill and intangible assets) represented approximately 59% and 85%, respectively, of the pro forma combined net sales and total assets of Smucker after the Transactions. See Selected Historical and Pro Forma Financial Data.

Business Strategies After the Transactions

Smucker is a leading North American manufacturer and marketer of branded food products with a strong portfolio of leading, iconic brands. For the 52 weeks ended July 13, 2008, Smucker s brands ranked first in dollar share in eight of the 13 product categories in which it participated in the U.S. market, and in eight of the 11 product categories in which it participated in the Canadian market. On a pro forma basis after giving effect to the Transactions, approximately 75% of Smucker s sales for fiscal 2009 are projected to come from sales of number one brands.

Smucker has established long-term objectives of 6% compounded annual net sales growth and 8% compounded growth in operating income and earnings per share. Smucker has executed on, and expects to continue to execute on, its strategy of balanced growth through increases in market share, introductions of new and innovative products and acquisitions. Smucker expects to pursue these profitability objectives through a combination of sales growth, improved operating efficiencies and, over the longer term, repurchases of common shares. In implementing its strategy, Smucker focuses on products sold in the center of the store an area of importance in driving retailer sales growth and profitability.

Smucker has been able to execute on its strategy of increasing its market share through consistent investment in its brands including advertising, consumer promotions and cross-marketing initiatives across its product lines. This strategy has also enabled Smucker to significantly diversify its portfolio of products over the last five years with introductions of over 100 new and innovative products and to extend acquired brands into new categories providing additional opportunities for growth.

Strategically, Smucker targets three types of acquisitions: enabling, bolt-on and transformational. Enabling acquisitions, which are typically smaller in size, generally provide new capabilities. Transformational acquisitions which provide access to new markets and categories, and bolt-on acquisitions, which provide increased presence in categories Smucker currently participates in, have also played an important role in Smucker s growth and market strength. Since Smucker s transformational acquisition of the Jif and Crisco brands from P&G in fiscal 2003, Smucker has increased net sales of its Jif brand by over 40% and has also increased margin and market share. Smucker has completed 10 additional acquisitions since its acquisition of Jif and Crisco, all in the United States and Canada.

The addition of Folgers adds a large, iconic #1 brand to the Smucker portfolio of brands and fits within its strategy of owning and marketing leading North American food brands located in the center of the store. Folgers will be Smucker s largest selling brand and its first $1 billion brand. Folgers will also increase the size of the categories in which Smucker currently participates to approximately $15 billion as compared to $8 billion currently and $1 billion in 2002. The combined company will have annual sales approaching $5 billion and significantly enhanced cash flow and margins driven by the underlying strength of the Folgers and Smucker businesses, as well as an estimated synergy opportunity of approximately $80 million primarily in administrative, supply chain, warehousing and distribution costs.

Smucker has substantial experience in marketing to Folgers consumer demographic, and believes that its broad portfolio of leading brands will allow it to leverage Folgers to enhance Smucker s ability to reach out to consumers at retail through complementary, multi-brand, consumer-themed promotional activities. Folgers strategy to move towards a go-to-market model that incorporates both an in-house sales force and third-party

Table of Contents

brokers is aligned with Smucker s current sales model. The merger of Folgers and Smucker will also bring together innovation capabilities in formulation, processes, packaging design and related research and development functions.

Amended Articles of Incorporation

After the Merger, if the proposal relating to the adoption of amended articles of incorporation of Smucker in connection with the Merger is approved, the rights of holders of Smucker common shares will be governed by the amended articles of incorporation attached to this document as Annex F, rather than Smucker s current articles of incorporation. The proposed amended articles of incorporation differ from Smucker s current articles of incorporation in that the amended articles of incorporation will reset the date applicable to determining whether a share entitles the holder thereof of one vote per share or ten votes per share under Smucker s time phase voting rights. Under Smucker s current articles of incorporation, no holder of common shares is entitled to exercise more than one vote on any matter submitted to a vote of the shareholders in respect of any common share for which there has been a change in beneficial ownership during the four years preceding the record date applicable to the determination of the shareholders who are entitled to vote on the matter. Under Smucker s amended articles of incorporation, all Smucker shareholders, including P&G shareholders who receive Smucker common shares in the Merger will be entitled to exercise ten votes per share on the matters specified in the articles of incorporation and described in this document under Description of Smucker Capital Stock Smucker Common Shares Voting Rights until such time as there is a change in beneficial ownership following the effective time of the Merger. Upon any change of beneficial ownership, the shareholder will be entitled to exercise only one vote per share on matters submitted to a vote of the shareholders until a period of four years has passed from the date of the change in beneficial ownership.

Smucker is proposing to adopt the amended articles of incorporation in order to reduce the dilutive effect of the Transactions on the voting rights of those Smucker shareholders who currently are entitled to exercise only one vote per share on all matters submitted to a vote of the shareholders under Smucker s time phase voting rights. If the amended articles of incorporation are adopted, all post-Merger holders of Smucker common shares, including those pre-Merger holders who are currently entitled to exercise only one vote per share, will be entitled to exercise ten votes per share on applicable matters under Smucker s time phase voting rights until such time as there is a change of beneficial ownership after the Merger. By decreasing the dilutive effect of the Transactions on the voting rights of holders entitled to exercise only one vote per share, however, the adoption of the amended articles of incorporation will increase the dilutive effect of the Transactions on holders of Smucker s common shares who are currently entitled to ten votes per share on applicable matters under Smucker s time phase voting rights. The approval of the proposal to adopt the amended articles of incorporation is conditioned upon the approval of the proposal to issue Smucker common shares in the Merger and authorize the Transactions. See The Transactions Amended Articles of Incorporation.

Voting Agreement

In connection with the Transactions, several Smucker family members entered into an agreement with P&G that requires them to vote in favor of the Transactions and grants to P&G a proxy to vote their shares:

- in favor of the issuance of Smucker common shares in connection with the Merger and authorizing the Transactions;

- against the approval of any action, agreement, or proposal that would result in Smucker breaching any representation, warranty, covenant or obligation of Smucker under the Transaction Agreement or related agreements or that would delay or hinder the completion of the Merger or the other Transactions or that would prevent fulfillment of a condition to any party s obligation to complete the Merger or the other Transactions; and

Table of Contents

against any action, agreement, or proposal made in opposition to or in competition with the issuance of Smucker common shares in connection with the Merger and the completion of the Merger, including any Smucker Takeover Proposal or Smucker Superior Proposal.

As of the record date for the special meeting, the shareholders that are a party to the Voting Agreement are estimated by Smucker to hold between 10% and 15% of the voting power of Smucker under our current time phase voting structure. See the section of this document entitled The Voting Agreement.

Additional Agreements

In connection with the Transactions, P&G, Folgers and Smucker will also enter into other agreements at the time of the Contribution relating to, among other things, tax matters, insurance matters, the license of certain intellectual property, the provision of certain transition services during a transition period following the completion of the Transactions and a building lease agreement. See Additional Agreements.

Smucker s Financial Advisors

Smucker retained William Blair & Company, L.L.C. and Banc of America Securities LLC to act as financial advisors in connection with a possible transaction with P&G.

William Blair & Company, L.L.C.

In connection with the Merger, William Blair & Company, L.L.C. (William Blair), Smucker s financial advisor, delivered a written opinion to the Smucker board of directors, dated June 2, 2008, that, as of that date and based upon and subject to the assumptions and qualifications stated in its opinion, the Exchange Ratio provided for in the Transaction Agreement was fair, from a financial point of view, to Smucker. The full text of the written opinion, dated June 2, 2008, of William Blair, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as Annex C to this document and is incorporated by reference into this document in its entirety. **William Blair provided its opinion to Smucker s board of directors for the use and benefit of Smucker s board of directors in connection with its consideration of the Transactions. William Blair s opinion did not address any term or other aspects of the Transactions (other than the Exchange Ratio to the extent expressly specified in the opinion) and did not constitute a recommendation to any shareholder as to how to vote or act in connection with the Transaction Agreement or the Merger.**

Banc of America Securities LLC

In connection with the Merger, Banc of America Securities LLC (Banc of America Securities), Smucker s financial advisor, delivered to Smucker s board of directors a written opinion, dated June 2, 2008, as to the fairness, from a financial point of view and as of the date of the opinion, of the Exchange Ratio to Smucker. The full text of the written opinion, dated June 2, 2008, of Banc of America Securities, which describes, among other things, the assumptions made, procedures followed, factors considered and limitations on the review undertaken, is attached as Annex D to this document and is incorporated by reference into this document in its entirety. **Banc of America Securities provided its opinion to Smucker s board of directors for the benefit and use of Smucker s board of directors in connection with and for purposes of its evaluation of the Transactions. Banc of America Securities opinion does not address any other aspect of the Transactions (other than the Exchange Ratio to the extent expressly specified in its opinion) and does not constitute a recommendation to any shareholder as to how to vote or act in connection with the proposed Transactions.**

Table of Contents

SUMMARY HISTORICAL AND PRO FORMA FINANCIAL DATA

The following summary historical combined financial data of Folgers, summary historical consolidated financial data of Smucker, summary unaudited condensed combined pro forma financial data of Smucker and comparative historical and pro forma per share data of Smucker are being provided to help you in your analysis of the financial aspects of the Transactions. The summary unaudited condensed combined pro forma financial data of Smucker and comparative historical and pro forma per share data of Smucker have been prepared by Smucker for illustrative purposes only and are not necessarily indicative of the operating results or financial position of Smucker or Folgers had the Transactions been completed at the beginning of the periods or on the dates indicated, nor are they necessarily indicative of any future operating results or financial position. You should read this information in conjunction with the financial information included elsewhere and incorporated by reference in this document. See Where You Can Find More Information; Incorporation by Reference, Information on Folgers, Information on Smucker, and Selected Historical and Pro Forma Financial Data.

Summary Historical Combined Financial Data of Folgers

Folgers combined balance sheet data presented below as of June 30, 2007 and 2006 and statement of income data for the three fiscal years ended June 30, 2007, 2006 and 2005 have been derived from Folgers audited combined financial statements, included elsewhere in this document. Folgers selected combined financial data presented below as of June 30, 2005 have been derived from Folgers historical accounting records, which are unaudited. Folgers selected combined financial data presented below as of March 31, 2008 and for the nine month periods ended March 31, 2008 and 2007 have been derived from Folgers unaudited combined financial statements included elsewhere in this document, which have been prepared on a basis consistent with Folgers audited combined financial statements. In the opinion of P&G s management, such unaudited financial statements reflect all adjustments, consisting only of normal and recurring adjustments, necessary for the fair presentation of the interim periods. The summary combined financial data below is not necessarily indicative of the results that may be expected for a full year or any future period. This information is only a summary and should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations of Folgers and the financial statements of Folgers and the notes thereto included elsewhere in this document.

The financial information of Folgers included in this document has been derived from the consolidated financial statements and accounting records of P&G and reflects assumptions and allocations made by P&G. The financial position, results of operations and cash flows of Folgers presented may be different from those that would have resulted had Folgers been operated as a standalone company or been a subsidiary of Smucker. As a result, the historical financial information of Folgers is not a reliable indicator of future results. See Risk Factors.

	Nine Months Ended March 31,		Fiscal Year Ended June 30,		
Dollars in millions	**2008**	**2007**	**2007**	**2006**	**2005**
Statement of Income Data:					
Net sales	$ 1,374.3	$ 1,246.7	$ 1,643.8	$ 1,497.3	$ 1,446.6
Cost of products sold	920.5	787.9	1,025.5	951.4	813.8
Gross margin	453.8	458.8	618.3	545.9	632.8
Selling, general and administrative expense	169.6	178.5	241.7	288.4	270.2
Goodwill impairment		57.9	57.9		
Operating income	284.2	222.4	318.7	257.5	362.6
Interest expense	0.7	1.3	1.7	1.8	2.0
Earnings before income taxes	283.5	221.1	317.0	255.7	360.6
Income taxes	103.4	93.9	134.3	94.9	134.1
Net income	$ 180.1	$ 127.2	$ 182.7	$ 160.8	$ 226.5

Table of Contents

Dollars in millions	Nine Months Ended March 31, 2008	2007	Fiscal Year Ended June 30, 2007	2006	2005
Balance Sheet Data (at period end):					
Total assets	$ 650.9		$ 618.1	$ 655.9	$ 667.4
Debt due within one year (1)	0.8		8.1	9.5	9.9
Long-term debt	6.7		6.7	7.7	10.1
Noncurrent deferred income tax liabilities	44.7		40.6	38.8	44.5
Total equity	440.9		453.8	471.6	473.9
Statement of Cash Flows Data:					
Cash provided by (used in):					
Operating activities	$ 205.2	$ 197.3	$ 248.5	$ 182.7	$ 232.8
Investing activities	(8.1)	(38.5)	(44.7)	(39.3)	(26.6)
Financing activities	(197.1)	(158.8)	(203.8)	(143.4)	(206.2)
Depreciation and amortization expense (2)	23.6	23.3	31.5	42.0	30.7
Capital expenditures	(13.6)	(35.7)	(42.4)	(42.7)	(36.0)
Other Financial Data:					
EBITDA (3)	$ 307.8	$ 245.7	$ 350.2	$ 299.5	$ 393.3

(1) Represents capital lease obligations.

(2) Represents Folgers total depreciation and amortization expense as reflected on its combined statements of cash flow. Depreciation and amortization expense in Folgers combined statements of income are reflected in various line items including cost of products sold and selling, general and administrative expense.

(3) EBITDA is a financial measure not prepared in accordance with generally accepted accounting principles in the United States, or GAAP, and is defined as income before interest expense, interest income, provision for income taxes, depreciation and amortization. EBITDA is used by Folgers to evaluate operating performance. EBITDA is not, and should not, be used as a substitute for net income as determined in accordance with GAAP. Folgers considers it an important supplemental measure of its operating performance and believes it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the branded food and beverage industry. However, EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of Folgers results as reported under GAAP. Other companies may calculate EBITDA differently than Folgers limiting its usefulness as a comparative measure. A reconciliation of EBITDA to net income appears below.

	Nine Months Ended March 31, 2008	2007	Fiscal Year Ended June 30, 2007	2006	2005
Net income	$ 180.1	$ 127.2	$ 182.7	$ 160.8	$ 226.5
Interest expense	0.7	1.3	1.7	1.8	2.0
Income taxes	103.4	93.9	134.3	94.9	134.1
Depreciation and amortization expense	23.6	23.3	31.5	42.0	30.7
EBITDA	$ 307.8	$ 245.7	$ 350.2	$ 299.5	$ 393.3

The comparability of Folgers results of operations in the periods presented above is affected by the impact of Hurricane Katrina, which resulted in a substantial decline in Folgers combined net sales for fiscal 2006 and resulted in certain one-time expenses in fiscal 2006. Folgers results of operations also reflect booked insurance receipts with respect to property damage and related business interruption aggregating $93.3 million ($27.3 million in the first nine months of fiscal 2008; $32.8 million in the first nine months of fiscal 2007; $33.2 million in fiscal 2006). These insurance receipts were recorded in SG&A. The comparability of Folgers results of operations in these periods is also impacted by a $57.9 million goodwill impairment charge recorded in the first nine months of fiscal 2007 with respect to its Millstone business. As a result, Folgers combined historical financial data is not necessarily comparable on a period-to-period basis. See Management s Discussion and Analysis of Financial Condition and Results of Operations of Folgers.

Summary Historical Consolidated Financial Data of Smucker

The following table sets forth summary historical consolidated financial data of Smucker for the three fiscal years ended April 30, 2008, 2007 and 2006, which was derived from Smucker s audited consolidated financial statements as of and for each of the fiscal years in the three-year period ended April 30, 2008. This information is only a summary and should be read in conjunction with the financial statements of Smucker and the notes thereto and the Management s Discussion and Analysis of Financial Condition and Results of Operations section in Smucker s annual report on Form 10-K for the fiscal year ended April 30, 2008, which is incorporated by reference into this document. See Where You Can Find More Information; Incorporation by Reference.

	Fiscal Year Ended April 30,		
In millions, except per share data	**2008**	**2007**	**2006**
Statements of Income:			
Net sales	$ 2,524.8	$ 2,148.0	$ 2,154.7
Net income	170.4	157.2	143.4
Financial Position:			
Cash and cash equivalents	$ 184.2	$ 200.1	$ 72.0
Total assets	3,129.9	2,693.8	2,649.7
Long-term debt	789.7	392.6	428.6
Shareholders equity	1,799.9	1,795.7	1,728.1
Other Data:			
Capital expenditures	$ 76.4	$ 57.0	$ 63.6
Common shares repurchased	2.9	1.1	1.9
Weighted-average shares outstanding	56.2	56.4	57.9
Weighted-average shares outstanding assuming Dilution	56.7	57.1	58.4
Earnings per common share:			
Net income	$ 3.03	$ 2.79	$ 2.48
Net income assuming dilution	$ 3.00	$ 2.76	$ 2.45
Dividends declared per common share	$ 1.22	$ 1.14	$ 1.09

Recent Developments

On August 14, 2008, Smucker announced its financial results for the first quarter of its 2009 fiscal year. For the three months ended July 31, 2008, Smucker s net sales were approximately $663.7 million, an increase of approximately 18% over the net sales of $561.5 million achieved during the first quarter of fiscal 2008. Approximately $31 million in first quarter sales were contributed by the Carnation®, Europe s Best® and Knott s Berry Farm® acquisitions. Excluding the contribution of acquired businesses and foreign exchange, Smucker s net sales increased by approximately 12%. While pricing was the primary driver of the sales increase, volume gains were realized in several categories including Smucker s® fruit spreads and Uncrustables® sandwiches, Pillsbury® baking mixes and frostings, and Hungry Jack® potatoes and pancakes. Volume declines were primarily limited to oils and peanut butter, which were anticipated, resulting in a net tonnage decrease of approximately 4%.

Net income for the first quarter of fiscal 2009 was approximately $42.3 million, an increase of approximately 4% over the $40.8 million in net income realized during the comparable prior year period. Net income per diluted share for the quarter was $0.77, an increase of approximately 8% compared to last year s first

Table of Contents

quarter. Included in net income for the first quarter of 2009 were restructuring and merger and integration costs of $0.05 per diluted share, while net income for the first quarter of 2008 included restructuring and merger and integration costs of $0.01 per diluted share.

Price increases taken to date offset higher raw material costs, predominantly soybean oil, peanuts and wheat, contributing to an approximately $22 million increase in gross profit. While price increases contributed to the overall gross profit increase, the incremental dollars did not provide gross margin expansion, and gross margin declined from 33.1% to approximately 31.3%. Other factors impacting gross margin were increased fuel costs, the loss of nonrecurring peanut butter sales, and unfavorable product mix. As expected, margins improved in the Eagle business compared to last year, helping to offset these other factors.

Selling, distribution, and administrative (SD&A) expenses increased approximately 13% for the first quarter of 2009 compared to 2008, resulting primarily from increased marketing investment, and distribution and amortization expenses. However, most SD&A expenses, particularly corporate overhead, increased at a lesser rate than net sales resulting in an overall decrease in SD&A from 20.8% of net sales to approximately 19.9%, providing some offset to the decline in gross margin.

Operating income increased approximately 2% compared to the first quarter of 2008, and decreased from 12.5% to approximately 10.8% of net sales. Restructuring and merger and integration costs were approximately $3.2 million higher in the first quarter of 2009 compared to 2008, reducing operating margin by approximately 50 basis points. In addition, last year s operating income included the gain on the sale of the industrial ingredient business in Scotland, benefiting last year s first quarter operating margin by 30 basis points.

Smucker s effective tax rate decreased to approximately 33.3% in the first quarter of 2009, from 36.1% in the comparable period in 2008. In the first quarter of 2008, Smucker s divestiture of its industrial ingredient business in Scotland, and the resulting repatriation of foreign earnings had a negative impact on the effective tax rate.

U.S. retail market segment net sales for the quarter were approximately $472.1 million, an increase of approximately 13% over the $418.2 million in net sales realized during the comparable prior year period. Net sales in the consumer strategic business area increased approximately 11%, with Smucker s fruit spreads, toppings and Uncrustables sandwiches, Jif® and Hungry Jack all up. All major categories of the consumer business area were up in volume, except for peanut butter. Net sales in the consumer oils and baking strategic business area were up approximately 15%, due to price increases taken over the course of fiscal 2008, and volume gains in baking mixes and frostings. These increases more than offset anticipated volume declines in oils.

The special markets segment s net sales in the first quarter of fiscal 2009 were approximately $191.5 million, an increase of approximately 34% over the $143.4 million in net sales recognized during the first quarter of fiscal 2008. Net sales in the Canada strategic business area were up approximately 79%, with the impact of the Carnation and Europe s Best acquisitions, and favorable exchange rates contributing over two-thirds of the increase. Volume and pricing gains accounted for the remaining Canadian sales growth. Net sales increased approximately 13% in the foodservice strategic business area, led by pricing, with the Knott s Berry Farm acquisition and volume growth in the schools channel also contributing. The beverage business area was up by approximately 11%, primarily due to pricing.

Table of Contents

Summary Unaudited Condensed Combined Pro Forma Financial Data of Smucker

This summary unaudited condensed combined pro forma financial data has been prepared by Smucker and is being provided for illustrative purposes only and is not necessarily indicative of what the operating results or financial position of Smucker or Folgers would have been had the Transactions been completed at the beginning of the periods or on the dates indicated, nor are they necessarily indicative of any future operating results or financial position. Smucker and Folgers may have performed differently had they been combined during the periods presented.

In millions, except per share data	As of and for the Year Ended April 30, 2008
Statement of Income:	
Net sales	$ 4,296.2
Gross profit	1,510.5
Net income	371.9
Financial Position:	
Cash and cash equivalents	$ 210.5
Total assets	7,921.8
Long-term debt	1,446.4
Other noncurrent liabilities	1,268.2
Total equity	4,888.6
Other Data:	
Net income per common share	$ 3.12
Net income per common share assuming dilution	$ 3.10
Weighted-average shares outstanding	119.3
Weighted-average shares outstanding assuming dilution	119.8

Comparative Historical and Pro Forma Per Share Data of Smucker

The following table sets forth certain historical and pro forma per share data for Smucker. The historical data has been derived from and should be read together with the audited consolidated financial statements of Smucker and related notes thereto contained in Smucker s Form 10-K for the fiscal year ended April 30, 2008, which are incorporated by reference into this document. The Smucker pro forma data has been derived from the unaudited condensed combined pro forma financial data of Smucker included elsewhere in this document. See Where You Can Find More Information; Incorporation by Reference.

This summary of comparative historical and pro forma per share data is being provided for illustrative purposes only and is not necessarily indicative of the results that would have been achieved had the Transactions been completed during the period presented, nor are they necessarily indicative of any future results. Smucker and Folgers may have performed differently had the Transactions occurred prior to the period presented. You should not rely on the pro forma per share data presented as being indicative of the results that would have been achieved had Smucker and Folgers been combined during the period presented or of the future results of Smucker following the Transactions.

	As of and for the Year Ended April 30, 2008	
	Historical	**Pro Forma**
Net income per common share	$ 3.03	$ 3.12
Net income per common share assuming dilution	3.00	3.10
Dividends declared per common share	1.22	1.22
Book value per common share	32.95	41.53

Table of Contents

Smucker Common Shares Market Price

Smucker s common shares are currently traded on the NYSE under the symbol SJM. On June 3, 2008, the last trading day before the announcement of the Transactions, the last sale price of Smucker common shares reported by the NYSE was $53.75. On September 3, 2008, the last sale price of Smucker common shares reported by the NYSE was $54.17. The following table sets forth the high and low sale prices of Smucker common shares and the dividends declared for the periods indicated. For current price information, Smucker shareholders are urged to consult publicly available sources.

	Smucker Common Shares		
	High	**Low**	**Dividends**
Fiscal Year Ended April 30, 2007			
First Quarter	$ 47.25	$ 39.11	$ 0.28
Second Quarter	$ 49.14	$ 43.00	$ 0.28
Third Quarter	$ 49.98	$ 45.00	$ 0.28
Fourth Quarter	$ 57.43	$ 46.97	$ 0.30
Fiscal Year Ended April 30, 2008			
First Quarter	$ 64.32	$ 55.60	$ 0.30
Second Quarter	$ 58.09	$ 50.79	$ 0.30
Third Quarter	$ 53.70	$ 42.75	$ 0.30
Fourth Quarter	$ 52.59	$ 46.84	$ 0.32
Fiscal Year Ending April 30, 2009			
First Quarter	$ 55.58	$ 40.18	$ 0.32
Second Quarter (through September 3, 2008)	$ 56.69	$ 48.03	

Smucker Dividend Policy

Historically, Smucker has distributed approximately 40% of its earnings to shareholders in the form of dividends. Smucker currently expects to continue this practice following the Transactions, except that in connection with the Transactions, Smucker intends to declare the Smucker Special Dividend to each record holder of Smucker common shares as of a record date prior to the commencement of the exchange offer. P&G shareholders will not receive the Smucker Special Dividend in respect of the Smucker common shares that they receive in the exchange offer (and in any subsequent pro rata dividend of any Remaining Shares).

Repurchases of Smucker Common Shares

Smucker initiated a share buyback program in August 2004. Smucker has repurchased a total of 6,255,778 common shares from November 2004 through April 30, 2008 under the buyback program, including repurchases of 4,500,000 common shares under a series of Smucker Rule 10b5-1 trading plans. As of April 30, 2008, 3,744,222 common shares remain available for repurchase under this program. Under the Transaction Agreement, until the closing of the Transactions, Smucker may not repurchase any of its outstanding common shares. In addition, for a period of two years following the closing date of the Transactions, Smucker may repurchase Smucker common shares only so long as such repurchases comply with the provisions of the Tax Matters Agreement. See Additional Agreements Tax Matters Agreement.

Table of Contents

RISK FACTORS

You should carefully consider each of the following risks and all of the other information contained in this document and the annexes hereto. Some of the risks described below relate principally to the Transactions, other risks relate to the ownership of Smucker common shares after the completion of the Transactions, and the remaining risks relate to the Coffee Business. In addition to these risks, you should consider each of the risks described in the Smucker annual report filed on Form 10-K by Smucker with the SEC on June 27, 2008, which relate to Smucker and its legacy businesses. The risks described below are not the only risks facing Smucker following the Transactions. Additional risks and uncertainties not currently known or that are currently deemed to be immaterial may also materially and adversely affect Smucker s business operations and financial condition or the price of Smucker s common shares following completion of the Transactions.

Risks Relating to the Transactions

If the IRS successfully challenges the tax-free treatment of the Transactions, P&G may incur substantial U.S. federal income tax liability, and Smucker may have substantial indemnification obligations to P&G under the Tax Matters Agreement.

P&G will receive an opinion from Cadwalader, Wickersham & Taft LLP, special tax counsel to P&G, to the effect that the Distribution, together with certain related transactions, should qualify for federal income tax purposes as a reorganization under sections 355 and 368 of the Code and that the Merger should not cause section 355(e) of the Code to apply to the Distribution. In addition, Smucker and P&G will receive opinions from their respective special tax counsel, Weil, Gotshal & Manges LLP and Cadwalader, Wickersham & Taft LLP, to the effect that the Merger will be treated for U.S. federal income tax purposes as a reorganization within the meaning of section 368(a) of the Code. The delivery of these opinions by special tax counsel is a condition to the closing of the Merger. The opinions will be based on, among other things, certain assumptions and representations as to factual matters made by Smucker, Folgers, Merger Sub and P&G, which, if incorrect or inaccurate in any material respect, would jeopardize the conclusions reached by special tax counsel in their opinions. Smucker is not aware of any facts or circumstances that would cause the assumptions or representations to be relied upon in the opinions of special tax counsel to be untrue or incomplete in any material respect. The opinions will not be binding on the IRS or a court, and the IRS or a court may not agree with the opinions. Notwithstanding receipt of the opinions of special tax counsel, the IRS could determine that the Transactions should be treated as taxable transactions. If, notwithstanding the receipt of opinions of special tax counsel, the Distribution was determined to be a taxable transaction, P&G would generally recognize taxable gain, which likely would be equal to the entire fair market value of the shares of Folgers common stock distributed to P&G shareholders, and thus would be substantial.

Even if the Distribution generally qualified for tax-free treatment as a reorganization under sections 368 and 355 of the Code, the Distribution would become taxable to P&G under section 355(e) of the Code if a 50% or greater interest (by vote or value) of P&G stock, Folgers stock or Smucker stock were treated as acquired directly or indirectly by certain persons as part of a plan or series of related transactions that included the Distribution. Because P&G shareholders should be treated as owning more than 50% of Smucker common shares following the Merger, the Merger, by itself, should not cause the Distribution to be taxable to P&G under section 355(e) of the Code. However, if the IRS were to determine that other acquisitions of Smucker shares after the Distribution were part of a plan or series of related transactions that included the Distribution, such determination could result in the recognition of gain by P&G under section 355(e) of the Code. In such case, the gain recognized by P&G likely would be equal to the entire fair market value of the shares of Folgers common stock distributed to P&G s shareholders, and thus would be substantial.

Table of Contents

Under the Tax Matters Agreement among P&G, Folgers and Smucker, the Smucker Group would be required to indemnify P&G against tax-related losses if the Distribution were taxable to P&G as a result of the acquisition of a 50% or greater interest in Smucker as part of a plan or series of related transactions that included the Distribution, except to the extent that the tax-related losses are attributable to P&G s breach of certain representations and covenants in the Tax Matters Agreement. In addition, the Smucker Group would be required to indemnify P&G for any tax liabilities resulting from the failure of the Merger to qualify as a reorganization under section 368(a) of the Code or a similar provision of state or local law, including any impact of such failure on the Distribution s qualification for tax-free treatment, except to the extent that such failure results from a breach by P&G of its representations and covenants in the agreements related to the Transactions or its representations made to tax counsel in connection with tax counsels rendering their tax opinions or a breach by Folgers, prior to the Distribution, of its representations and covenants in the agreements related to the Transactions. Finally, the Smucker Group generally would be required to indemnify P&G against tax-related losses that are attributable to a breach of covenant by Folgers after the Distribution or a breach of representation or covenant by Smucker. If the Smucker Group is required to indemnify P&G in the event of a taxable Distribution, this indemnification obligation would be substantial and could have a material adverse effect on Smucker.

If P&G recognizes gain on the Distribution attributable to its breach of the representations and covenants described in the Tax Matters Agreement, P&G generally would not be entitled to indemnification under the agreement. Additionally, while the Smucker Group generally would be required, subject to the limitations described above, to indemnify P&G against tax-related losses that are attributable to a breach of covenant by Folgers after the Distribution or, under certain circumstances, a breach of representation or covenant by Smucker or if the Distribution is taxable under section 355(e) of the Code or certain failures of the Merger to qualify as a reorganization, P&G would not otherwise be entitled to indemnification under the Tax Matters Agreement with respect to any gain recognized in the Distribution.

If the operating results for Folgers following the Merger are poor, Smucker may not achieve the significant increases in revenues and net earnings that Smucker expects to achieve as a result of the Merger.

Smucker has projected that it will derive a significant portion of its revenues and net earnings from the operations of Folgers following the Merger. Therefore, any negative impact on those business operations after the Merger could materially impact Smucker s operating results. Some of the more significant factors that could negatively impact the business operations of Folgers, and therefore negatively impact the future combined operating results of Smucker following the Merger, include:

- increases in raw materials, energy and packing costs for Folgers, including the cost of green coffee beans;
- increases in advertising costs associated with the support of the Coffee Business;
- increased competition; and
- a decline in the coffee markets served by the Coffee Business.

See Risks Relating to Folgers and the Coffee Industry for a fuller description of the additional risks to which Smucker will be subject as a result of the Merger. In addition, the success of the Transactions will depend, in part, on Smucker s ability to realize the anticipated synergies, cost savings and growth opportunities from integrating the Coffee Business with the Smucker business, as described in the following risk factor.

The integration of Smucker and Folgers may not be successful or anticipated benefits from the Transactions may not be realized.

After completion of the Transactions, Smucker will have significantly more sales, assets and employees than it did prior to the Transactions. The integration process will require Smucker to expand the scope of its

Table of Contents

operations and financial systems. Smucker s management will be required to devote a substantial amount of time and attention to the process of integrating the operations of Smucker s business and the Coffee Business. There is a significant degree of difficulty and management involvement inherent in that process. These difficulties include:

- integrating the operations of Folgers while carrying on the ongoing operations of each business;
- managing a significantly larger company than before completion of the Transactions;
- coordinating businesses located in different geographic regions;
- integrating two distinct business cultures, which may prove to be incompatible;
- attracting and retaining the personnel associated with the Coffee Business following the Transactions, particularly in light of the fact that Smucker did not have any substantive contact or discussions with such personnel or management prior to entering into the Transaction Agreement;
- implementing the distribution and sale of coffee products through third-party brokers and integration of their efforts with Smucker s sales organization, in light of the fact that Folgers has historically sold its products solely through an internal P&G sales force;
- creating uniform standards, controls, procedures, policies and information systems and minimizing the costs associated with such matters; and
- integrating information, purchasing, accounting, finance, sales, billing, payroll and regulatory compliance systems.

Smucker may not be able to successfully or cost-effectively integrate the Coffee Business. The process of integrating the Coffee Business into Smucker s operations may cause an interruption of, or loss of momentum in, the activities of Smucker s business. If Smucker management is not able to effectively manage the integration process, or if any significant business activities are interrupted as a result of the integration process, Smucker s business could suffer and its results of operations and financial condition may be harmed.

Even if Smucker is able to successfully combine the two business operations, it may not be possible to realize the full benefits of the increased sales volume and other benefits that are currently expected to result from the Transactions, or realize these benefits within the time frame that is currently expected. For example, the elimination of duplicative costs may not be possible or may take longer than anticipated, or the benefits from the Transactions may be offset by costs incurred or delays in integrating the companies. In addition, the benefits of the Transactions may be offset by increased operating costs relating to changes in commodity or energy prices, or in increased competition, or by other risks and uncertainties. If Smucker fails to realize the benefits it anticipates from the business combination, Smucker s results of operations may be adversely affected.

The historical financial information of Folgers may not be representative of its results if it had been operated independently of P&G and, as a result, may not be a reliable indicator of its future results.

The financial information of Folgers included in this document has been derived from the consolidated financial statements and accounting records of P&G and reflects assumptions and allocations made by P&G. The financial position, results of operations and cash flows of Folgers presented may be different from those that would have resulted had Folgers been operated as a standalone company. For example, in preparing Folgers financial statements, P&G made an appropriate allocation of costs and expenses that are attributable to the Coffee Business. However, these costs and expenses reflect the costs and expenses attributable to the Coffee Business operated as part of a larger organization and do not reflect costs and expenses that would be incurred by Folgers had it been operated independently and may not reflect costs and expenses that would have been incurred had Folgers been supported as a subsidiary of Smucker. As a result, the historical financial information of Folgers may not be a reliable indicator of future results.

Table of Contents

Smucker may be unable to provide benefits and services or access to equivalent financial strength and resources to the Coffee Business that historically have been provided by P&G.

Folgers has been able to receive benefits and services from P&G and has been able to benefit from P&G s financial strength and extensive business relationships. After the Transactions, the Coffee Business will be owned by a subsidiary of Smucker and will no longer benefit from P&G s resources. While Smucker has entered into separation related agreements and P&G has agreed to provide certain transition services for at least six months and up to one year following the Transactions, it cannot be assured that Smucker will be able to adequately replace those resources or replace them at the same cost. If Smucker is not able to replace the resources provided by P&G or is unable to replace them at the same cost or is delayed in replacing the resources provided by P&G, Smucker s results of operations may be negatively impacted.

Smucker may be affected by significant restrictions following the Transactions in order to avoid significant tax-related liabilities.

Even if the Distribution otherwise qualifies for tax-free treatment under section 355 of the Code, the Distribution generally would not qualify as a transaction that is tax-free to P&G if a 50% or greater interest (by vote or value) of P&G stock, Folgers stock or Smucker stock were treated as acquired directly or indirectly by certain persons as part of a plan or series of related transactions that included the Distribution.

The Tax Matters Agreement will require that the Smucker Group, for a two-year period following the date of the Distribution, generally avoid taking certain actions. These limitations are designed to restrict actions that might cause the Distribution to be treated as part of a plan under which a 50% or greater interest (by vote or value) in Smucker is acquired or could otherwise cause the Distribution to become taxable to P&G. Unless Smucker delivers certain unqualified opinions of tax counsel or rulings from the IRS reasonably acceptable to P&G, in each case, confirming that a proposed action would not cause the Transactions to become taxable, Smucker and Folgers are each prohibited during the two-year period following the date of the Distribution from:

- issuing, recapitalizing, repurchasing, redeeming or otherwise participating in acquisitions of its stock;
- amending its certificate of incorporation or other organizational documents to affect the voting rights of its stock;
- merging or consolidating with another entity, or liquidating or partially liquidating;
- discontinuing, selling, transferring or ceasing to maintain its active business; or
- engaging in other actions or transactions that could jeopardize the reorganization status of the Distribution and certain related transactions.

If Smucker or Folgers takes any of the actions above and such actions result in tax-related losses to P&G, then the Smucker Group generally would be required to indemnify P&G for such losses. See Additional Agreements Tax Matters Agreement.

Due to these restrictions and indemnification obligations under the Tax Matters Agreement, Smucker may be limited, during the two-year period following the Distribution, in its ability to pursue strategic transactions, equity or convertible debt financings or other transactions that may maximize the value of the business. Also, Smucker s potential indemnity obligation to P&G might discourage, delay or prevent a change of control transaction during this two-year period that Smucker shareholders may consider favorable.

Smucker expects to incur significant one-time costs associated with the Transactions that could affect the period to period operating results of Smucker following the completion of the Transactions.

Smucker anticipates that it will incur one-time charges of approximately $100 million to $125 million as a result of costs associated with the Transactions. Smucker will not be able to quantify the exact amount of this charge or the period in which it will be incurred until after the Transactions are completed. Some of the factors

affecting the costs associated with the Transactions include the timing of the completion of the Transactions, the resources required in integrating the Coffee Business with Smucker s existing businesses and the length of time during which transition services are provided to Smucker by P&G. The amount and timing of this charge could adversely affect the period to period operating results of Smucker, which could result in a reduction in the market price of Smucker common shares.

The federal income tax treatment of the Smucker Special Dividend and the adoption of the amended Smucker articles of incorporation is not entirely free from doubt.

Smucker intends to treat the payment of the Smucker Special Dividend as a separate distribution that is not integrated with the amendment of its articles of incorporation for federal income tax purposes. If so treated, the Smucker Special Dividend would be subject to the federal income tax rules generally applicable to dividends and a Smucker shareholder would recognize no gain or loss in connection with the amendment of the Smucker articles of incorporation. However, the federal income tax treatment of the Smucker Special Dividend and the adoption of the amended Smucker articles of incorporation is not entirely free from doubt. While unlikely, if the IRS were to successfully assert that the Smucker Special Dividend was integrated with the amendment, then a Smucker shareholder would realize gain, but not loss, equal to the excess, if any, of the Smucker Special Dividend plus the fair market value of its Smucker common shares immediately following the amendment over the shareholder s adjusted tax basis in its Smucker common shares. The portion of such realized gain that is recognized would be limited, however, to the amount of the Smucker Special Dividend. Depending on the circumstances, such gain could be treated as capital gain or as a dividend distribution.

Smucker shareholders should consult their own tax advisors for a full understanding of the tax consequences to them of the Smucker Special Dividend and the adoption of amended Smucker articles of incorporation. See The Transactions Certain Material U.S. Federal Income Tax Consequences.

Risks Relating to the Ownership of the Smucker Common Shares after the Transactions

The voting power of pre-Merger Smucker shareholders will be reduced as a result of the Transactions.

Following the Transactions, subject to adjustment, the Smucker common shares outstanding immediately prior to the Merger will represent approximately 46.5% of the Smucker common shares that will be outstanding immediately after the Merger, and the Smucker common shares issued in connection with the conversion of shares of Folgers common stock in the Merger will represent approximately 53.5% of the Smucker common shares that will be outstanding immediately after the Merger, in each case on a fully diluted basis. In addition, all Smucker common shares to be issued to P&G shareholders participating in the exchange offer in connection with the Merger initially will be ten-vote shares for time phase voting purposes. Consequently, the voting power of pre-Merger Smucker shareholders, especially those Smucker shareholders who now hold ten-vote shares, will be diluted. If the proposal relating to the adoption of amended articles of incorporation of Smucker in connection with the Merger is approved at the special meeting, the new articles will reset the date applicable to determining whether a share entitles the holder thereof of one vote per share or ten votes per share under Smucker s time phase voting rights. If that proposal is not approved at the special meeting, the voting power of pre-Merger Smucker shareholders who now hold one-vote shares will be even further diluted, as the shares held by those shareholders will not be reset to ten-votes per share, while all Smucker common shares to be issued in connection with the Merger initially will be ten-vote shares for time phase voting purposes. See Description of Smucker Capital Stock.

Sales of Smucker common shares after the Transactions may negatively affect the market price of Smucker common shares.

The Smucker common shares issued in the Transactions to holders of shares of Folgers common stock will generally be eligible for immediate resale. Currently, P&G shareholders include index funds that have

Table of Contents

performance tied to the Standard & Poor s 500 Index, the Dow Jones Industrial Average or other stock indices, and institutional investors subject to various investing guidelines. Because Smucker may not be included in these indices following completion of the Transactions or may not meet the investing guidelines of some of these institutional investors, these index funds and institutional investors may decide not to participate in the exchange offer or may decide to or may be required to sell the Smucker common shares that they receive in any subsequent pro rata distribution of Folgers common stock that are not distributed in the exchange offer. These sales, or the possibility that these sales may occur, could negatively affect the market price of Smucker common shares.

Risks Relating to Folgers and the Coffee Industry

Upon the completion of the Transactions, a wholly owned subsidiary of Smucker will own the Coffee Business. The Coffee Business will represent a significant portion of the combined operations of Smucker. On a pro forma basis, the Coffee Business would have represented approximately 41 percent of the total net sales and approximately 56 percent of the total operating income of Smucker for the fiscal year ended April 30, 2008. See Selected Historical and Pro Forma Financial Data Unaudited Condensed Combined Pro Forma Financial Data of Smucker for more information.

Because Folgers business is highly dependent upon coffee products, any change in demand or consumer preferences related to coffee products in the United States could materially adversely affect Folgers revenues and profitability.

Folgers business is focused on one product category: coffee products. Folgers operations consist of sourcing, blending and roasting green coffee beans and packaging, marketing and distributing various coffee products, including roast and ground coffee and instant coffee.

Demand for Folgers products in the United States is affected by various factors, including:

- consumer tastes and preferences, including the trend to away-from-home coffee products;
- competing retail coffee and other beverage products;
- perceived or actual health risks;
- brand loyalty;
- demographic trends; and
- national, regional and local economic conditions.

Because of Folgers reliance on coffee products, any decrease in demand for the sale of coffee products, and in particular packaged coffee, in the United States would harm Folgers business and could materially adversely affect Folgers revenues and operating results. Folgers results of operations substantially depend upon its ability to continue to conceive, design, source and market new products and upon continuing market acceptance of its existing and future products, including the new products in the roast and ground and gourmet markets. If Folgers new products do not receive market acceptance, the value of Folgers brands and its sales and profitability could be impaired.

Consumer preferences often change, moving from one trend to another among many product or retail concepts. Continuing shifts in consumer preferences away from coffee generally or to other coffee products, such as ready-to-drink and prepared products in the away-from-home market, would have a material adverse effect on Folgers financial condition and results of operations. Folgers continued success will depend in part on its ability to anticipate, identify and respond quickly to changing consumer preferences.

Table of Contents

Increases in cost and decreases in availability of green coffee beans could impact Folgers profitability and growth.

The cost of green coffee beans is subject to significant volatility. In the last three fiscal years, the cost of green coffee beans represented between 50% and 60% of Folgers cost of products sold. Changes in the price or availability of green coffee beans could have a material adverse effect on Folgers financial condition and results of operations and cash flow.

Coffee is a traded commodity, and coffee prices and supply are subject to significant volatility beyond Folgers control and can be affected by a number of factors including:

- weather patterns in coffee producing countries;
- domestic and worldwide economic and political conditions, including the relative strength or weakness of the U.S. dollar;
- general economic conditions that make commodities more or less attractive investment options; and
- attempts to establish commodity price controls through quotas or supply restrictions by coffee-producing countries and certain organizations and associations, such as the International Coffee Organization or the Association of Coffee Producing Countries.

Similarly, decreased production of high quality green coffee beans could adversely affect Folgers business. A supply shortage of green coffee beans may result in beans becoming unavailable or more expensive. Folgers may not be able to pass through cost increases to its customers because of the competitive nature of the coffee industry. If Folgers is unable to pass increased coffee costs to its customers, its profitability will suffer accordingly. Even if Folgers is able to pass through increased costs to its customers, its operating margin could decrease. In addition, sudden decreases in the costs of green coffee beans could force Folgers to reduce sales prices before realizing cost savings in its inventory, which also negatively affects profitability. Additionally, as a result of price increases, consumers could move from the purchase of higher-priced branded products to lower-priced store brands or other products, thereby negatively affecting Folgers financial condition and profitability.

If Folgers hedging policy is not effective, Folgers may not be able to manage its coffee costs and could be forced to pay more for green coffee beans, reducing its profitability.

Historically, Folgers has used short-term coffee futures and options contracts to hedge the effects of volatile green coffee bean prices. Folgers has typically entered into hedging arrangements for periods of less than one year. These hedging arrangements do not afford Folgers full protection against the volatility of changes in the price of green coffee beans. No hedging strategy can completely eliminate pricing risks for green coffee beans. Folgers generally remains exposed to loss when prices change significantly in a short period of time. Folgers hedging strategy and practices may not adequately offset the risks of coffee bean price volatility and could result in losses.

The loss of any of Folgers key customers or a material change in customer relationships could negatively affect its revenues and decrease Folgers earnings.

Folgers sells a significant portion of its products to a relatively limited number of customers. Sales to Wal-Mart Stores, Inc. in fiscal 2007 represented 29% of Folgers combined net sales. Folgers top ten customers represented 61% of Folgers combined net sales in the same period. Folgers does not typically enter into long-term contracts with its customers. Instead, Folgers customers make purchase decisions based on a combination of price, product quality, consumer demand, customer service performance and trade promotions. Maintaining key customer relationships is dependent upon many factors and the loss of, or reduction in sales to, these customers could negatively affect Folgers revenues and decrease Folgers earnings.

Table of Contents

Higher energy costs and other factors affecting the cost of producing and distributing Folgers products could adversely affect Folgers financial results.

Folgers relies on natural gas, diesel and plastic resins for the production, packaging and distribution of its coffee products and Folgers cannot always pass cost increases of these resources through to its customers. Substantial future increases in prices for, or shortages of, these resources would have a material adverse effect on Folgers results of operations and financial condition. Additionally, as a result of increases of Folgers product prices to offset higher input costs, consumers could move from the purchase of higher priced branded products to lower priced store brands or other products, thereby negatively affecting Folgers financial condition and profitability.

Folgers continued success depends substantially on consumer perceptions of the Folgers brand.

Sales of Folgers brand products generally represent a significant portion of Folgers combined net sales. P&G believes that maintaining and continually enhancing the value of its Folgers brand is critical to Folgers continued success. Brand value is based in large part on consumer perceptions and Folgers success in promoting and enhancing its brand value depends in large part on its ability to provide high quality products. Folgers brand value could diminish significantly as a result of a number of factors, such as if Folgers fails to preserve the quality of its products, if Folgers is perceived to act in an irresponsible manner, if Folgers otherwise receives negative publicity, if Folgers fails to deliver a consistently positive consumer experience or if Folgers products become unavailable to consumers. If Folgers brand value is diminished, Folgers revenues and operating results could be materially adversely affected. In addition, anything that adversely affects the Dunkin Donuts® brand could adversely affect the success of Folgers exclusive licensing agreement with Dunkin Donuts LLC.

Folgers growth strategy for its gourmet products may not perform as expected.

Folgers growth strategy for its gourmet products includes increasing sales of Folgers Gourmet Selections products and Dunkin Donuts® licensed retail packaged coffee products, expanding the scope of its gourmet products offerings and increasing its sales and marketing efforts. This growth strategy for Folgers gourmet products exposes Folgers to a number of risks, including the following:

- increased marketing efforts require additional expense to generate business;
- new product offerings may compete with existing products;
- expanding the scope of the gourmet product offerings requires additional expense and may require Folgers to enter into new markets and compete with additional competitors;
- Folgers ability to address the challenges in the Millstone business; and
- increased strain on Folgers managerial, operational, financial and other resources.

Folgers ability to innovate and execute in these areas will determine the extent to which it can achieve its growth strategy in the gourmet market. If there is any failure by Folgers to properly execute upon its strategy, Folgers may not realize additional revenue or profitability from its efforts and it may incur additional expenses. Similarly, if Folgers relationship with Dunkin Donuts LLC is no longer successful or if the licensing agreement is terminated, Folgers revenues and profitability could be adversely affected. In addition, Folgers may lose market share if consumers purchase gourmet coffee products from Folgers competitors.

If there is a significant interruption in the operation of any of Folgers facilities, Folgers may not have the capacity to service its customers in a timely manner, thereby reducing its revenues and earnings.

A significant interruption in the operation of any of Folgers roasting, warehouse or distribution facilities, particularly the facilities in New Orleans where approximately 80% of Folgers production capacity is located, whether as a result of a natural disaster or other causes, could significantly impair Folgers ability to operate its

36

Table of Contents

business. For example, in August 2005, Hurricane Katrina caused catastrophic damage to the New Orleans area. Following the hurricane, production at Folgers New Orleans facility was interrupted for approximately two months, resulting in a significant decline in Folgers revenues for the first half of fiscal 2006. If there were another significant interruption in the operation of one of Folgers facilities, Folgers may not be able to quickly or successfully repair or adequately staff the facility or attract and retain employees. If that were to happen, Folgers may not have the capacity to service all of its customers from its other operating facilities and may lose business to its competitors. As a result, Folgers revenues and earnings could be materially adversely affected.

Consolidation in the retail industry could adversely affect Folgers sales and profitability.

As the consolidation trend among Folgers retail customers continues and its customers, including mass merchandisers, consolidate, grow larger and become more sophisticated, they may have greater leverage to demand lower pricing, increased promotional programs or special packaging. Meeting these demands could adversely affect Folgers profitability. If Folgers fails to effectively respond to customer demands, Folgers sales and profitability could be adversely affected.

Folgers proprietary brands, packaging designs and roasting methods are essential to the value of its business and the inability to protect these could harm the value of its brands and adversely affect its sales and profitability.

The success of Folgers business depends significantly on its brands, know-how and other intellectual property. Folgers relies on a combination of trademarks, service marks, trade secrets, patents, copyrights and similar rights to protect its intellectual property. The success of Folgers growth strategy depends on its continued ability to use its existing trademarks and service marks in order to maintain and increase brand awareness and further develop its brand. If Folgers efforts to protect its intellectual property are not adequate, or if any third party misappropriates or infringes on its intellectual property, the value of Folgers brand may be harmed, which could have a material adverse effect on its business. From time to time, Folgers is engaged in litigation to protect its intellectual property, which could result in substantial costs to Folgers as well as diversion of management attention. See also Information on Folgers Intellectual Property.

Additionally, Folgers considers its proprietary roasting methods essential to the consistent flavor and richness of its coffee products and, therefore, essential to its brands. Because many of the roasting methods used by Folgers are not protected by patents, it may be difficult for Folgers to prevent competitors from copying its roasting methods if such methods become known. P&G also believes that Folgers packaging innovations, such as brick packaging technology and its AromaSeal canisters, are important to Folgers marketing and operational efforts. If Folgers competitors copy its roasting or packaging methods or develop more advanced roasting or packaging methods, the value of Folgers coffee brand may be diminished, and Folgers could lose customers to its competitors.

The retail coffee industry is highly competitive and if Folgers cannot compete successfully, it may experience reduced sales and profitability.

The coffee industry is highly competitive and is particularly sensitive to price, as well as competition associated with quality, reputation and brand loyalty. To the extent that one or more of Folgers competitors becomes more successful with respect to any key competitive factor, Folgers ability to attract and retain customers and grow its business could be materially adversely affected. Folgers branded coffee products compete with private label coffee and other branded coffees. Some competitors, such as Kraft Foods Global, Inc., have greater financial, marketing, distribution, management and other resources than Folgers. Folgers also competes with away-from-home coffee companies, such as Starbucks Corp. and quick service and casual dining restaurants, and increasing consumer preference for an away-from-home coffee experience could decrease sales in the at-home market. If Folgers is unable to compete successfully against existing and new competitors, Folgers would lose customers or experience reduced sales and profitability.

Table of Contents

Additionally, there are relatively low barriers to entry in the coffee industry, which may encourage new competitors to enter the market, such as regional coffee companies. Folgers competes with other roasted coffee producers for shelf and merchandising space at many of Folgers customers retail locations, especially during the key merchandising periods leading up to the Thanksgiving/Christmas and Easter holiday seasons.

Folgers could be subject to adverse publicity or claims from consumers.

Folgers products contain caffeine and other active compounds, the health effects of which are the subject of increasing public scrutiny, including the suggestion that consumption of coffee, caffeine and other active compounds can have adverse health effects. An unfavorable report on the health effects of caffeine or other compounds present in Folgers products, product recalls or negative publicity or litigation arising from other health risks could significantly reduce the demand for Folgers products.

Folgers may also be subject to complaints from or litigation by consumers who allege beverage-related illness, or other quality, health or operational concerns. Adverse publicity resulting from such allegations could materially adversely affect Folgers, regardless of whether such allegations are true or whether Folgers is ultimately held liable. A lawsuit or claim could result in an adverse decision against Folgers, which could have a material adverse effect on its business, financial condition and results of operations.

Failure to comply with health, environmental, safety and other government regulations applicable to Folgers could affect profitability.

As a producer and marketer of food items, Folgers is subject to regulation by various governmental agencies, including the Food and Drug Administration, the Department of Agriculture, the Federal Trade Commission, the Environmental Protection Agency, the Department of Labor and the Department of Commerce, as well as various state agencies, with respect to production processes, product quality, packaging, labeling, storage and distribution. Under various statutes and regulations, these agencies prescribe requirements and establish standards for quality, purity and labeling. Other agencies and bodies outside of the United States where Folgers sells its products, as well as states and municipalities also regulate Folgers activities. Folgers failure to fully comply with these laws and regulations or changes in any of these laws or regulations could have a material adverse affect on Folgers operations, sales and profitability.

Folgers may be subject to work stoppages, which could increase Folgers operating costs and disrupt its operations.

A substantial portion of Folgers workforce is currently represented by various labor unions. If Folgers unionized workers were to engage in a strike, work stoppage or other slowdown in the future, Folgers could experience a significant disruption of its operations and an increase in its operating costs, which could have a material adverse effect on Folgers.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

This document, including the information incorporated by reference into this document, contains forward-looking statements, such as projected operating results, earnings and cash flows, that are subject to known and unknown risks and uncertainties that could cause actual results to differ materially from any future results, performance or achievements expressed or implied by those forward-looking statements.

You should understand that the risks, uncertainties, factors and assumptions listed and discussed in this document, including the following important factors and assumptions, could affect the future results of Smucker following the Transactions and could cause actual results to differ materially from those expressed in the forward-looking statements:

- volatility of commodity markets from which raw materials, particularly corn, wheat, soybean oil, milk and green coffee beans, are procured and the related impact on costs;
- the successful integration of the Coffee Business with Smucker s business, operations and culture and the ability to realize synergies and other potential benefits of the Transactions within the time frames currently contemplated;
- crude oil price trends and their impact on transportation, energy, and packaging costs;
- the ability to successfully implement price changes;
- the success and cost of introducing new products and the competitive response;
- the success and cost of marketing and sales programs and strategies intended to promote growth in Smucker s businesses, which will include the Coffee Business after the completion of the Transactions;
- general competitive activity in the market, including competitors pricing practices and promotional spending levels;
- the concentration of certain of Smucker s businesses, which will include the Coffee Business after the completion of the Transactions, with key customers and the ability to manage and maintain key customer relationships;
- the loss of significant customers or a substantial reduction in orders from these customers or the bankruptcy of any such customer;
- changes in consumer coffee preferences, and other factors affecting the Coffee Business, which will represent a substantial portion of Smucker s business after the completion of the Transactions;
- the ability of Smucker and Folgers to obtain any required financing; the timing and amount of capital expenditures, restructuring, and merger and integration costs;
- the outcome of current and future tax examinations and other tax matters, and their related impact on Smucker s tax positions;

- foreign currency and interest rate fluctuations;
- other factors affecting share prices and capital markets generally; and
- the other factors described under Risk Factors.

You are cautioned not to unduly rely on such forward-looking statements, which speak only as of the date made, when evaluating the information presented in this document. Smucker does not assume any obligation to update or revise these forward-looking statements to reflect new events or circumstances.

Table of Contents

THE SPECIAL MEETING

Date, Time and Place of the Special Meeting

The special meeting will be held in Fisher Auditorium at the Ohio Agricultural Research and Development Center, 1680 Madison Avenue, Wooster, Ohio 44691 on October 16, 2008, at 11:00 a.m., Eastern Daylight Time.

Purposes of the Special Meeting

The purposes of the special meeting are for you to consider and vote upon:

- a proposal to approve the issuance of Smucker common shares in the Merger and to authorize the Transactions;
- subject to the approval of the first proposal, a proposal to approve the adoption of amended articles of incorporation of Smucker in connection with the Merger in the form attached as Annex F to this document;
- a proposal to approve adjournments or postponements of the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve the proposal to issue Smucker common shares in the Merger and to authorize the Transactions; and
- any other matter that may properly come before the meeting.

We currently expect that no other matters will be considered at the special meeting.

Record Date of the Special Meeting

Holders of record of Smucker common shares at the close of business on September 8, 2008 will be entitled to notice of the special meeting and to vote at the special meeting or any adjournment or postponement of the special meeting.

Outstanding Shares

As of the record date, there were 54,819,110 outstanding Smucker common shares that are entitled to vote at the special meeting.

Shares Entitled to Vote at the Special Meeting

The number of votes that you, as a holder of Smucker common shares, will be entitled to cast at the special meeting on the proposal to issue Smucker common shares in the Merger and to authorize the Transactions and on the proposal relating to the adoption of amended articles of incorporation of Smucker in connection with the Merger will depend on how long you have owned your Smucker common shares. Specifically:

- If there has not been a change in beneficial ownership of your Smucker common shares in the four years preceding the record date for the special meeting or if you received your Smucker common shares through Smucker s various equity plans, you will be entitled to ten votes for each of those shares on the proposal to issue Smucker common shares in the Merger and to authorize the Transactions and on the proposal relating to the adoption of amended articles of incorporation of Smucker in connection with the Merger. You will have only one vote per share, however, on those proposals, for Smucker common shares purchased in the four years preceding the record date for the special meeting. All Smucker common shares will have one vote per share on any proposal to approve adjournments or postponements of the special meeting. The number of votes that holders of Smucker common shares will be entitled to cast on any other business that may properly come before the special meeting will depend on whether the matter is a matter on which eligible holders of Smucker common shares are entitled to ten votes per share under the terms of Smucker s time-phase voting structure.

If your Smucker common shares are registered with Smucker s transfer agent in your name, the agent will determine how long you have held your shares and will ensure that you receive the proper number of votes. If your shares are held in street name (i.e., in the name of your broker, bank or other nominee), you will need to provide a written certification as set forth below under Proof of Beneficial Ownership.

Smucker common shares beneficially held by Smucker or its subsidiaries will not be voted.

Quorum Requirements for the Special Meeting

A quorum of Smucker shareholders is necessary to hold a valid special meeting.

The presence in person or by proxy at the special meeting of holders of Smucker common shares entitled to exercise as of the record date at least a majority of the outstanding voting power of Smucker common shares, giving effect to ten-vote shares, is necessary for a quorum. Abstentions and broker non-votes count as present for establishing a quorum. Smucker common shares held by Smucker or its subsidiaries do not count toward a quorum. A broker non-vote occurs with respect to a proposal when a broker is not permitted to vote on that proposal without instruction from the beneficial owner of the Smucker common shares and no instruction is given.

Shares Owned by Smucker s Directors and Executive Officers as of the Record Date

As of the record date, Smucker directors and executive officers as a group owned and were entitled to vote approximately 7% of the outstanding Smucker common shares. These shares represent between approximately 14% and 18% of the outstanding voting power of Smucker common shares with respect to the proposal to issue Smucker common shares in the Merger and to authorize the Transactions and the proposal relating to the adoption of amended articles of incorporation of Smucker in connection with the Merger, based on Smucker s current best estimate of the voting power of these shareholders under Smucker s current time phase voting requirements. All of the directors and executive officers of Smucker that are entitled to vote at the special meeting have indicated that they intend to vote their shares in favor of the Merger.

In addition, under the terms of the Voting Agreement between certain shareholders of Smucker and P&G, those Smucker shareholders that are parties to the Voting Agreement have agreed in writing to vote their shares, and have granted P&G a proxy to vote their shares, in favor of the Merger and against any competing or superior proposals or proposals that would hinder or delay the completion of the Merger. As of the record date Smucker estimates that these shareholders hold between 10% and 15% of the voting power of the outstanding Smucker common shares with respect to the proposal to issue Smucker common shares in the Merger and to authorize the Transactions and the proposal relating to the adoption of amended articles of incorporation of Smucker in connection with the Merger. For a more complete description of the Voting Agreement, see The Voting Agreement.

Vote Necessary at the Special Meeting to Approve the Proposals

The approval of the proposal relating to the issuance of Smucker common shares in the Merger and the authorization of the Transactions, and the proposal relating to the adoption of amended articles of incorporation of Smucker in connection with the Merger, each requires the approval of at least two-thirds of the outstanding voting power of Smucker common shares, giving effect to the ten-votes-per-share provisions of Smucker s articles of incorporation.

Approval of adjournments or postponements of the special meeting, if necessary, to permit further solicitation of proxies if there are not sufficient votes at the time of the special meeting to approve the proposal to issue Smucker common shares in the Merger and to authorize the Transactions or the proposal relating to the adoption of amended articles of incorporation of Smucker in connection with the Merger requires the affirmative vote of a majority of the voting power present in person or by proxy at the special meeting, without giving effect to ten-vote shares.

Table of Contents

Abstentions and broker non-votes will have the same effect as a vote against the proposal relating to issuance of Smucker common shares in the Merger and the related Transactions, and the proposal relating to the adoption of amended articles of incorporation of Smucker in connection with the Merger, but broker non-votes will have no effect on the outcome of the proposal relating to adjournments or postponements of the Smucker special meeting, if necessary, to permit further solicitation of proxies, in each case, so long as a majority of the outstanding Smucker common shares have voted on the proposal.

Proof of Beneficial Ownership

Smucker has developed procedures regarding the proof that will be required for determinations of beneficial ownership of Smucker common shares so that it may determine the voting power of those shares on the proposal to issue Smucker common shares in the Merger and to authorize the Transactions, on the proposal relating to the adoption of amended articles of incorporation of Smucker in connection with the Merger and any other proposal that may come before the meeting that would entitle eligible holders to ten votes under its time-phase voting structure. Smucker common shares that would be entitled to ten votes per share include:

- common shares beneficially owned for four consecutive years as of the record date; or
- common shares received through Smucker s various equity plans.

In the event of a change in beneficial ownership, the new owner of that share will be entitled to only one vote with respect to that share on all matters until four years pass without a further change in beneficial ownership of the share.

The express terms of the Smucker common shares provide that a change in beneficial ownership occurs whenever any change occurs in the person or group of persons who has or shares voting power, investment power, the right to receive sale proceeds, or the right to receive dividends or other distributions in respect of those Smucker common shares. In the absence of proof to the contrary, a change in beneficial ownership will be deemed to have occurred whenever Smucker common shares are transferred of record into the name of any other person. Moreover, corporations, general partnerships, limited partnerships, voting trustees, banks, trust companies, brokers, nominees, and clearing agencies will be entitled to only one vote per share on Smucker common shares held of record in their respective names unless written proof is provided to establish that there has been no change in the person or persons who direct the exercise of any of the rights of beneficial ownership, including the voting of shares. Thus, in order to be entitled to exercise ten votes per share, Smucker shareholders who hold Smucker common shares in street name or through any of the other indirect methods mentioned above must be able to submit written proof of beneficial ownership in form and substance satisfactory to Smucker of:

- the total number of Smucker common shares that you beneficially own; and
- of the Smucker common shares beneficially owned by you, how many have been owned since the date that is four years prior to the record date of the special meeting.

If your Smucker common shares are held in street name, a certification form for you to complete is enclosed with this document. Smucker has not developed certification procedures with respect to common shares that are voted by telephone. If you vote your shares by telephone, Smucker will assume that those shares are entitled to one vote per share on the matters presented of the special meeting.

Your broker must receive the certification form from you by no later than October 8, 2008. If it is not received by that time, all Smucker common shares held by the beneficial owner will be entitled to only one vote per share on the proposal to issue Smucker common shares in the Merger and to authorize the Transactions and on the proposal relating to the adoption of amended articles of incorporation of Smucker in connection with the Merger.

Smucker reserves the right to require such additional evidence as may be necessary to confirm that there has been no change in beneficial ownership of Smucker common shares in the four years preceding the record date for the special meeting.

Table of Contents

VOTING BY PROXY

Voting Your Proxy

You may vote in person at the special meeting or by proxy. We recommend you vote by proxy even if you plan to attend the special meeting. If you vote by proxy, you may change your vote if you attend the special meeting.

You may vote by proxy by completing and mailing the enclosed proxy card(s). If you properly complete, sign, date and return your proxy card(s) in time to vote, one or more of the individuals named as your proxy will vote your Smucker common shares as you have directed. You may vote for or against the proposals submitted at the special meeting or you may abstain from voting. In addition, shareholders of record at the close of business on September 8, 2008 may vote by proxy by calling the toll-free telephone number or by using the internet as described in the instructions included with the proxy card(s).

How to Vote

Complete, sign, date and return your proxy card(s) in the enclosed envelope or call the toll-free telephone number or use the internet as described in the instructions included with your proxy card(s).

If you hold Smucker common shares through a broker or other custodian, please follow the voting instructions provided by that firm. If you do not sign, date and return your proxy card(s), or vote by telephone or by using the internet, or if your shares are held in a stock brokerage account or held by a bank, broker or other nominee, or, in other words, in street name and you do not instruct your bank, broker or other nominee how to vote those shares, those shares will not be voted at the special meeting for the proposals relating to the Merger and the adoption of amended articles of incorporation of Smucker in connection with the Merger.

A number of banks and brokerage firms participate in a program that also permits shareholders whose shares are held in street name to direct their vote by telephone or by using the internet. This option, if available, will be reflected in the voting instructions from the bank or brokerage firm that accompany this document. If your shares are held in an account at a bank or brokerage firm that participates in such a program, you may direct the vote of these shares by telephone or by using the internet by following the voting instructions enclosed with the proxy form from the bank or brokerage firm. The telephone and internet proxy procedures are designed to authenticate shareholders identities, to allow shareholders to give their proxy voting instructions and to confirm that those instructions have been properly recorded. The internet and telephone proxy procedures for Smucker shareholders are also designed to obtain proof of beneficial ownership of Smucker common shares. Votes directed by telephone or by using the internet through such a program must be received by 11:59 p.m., New York City time, on October 15, 2008. Requesting a legal proxy prior to the deadline described above will automatically cancel any voting directions you have previously given by telephone or by using the internet with respect to your shares.

Directing the voting of your shares will not affect your right to vote in person if you decide to attend the meeting; however, you must first obtain a signed and properly executed legal proxy from your bank, broker or other nominee to vote your shares held in street name and bring it to the special meeting.

If you sign and submit your proxy but do not make specific choices, your proxy will be voted **FOR** each of the proposals presented.

Smucker s board of directors has unanimously approved the Transactions, the Transaction Agreement, and the other agreements relating to the Transactions, and determined that the Transactions, including the issuance of Smucker common shares in the Merger, are advisable, fair to and in the best interests of Smucker and its shareholders. Smucker s board of directors unanimously recommends that shareholders vote FOR the proposal to issue Smucker common shares in the Merger and to authorize the Transactions, FOR the proposal to adopt amended articles of incorporation of Smucker in connection with the Merger, and FOR the proposal to approve adjournments or postponements of the special meeting for the purpose of soliciting additional proxies, if necessary.

Table of Contents

Revoking Your Proxy

If you are a record holder of Smucker common shares, you can change your vote by:

- sending a written notice to the corporate secretary of Smucker that is received prior to the special meeting and states that you revoke your proxy;
- signing and dating a new proxy card(s), and submitting your proxy so that it is received prior to the special meeting or, if available, voting by telephone or by using the internet prior to the special meeting in accordance with the instructions included with the proxy card(s); or
- attending the special meeting and voting in person.

If your shares are held in street name by your broker, you will need to contact your broker to revoke your proxy.

Other Voting Matters

Voting in Person

If you plan to attend the special meeting and wish to vote in person, we will give you a ballot at the special meeting. However, if your Smucker common shares are held in street name, you must first obtain a legal proxy from your broker authorizing you to vote the shares in person, which you must bring with you to the special meeting.

People with Disabilities

We can provide reasonable assistance to help you participate in the special meeting if you tell us about your disability and how you plan to attend. Please call or write the corporate secretary of Smucker at least two weeks before the special meeting at the number or address provided in the section of this document captioned Where You Can Find More Information; Incorporation by Reference.

Proxy Solicitations

This document is being furnished to you in connection with Smucker s board of directors solicitation of proxies from the holders of Smucker common shares for the special meeting. In addition to this mailing, Smucker s directors, officers and employees (who will not receive any additional compensation for such services) may solicit proxies personally, electronically or by telephone. We will pay the costs of soliciting proxies. We have also engaged D.F. King & Co., Inc. to assist in the solicitation of proxies. We will pay this firm a fee of $15,000, plus certain other customary fees and expenses. We will also reimburse brokerage houses and other custodians, nominees and fiduciaries for their reasonable expenses for sending proxy materials to the beneficial owners of Smucker common shares. The extent to which these proxy-soliciting efforts will be necessary depends upon how promptly proxies are submitted. You should submit your completed proxy card(s) without delay by mail or vote by telephone or by using the internet if available.

Other Business, Adjournments and Postponements

Other Business

We are not aware of any other business to be acted upon at the special meeting. If, however, other matters are properly brought before the special meeting, your proxies will have discretion to vote or act on those matters according to their best judgment.

Adjournments of the Special Meeting

Any adjournment may be made from time to time by approval of the shareholders holding a majority of the voting power present in person or by proxy at the special meeting, whether or not a quorum exists, without further notice other than by an announcement made at the special meeting.

Table of Contents

Postponements of the Special Meeting

If a quorum is not present at the special meeting, shareholders may be asked to vote on a proposal to adjourn or postpone the special meeting to solicit additional proxies. If a quorum is not present at the special meeting, the officers of the company or the holders of a majority of the Smucker common shares entitled to vote who are present in person or by proxy at the special meeting may adjourn or postpone the meeting. If a quorum is present at the special meeting but there are not sufficient votes at the time of the special meeting to approve the other proposal(s), holders of the Smucker common shares may also be asked to vote on a proposal to approve the adjournment or postponement of the special meeting to permit further solicitation of proxies.

Table of Contents

INFORMATION ON THE DISTRIBUTION

P&G expects that the shares of Folgers common stock will be distributed to P&G shareholders in an exchange offer in which P&G shareholders would have the option to exchange their shares of P&G common stock for shares of Folgers common stock (and any subsequent pro rata dividend if the exchange offer is consummated but not fully subscribed), as described in the next paragraph. Shares of Folgers common stock will be offered to P&G shareholders in the exchange offer based upon the market prices of shares of P&G common stock and Smucker common shares calculated during a specified period pursuant to the terms of the exchange offer, at a discount which will be set by P&G at the time of commencement of the exchange offer. Promptly after the specific terms of the exchange offer are set, Smucker will publish a press release describing them. The press release will be filed with the SEC and available to shareholders on Smucker s web page (www.smuckers.com).

On or prior to the expiration of the exchange offer, P&G will irrevocably deliver to the exchange agent all of the shares of Folgers common stock outstanding, with irrevocable instructions to hold the shares of Folgers common stock in trust for P&G shareholders whose shares of P&G common stock are being accepted in the exchange offer and, in the case of a pro rata dividend, P&G shareholders whose shares of P&G common stock are outstanding after the consummation of the exchange offer. If the exchange offer is completed but is not fully subscribed, P&G will distribute all of the Remaining Shares in a pro rata dividend to all P&G shareholders whose shares of P&G common stock remain outstanding after consummation of the exchange offer. If there is a pro rata dividend to be distributed, the exchange agent will calculate the exact number of shares of Folgers common stock not exchanged in the exchange offer and to be distributed in a pro rata dividend and that number of Smucker common shares, into which such Remaining Shares will be converted in the Merger, will be transferred to P&G shareholders (after giving effect to the consummation of the exchange offer) on a pro rata basis as promptly as practicable thereafter.

Smucker and Smucker shareholders are not a party to the Distribution and are not being asked to separately vote on the Distribution or to otherwise participate in the Distribution.

Smucker expects to issue approximately 63,077,885 Smucker common shares in the Merger. Based upon the reported closing sales price of $54.17 per share for Smucker common shares on the NYSE on September 3, 2008, the date of this proxy statement, the total value of the consideration to be paid by Smucker in the Transactions, including the $350 million of Folgers Debt to be guaranteed by Smucker, subject to the requirements of the Separation Agreement, would have been $3.8 billion (prior to any adjustment for payment of the $274 million aggregate amount of the, or $5.00 per share, Smucker Special Dividend). The value of the consideration to be paid by Smucker will depend on the market price of Smucker common shares at the time of determination.

P&G s exchange offer will be subject to various conditions that will be described in Folgers registration statement and Smucker s registration statement.

The information included in this section regarding P&G s exchange offer is being provided to Smucker s shareholders for informational purposes only and is not complete. For additional information on P&G s exchange offer and the terms and conditions of P&G s exchange offer, Smucker shareholders are urged to read Folgers registration statement on Form S-4/S-1 or Smucker s registration statement on Form S-4.

Table of Contents

INFORMATION ON SMUCKER

Overview

Smucker was established in 1897 and was incorporated in Ohio in 1921. Smucker operates principally in one industry, the manufacturing and marketing of branded food products, with the majority of Smucker s sales in the United States. Smucker s operations outside the United States are principally in Canada although products are exported to other countries as well. Sales outside the United States represent approximately 13 percent of Smucker s total consolidated sales for fiscal 2008. Smucker s branded food products include a strong portfolio of trusted, iconic market leading brands that are sold to consumers through retail outlets in North America. For the fiscal year ended April 30, 2008, Smucker had $2.5 billion of net sales and generated operating income of $284.2 million.

Smucker has two reportable segments: U.S. retail market and special markets. The U.S. retail market segment includes the consumer and consumer oils and baking strategic business areas. This segment primarily represents the domestic sales of *Smucker s, Jif, Crisco, Pillsbury, Eagle Brand, Hungry Jack, White Lily,* and *Martha White* branded products to retail customers. The special markets segment is comprised of the international, foodservice, beverage, and Canada strategic business areas. Special markets segment products are distributed domestically and in foreign countries through retail channels, foodservice distributors and operators (i.e., restaurants, schools and universities, health care operations), and health and natural foods stores and distributors. Smucker s U.S. retail market segment, comprising over 74 percent of Smucker s net sales, includes the consumer and consumer oils and baking businesses and represents a large portion of Smucker s strategic focus area the sale of branded food products with leadership positions to consumers through retail outlets in North America. The special markets segment represents the aggregation of the foodservice, beverage, Canada and international businesses.

Smucker s fiscal year begins on May 1 and ends on the following April 30. For example, Smucker s fiscal 2008 began on May 1, 2007 and ended on April 30, 2008.

Smucker s Business

Principal Products

Smucker s principal products, which are sold in both Smucker s U.S. retail market segment and special markets segment, are peanut butter, shortening and oils, fruit spreads, canned milk, baking mixes and ready-to-spread frostings, flour and baking ingredients, juices and beverages, frozen sandwiches, dessert toppings, syrups, pickles and condiments and potato side dishes.

In the U.S. retail market segment, Smucker s products are primarily sold through brokers to food retailers, food wholesalers, club stores, mass merchandisers, discount stores, and military commissaries. In the special markets segment, Smucker s products are distributed domestically and in foreign countries through retail channels, foodservice distributors and operators (i.e., restaurants, schools and universities, healthcare operators), other food manufacturers, health and natural foods stores and distributors.

Sources and Availability of Raw Materials

The raw materials used by Smucker in each of its segments are primarily commodities and agricultural-based products. Glass, plastic, caps, carton board, and corrugate are the principal packaging materials used by Smucker. The fruit and vegetable raw materials used by Smucker in the production of its food products are purchased from independent growers and suppliers. Sweeteners, peanuts, oils, milk, wheat and flour, corn and other ingredients are obtained from various suppliers. The cost and availability of many of these commodities have fluctuated, and may continue to fluctuate, over time. Smucker also uses commodity futures and options to manage some of its costs. Raw materials are available from numerous sources, and Smucker believes that it will

47

Table of Contents

continue to be able to obtain adequate supplies. Smucker has not historically encountered shortages of key raw materials. Smucker considers its relationship with key raw material suppliers to be good.

Trademarks and Patents

Smucker s products are produced under certain patents and marketed under numerous trademarks owned by Smucker or one of its subsidiaries. Major trademarks, utilized primarily in the U.S. retail market segment, include: *Smucker s, Jif, Crisco, Eagle Brand, Mary Ellen, Dutch Girl, Martha White, LaPina, White Lily, Hungry Jack, Uncrustables, Simply Jif, Golden Temple, Softasilk, Dickinson s, Crosse & Blackwell, Funfetti, Adams, Laura Scudder s, Goober, Pet, Magic Shell,* and *Simple Measures*. Major trademarks primarily utilized in the special markets segment include: *Smucker s, Jif, Crisco, Plate Scapers, Bick s, Five Roses, Robin Hood, Carnation, Europe s Best, R. W. Knudsen Family, Santa Cruz Organic, Knott s Berry Farm, Double Fruit, Simply Nutritious, Recharge,* and *Red River*. Pillsbury, the Pillsbury Barrelhead logo and Pillsbury Doughboy are trademarks of The Pillsbury Company, used by Smucker under a 20-year perpetually renewable royalty-free license. The *BORDEN* and *Elsie* designs are trademarks used by Smucker on certain products under a perpetual, exclusive, and royalty-free license. *Carnation* is a trademark of Societe des Produits Nestle S.A. used by Smucker s Canadian subsidiary on certain canned milk products in certain territories under an exclusive and royalty-free license with an initial term of 10 years, which is renewable by Smucker for two successive five-year terms and which becomes perpetual at the end of the renewal terms under certain circumstances. In addition, Smucker or one of its subsidiaries licenses the use of several other trademarks, none of which individually is material to Smucker s business.

Slogans or designs considered to be important trademarks include (without limitation) the slogan, *With A Name Like Smucker s, It Has To Be Good, Choosy Moms Choose Jif, Purely The Finest, Kids Bake It Fun, Start Something Good with Crisco, We ve Got Ice Cream Covered, Everybody s Happy When It s Hungry Jack, Goodness Gracious, It s Good,* the Smucker s banner, the Crock Jar shape, the Gingham design and the Strawberry logo.

Smucker considers all of these trademarks and the Pillsbury, *BORDEN*, *Elsie* and *Carnation* license to be essential to its business.

Seasonality

Smucker s consumer oils and baking business is moderately seasonal around the fall bake period, which generally impacts sales and profits in Smucker s second and third quarters. Smucker does not consider the overall impact of seasonal trends, however, to be significant.

Working Capital

Working capital requirements are greatest during the first half of Smucker s fiscal year mainly due to the timing of fruit and vegetable procurement and the buildup of inventories necessary to support the fall bake season.

Customers

Sales to Wal-Mart Stores, Inc., and its subsidiaries amounted to approximately 20 percent, 20 percent and 18 percent of net sales in fiscal 2008, 2007 and 2006, respectively. These sales are primarily included in the U.S. retail market segment. No other customer exceeded 10 percent of net sales during fiscal 2008, 2007 and 2006.

Orders

Generally, orders are filled within a few days of receipt, and the backlog of unfilled orders at any particular time has not been material on a historical basis.

Table of Contents

Government Business

No material portion of Smucker s business is subject to negotiation of profits or termination of contracts at the election of the government.

Competition

Smucker is the branded market leader in the peanut butter, shortening and oils, sweetened condensed milk, fruit spreads, dessert toppings, and health and natural foods beverages categories. Smucker s business is highly competitive as all of its brands compete for retail shelf space with other advertised and branded products as well as unadvertised and private label products.

The *Jif* brand has been a leader in the peanut butter category for over 20 years, while Smucker s natural peanut butter business, sold under the *Smucker s*, *Adam s* and *Laura Scudder s* brands, maintains a strong leadership position in the natural peanut butter category. *Crisco* has been a leader in the shortening and cooking oils categories for over 50 years. *Crisco* holds a leading position among branded competitors in both the oils and shortening categories. The oils category in which *Crisco* competes is a more competitive category due to a larger private label presence and volatile commodity pricing. Smucker s fruit spread brands, including *Smucker s*, *Dickinson s* and *Knott s Berry Farm*, hold the leading position in the category and compete with one major branded line of fruit spreads and many private label brands. The competing brands exist on both a national and a regional level.

Smucker competes in the dessert and baking mixes (DBM) market that includes mixes for cakes, cookies, brownies, muffins, and quick breads, as well as ready-to-spread frostings and ingredients used in scratch baking such as flour. Within the DBM category, Smucker competes primarily with two major national and many private label brands. Smucker s *Hungry Jack* brand competes in three primary market categories: pancake mix, potato side dishes, and table syrup. Smucker competes with several major national as well private label brands in these categories.

Smucker competes in the canned milk category with both branded and nonbranded products. Smucker is the branded market leader in the sweetened condensed category with approximately 50 percent market share with its *Eagle Brand* and *Magnolia* brands. In the evaporated milk category, Smucker has a significant presence with its production of private label brands where it competes primarily with one major national brand.

The continued growth of alternative store formats, product and packaging innovations, technological advances, and new industry techniques have all added additional variables for companies in the food industry to consider in order to remain competitive. The primary ways in which products are distinguished are product quality, price, packaging, new product introductions, nutritional value, convenience, customer service, advertising, and promotion. Positive factors pertaining to Smucker s competitive position include well-recognized brands, superior product quality, experienced brand management, a single national grocery broker in the U.S. retail market, varied product offerings, product innovation and a strong distribution network.

Research and Development

Smucker predominantly utilizes in-house resources to both develop new products and improve existing products in each of its business areas. Amounts expensed for product development were approximately $9.5 million, $9.7 million and $10.8 million in fiscal 2008, 2007 and 2006, respectively.

Environmental Matters

Compliance with the provisions of federal, state, and local environmental regulations regarding either the discharge of materials into the environment or the protection of the environment is not expected to have a material effect upon Smucker s capital expenditures, earnings, or competitive position.

Table of Contents

Employees

As of April 30, 2008, Smucker had approximately 3,250 full-time employees, worldwide. Approximately 31 percent of these employees, located at nine facilities, are covered by union contracts. These contracts vary in term depending on the location. Smucker believes its relations with its current employees are generally good.

Properties

The table below lists all of Smucker s manufacturing and processing facilities as of April 30, 2008. All of Smucker s properties are maintained and updated on a regular basis, and Smucker continues to make investments for expansion and technological improvements. Smucker believes that existing capacity at these facilities is sufficient to sustain current operations and anticipated near-term growth.

The properties listed below are owned, except for the West Fargo, North Dakota, facility that is leased. Other than customary lease terms and rental payment obligations, there are no material performance obligations associated with the properties listed below. Smucker s corporate headquarters are located in Orrville, Ohio, and Smucker s Canadian headquarters are leased and located in Markham, Ontario.

Domestic Locations	**Products Produced/Processed**
Chico, California	Fruit and vegetable juices, beverages
Cincinnati, Ohio	Shortening and oils
El Paso, Texas	Canned milk
Grandview, Washington	Grapes, red tart cherries, strawberries, cranberries, apples, boysenberries, blackberries, red raspberries, black raspberries, blueberries, red currants
Havre de Grace, Maryland	Fruit and vegetable juices, beverages
Lexington, Kentucky	Peanut butter
Memphis, Tennessee	Fruit spreads, toppings, syrups
New Bethlehem, Pennsylvania	Peanut butter and *Goober* products
Orrville, Ohio	Fruit spreads, toppings, syrups
Oxnard, California	Strawberries
Ripon, Wisconsin	Fruit spreads, toppings, syrups, condiments
Scottsville, Kentucky	*Uncrustables* sandwiches
Seneca, Missouri	Canned milk
Toledo, Ohio	Bakery mixes and frostings
West Fargo, North Dakota	*Uncrustables* sandwiches and *Snack n Waffles* ready-to-eat waffles

International Locations	**Products Produced/Processed**
Delhi Township, Ontario, Canada	Pickles
Dunnville, Ontario, Canada	Pickles and relish condiments
Sherbrooke, Quebec, Canada	Canned milk
Ste. Marie, Quebec, Canada	Fruit spreads, sweet spreads, industrial products

Legal Proceedings

Smucker is not a party to any material pending legal proceeding.

Table of Contents

THE COFFEE INDUSTRY

The U.S. Coffee Market

Coffee is the most popular hot drink in the United States. According to the National Coffee Association of U.S.A., Inc. (the NCA), in 2007 approximately 57% of the U.S. population over the age of 18 drank coffee daily, up from approximately 49% in 2004. The NCA also reported that the percentage of the U.S. adult population that consumed gourmet coffee beverages weekly (defined as premium whole bean or roast and ground varieties, espresso-based beverages and iced coffee) increased to 37% in 2007 from 27% in 2003. A 2007 NCA study found that adults ages 40 to 59 in the United States consume the highest average share of coffee.

The coffee industry information and data (including forecast information) included in this section The U.S. Coffee Market has been derived from information prepared by Datamonitor. Datamonitor s definition of Retail and Foodservice differ from P&G s definition of such terms. See Helpful Information and The Coffee Market in which Folgers Competes. Datamonitor divides the coffee market into two sales channels: retail and foodservice. Datamonitor defines the retail and foodservice channels as follows:

- Retail includes supermarkets (e.g., Kroger), convenience stores (e.g., 7-Eleven), mass merchandisers (e.g., Wal-Mart), warehouse clubs (e.g., Costco), drug stores (e.g., CVS), health/natural food stores (e.g., Wild Oats), gourmet stores (e.g., Dean & Deluca), internet purchases, mail order and other (e.g., kiosks, vending machines and airport retailing).

- Foodservice includes coffee shops (e.g. Starbucks), full service restaurants, institutional foodservice outlets (e.g. sporting arenas, hotels, hospitals, universities, nursing homes and cafés located within places of work) and quick service restaurants (e.g., McDonald s).

Overall sales in the U.S. coffee market increased to $30.7 billion in 2007 from $20.1 billion in 2002, reflecting a 8.8% compound annual growth rate. The driver of this growth was foodservice channel sales, which grew at a compound annual growth rate of 14.4% to $20.6 billion in 2007. Coffee sales in the retail channels increased at a 1.1% compound annual growth rate since 2002, reaching $10.1 billion in 2007. Overall coffee sales are forecasted to increase to $39.1 billion in 2012, reflecting a 5.0% compound annual growth rate, with foodservice coffee sales expected to grow at an 6.7% compound annual growth rate to $28.5 billion and retail coffee sales expected to grow at a 1.1% compound annual growth rate to $10.6 billion.

Retail

Packaged coffee sales represented approximately 69% of retail coffee sales in 2007 with prepared products constituting the remaining 31% of retail coffee sales. Roast and ground products (including pre-ground coffee that is roasted, ground and either vacuum packed or sold in containers, as well as whole beans that have been roasted but not ground) represents the largest category of packaged products. Sales of roast and ground products were approximately $5.5 billion in 2007 and are expected to remain relatively flat through 2012. Other packaged products include:

- instant coffee (freeze-dried products, granules and mixes/powders), with sales of $822 million in 2007, which are forecasted to decrease slightly through 2012; and

- ready-to-drink products (prepackaged, pre-flavored, sweetened coffee drinks that typically come in single serve containers), with sales of $547 million in 2007, which are forecasted to increase modestly through 2012.

Sales of prepared coffee in the retail channels were $3.1 billion in 2007 with sales forecasted to increase to $3.5 billion by 2012. Of the $10.1 billion total retail coffee sales in 2007, supermarkets represented approximately 40%, while convenience store sales were approximately 30%.

Table of Contents

Foodservice

Prepared coffee sales represented approximately $18.1 billion, or 88%, of total foodservice coffee sales in 2007. Foodservice sales of prepared coffee are expected to grow at an 7.0% compound annual growth rate through 2012. In 2007, foodservice sales of packaged coffee were approximately $2.5 billion, or 12%, of total foodservice coffee sales. Foodservice sales of packaged coffee are expected to grow at a 4.1% compound annual growth rate through 2012. Of the $20.6 billion in total foodservice coffee sales in 2007, coffee shop sales were approximately 54%, while quick service restaurant sales were approximately 27%.

Overall coffee sales in the 2002 to 2007 period increased at a rate higher than volume sales growth, reflecting the willingness of consumers to pay more for coffee. Overall per capita coffee expenditures in the U.S. grew at a compound annual growth rate of 7.6% between 2002 and 2007. The relative size of the away-from-home segment of the coffee market (defined by Datamonitor to include all prepared coffee as well as ready-to-drink products) increased from 60% of the total coffee market in 2002 to 71% in 2007. The away-from-home segment is forecasted to increase to 76% in 2012 (reflecting a 6.3% compound annual growth rate in away-from-home sales in the 2007 to 2012 period). The at-home (i.e. coffee purchased for brewing and consumption at home) segment has decreased from 40% of the total coffee market in 2002 to 29% in 2007 and is forecasted to decrease to 24% in 2012 (reflecting a 1.4% compound annual growth rate in at-home sales in the 2007 to 2012 period).

While coffee sales through retail channels declined as a percentage of total coffee sales between 2002 and 2007, various sectors within the retail channels experienced growth, including flavored coffees, specialty whole bean coffee, private label coffee, ready-to-drink products and coffee pods. Specialty coffees sold through retail channels have experienced substantial growth over the past five years as specialty coffee in the whole bean segment has grown from 51% of overall whole bean sales in 2002 to 62% in 2007. By 2012, this specialty coffee segment is expected to increase to 71% of the forecasted $805 million overall whole bean segment with most of the expected sales growth from flavored whole beans. Roast and ground sales of flavored coffee are expected to grow at a 3.4% compound annual growth rate in the 2007-2012 period to $697 million.

The Coffee Market in which Folgers Competes

The U.S. Retail Packaged Coffee Market

P&G defines the U.S. retail packaged coffee market as packaged coffee sold in grocery stores, drug stores, mass merchandisers, club stores and dollar stores but not including packaged coffee sold in coffee shops or other foodservice establishments, health/natural food stores, gourmet stores, convenience stores and various other channels. Folgers Retail and Millstone reporting segments operate in this market. Sales to the retail packaged coffee market represented over 90% of Folgers combined net sales in fiscal 2007. Market data is available from vendors such as ACNielsen and IRI, but P&G believes that these sources only capture about two-thirds of the relevant market data and do not measure sales to some customers (such as Wal-Mart) that represent a significant portion of Folgers net sales. Because of this, P&G calculates a market share measure which P&G believes is the best gauge of its share of the total market. Folgers market share data, as determined by P&G, combines U.S. market data from ACNielsen and/or IRI with additional sales data purchased from a representative group of retailers, household panel data, and internal analytical models to create P&G s best estimate of the total U.S. retail packaged coffee market. The market share data provided below is based on calendar year 2007. Market share data is used by P&G in order to standardize market share information across different products and retail channels and is regularly used by P&G in the analysis of the Coffee Business. Folgers market share data is not publicly available industry information and is not used by any of Folgers competitors in analyzing their businesses.

Overall U.S. Retail Coffee Market. The U.S. retail packaged coffee market includes all of the product categories discussed below. Based on Folgers market share data, P&G estimates the size of the U.S. retail packaged coffee market in 2007 was approximately $5.2 billion, an increase of approximately $250 million, or

Table of Contents

5%, compared to 2006. P&G estimates that Folgers market share of the total retail packaged coffee market on a sales basis in 2007 was over 36%. P&G believes that no other brand in the U.S. retail packaged coffee market had a market share of the total retail market on a sales basis greater than 15% in 2007.

P&G divides the U.S. retail packaged coffee market into three categories: mainstream roast and ground coffee, gourmet coffee and single serve coffee which represented 53%, 29%, and 18%, respectively, of the U.S. retail packaged coffee market on a sales basis in 2007. The primary channels in which Folgers competes in the U.S. retail packaged coffee market are grocery stores, drug stores, mass merchandisers, club stores and dollar stores.

Mainstream roast and ground coffee. The mainstream roast and ground coffee category consists of coffee for use with multi-cup coffee makers. Mainstream roast and ground coffee, which is less expensive per pound than gourmet coffee, is available in plastic canisters, metal cans, vacuum packed bags or brick packaging. Mainstream roast and ground coffee is available in caffeinated and decaffeinated forms and a small portion of the market is comprised of flavored coffee. Folgers key competitors in this market are Maxwell House and Yuban (Kraft), Chock full o Nuts, Hills Brothers and Chase & Sanborn (Massimo Zanetti Beverages) and private label brands.

Based on Folgers market share data, P&G estimates retail sales of mainstream roast and ground coffee in 2007 were $2.8 billion, an increase of approximately $130 million, or 5%, compared to 2006. P&G estimates that Folgers market share of this category on a sales basis in 2007 was 48%. P&G estimates that Kraft had the next leading combined market share for its Maxwell House and Yuban brands in the main stream roast and ground category with a 24% market share on a sales basis in 2007.

Gourmet coffee. Gourmet coffee is coffee that typically carries a premium image or a premium price, is either whole bean or ground and is packaged in soft bags or available in bulk whole bean dispensers. Folgers primary brands in this category are Folgers Gourmet Selections, Dunkin Donuts® licensed retail packaged coffee products and Millstone. The key competitors in this market are Starbucks and Seattle s Best (Kraft under license from Starbucks), Eight O Clock Coffee, Green Mountain, Peet s and private label brands.

Based on Folgers market share data, P&G estimates retail sales of gourmet coffee in 2007 were $1.5 billion, an increase of $101 million, or 7%, compared to 2006. P&G estimates that Starbucks had the leading combined market share for its Starbucks and Seattle s Best brands in this category with a 33% market share on a sales basis in 2007. P&G estimates that Folgers combined market share of the gourmet category, which includes Millstone, Folgers Gourmet Selections, Dunkin Donuts® licensed retail packaged coffee products and Brothers coffee, on a sales basis in 2007 was over 19%.

Single serve coffee. Single serve coffee is prepared for single cup use, as opposed to multi-cup use, and is categorized into the following three types: instant coffee, powdered creamy instant coffee and coffee pods. Instant coffee is prepared by heating water and adding coffee to the hot water. Powdered creamy instant coffee is prepared similarly to regular instant coffee, but contains ingredients that add additional flavor and creaminess to the coffee. Finally, coffee pods are individual pods, disks or K-Cups and are used in a single cup brewer system. The key competitors in this category are Maxwell House, General Foods International Coffee and Tassimo (Kraft), Taster s Choice and Nescafé (Nestlé), Senseo (Sara Lee), Green Mountain (Green Mountain Coffee Roasters) and private label brands.

Instant coffee. Based on Folgers market share data, P&G estimates retail sales of instant coffee in 2007 were approximately $650 million, an increase of approximately $30 million, or 5%, compared to 2006. P&G estimates that Folgers market share of this sub-category on a sales basis in 2007 was 38%. P&G estimates that Nestlé had the next leading combined market share for its Taster s Choice and Nescafé brands in the instant coffee sub-category with a 34% market share on a sales basis in 2007.

Table of Contents

Powdered creamy instant coffee. Based on Folgers market share data, P&G estimates retail sales of powdered creamy instant coffee in 2007 were approximately $200 million, a decrease of approximately $10 million, or 5%, compared to 2006. P&G estimates that General Foods International had the leading market share on a sales basis in 2007 in this sub-category at 52%, while Folgers had an 11% market share on a sales basis in this sub-category in 2007.

Coffee pods. Based on Folgers market share data, P&G estimates retail sales of coffee pods in 2007 to be $70 million, an increase of $7 million, or 12%, compared to 2006. P&G believes that Senseo had the leading market share on a sales basis in 2007 at 49% in this sub-category, while Folgers had an 18% market share on a sales basis in this sub-category in 2007.

The U.S. Commercial Coffee Market

Folgers Commercial reporting segment operates in the commercial market, selling its commercial packaged roast and ground coffee products to foodservice, offices, convenience stores and quick service and casual dining restaurants, the primary channels in which Folgers competes. Sales to this market represented less than 10% of Folgers combined net sales in fiscal 2007. P&G estimates 2007 sales in the commercial coffee market channels in which Folgers competes were approximately $4.1 billion and that its market share was approximately 3% on a sales basis. Key competitors in this market include Sara Lee, Kraft, Starbucks Office Coffee and Foodservice, S&D Coffee and Green Mountain Coffee Roasters.

Table of Contents

INFORMATION ON FOLGERS

The Coffee Business is currently operated by P&G. The Coffee Business will be transferred to Folgers prior to the Distribution, which will become a wholly owned subsidiary of Smucker in connection with the Merger.

Folgers fiscal year begins on July 1 and ends on the following June 30. For example, fiscal 2007 began on July 1, 2006 and ended on June 30, 2007. For an explanation of the term market share as used in this document, please see Helpful Information and The Coffee Industry The Coffee Market in which Folgers Competes.

General

Folgers is the leading producer of retail packaged coffee products in the United States with a broad portfolio of products sold primarily under its flagship Folgers brand. Folgers primarily engages in sourcing, blending and roasting green coffee beans and packaging, marketing and distributing quality branded coffee products. These coffee products are sold in a variety of different packaging and coffee product formats, including roast and ground, whole bean and single serve coffee products. In 2007, Folgers packaged products had an approximate 40% market share on a volume basis and an approximate 36% market share on a sales basis in the United States. For the fiscal year ended June 30, 2007 and for the nine months ended March 31, 2008, Folgers generated combined net sales of $1,643.8 million and $1,374.3 million, respectively, and operating income of $318.7 million and $284.2 million, respectively.

Folgers, through its 158 year history, has developed an in-depth understanding of coffee consumers, strong brand loyalty, blending and roasting expertise, a legacy of innovation and a commitment to operational excellence. Folgers is the leading supplier of packaged coffee in each of the primary retail channels in which it competes: grocery stores (e.g., Kroger, Supervalu, Albertsons), drug stores (e.g., CVS, Walgreens), mass merchandisers (e.g., Wal-Mart), club stores (e.g., Costco, Sam s Club) and dollar stores (e.g., Family Dollar).

The following is a summary of various facts about Folgers key retail product offerings:

Folgers:

- #1 U.S. retail packaged coffee brand by sales and volume in 2007
- #1 U.S. retail packaged coffee item by units sold in 2007 (the 39 oz. Folgers Classic Roast)
- #1 U.S. retail instant packaged coffee brand by sales and volume in 2007
- #1 U.S. retail decaffeinated packaged coffee brand by sales and volume in 2007

Folgers Gourmet Selections:

- Launched in August 2006, marking Folgers brand s first significant entry into the gourmet category, with nine different café-inspired flavors

Dunkin Donuts® licensed retail packaged coffee products:

- Launched in August 2007 under an exclusive licensing agreement for retail sales in the grocery stores, drug stores, mass merchandisers and club stores retail channels (excluding Dunkin Donuts® locations)

Over $100 million in net sales from August 2007 through March 2008

#1 U.S. retail packaged gourmet coffee item (12 oz. Dunkin Original Blend) by sales and volume for the six months ended May 17, 2008

Folgers roasts approximately 600 million pounds of coffee per year at its state-of-the-art production facilities. Folgers principal facilities are in New Orleans, Louisiana, with additional production and packaging facilities in Kansas City, Missouri and Sherman, Texas. All of its coffee products are produced from high quality Arabica and Robusta coffee beans that are roasted for maximum flavor using proprietary roasting technology.

Table of Contents

Folgers business consists of three segments: Retail, Commercial and Millstone. The Retail segment includes roast and ground coffee products, such as Folgers Classic Roast® and Folgers Coffee House Series®, and single serve coffee products, such as Folgers Instant, Folgers Singles, Folgers Cappuccino and Folgers Pods. The Retail segment also includes gourmet roast and ground coffee products, such as Folgers Gourmet Selections, which was introduced in August 2006, and Dunkin Donuts® licensed retail packaged coffee products, which Folgers began producing and distributing through certain retail outlets in August 2007, under an exclusive licensing agreement with Dunkin Donuts LLC. For the fiscal year ended June 30, 2007 and for the nine months ended March 31, 2008, the Retail segment generated net sales of $1,368.5 million and $1,201.0 million, respectively, and operating income of $359.4 million and $267.5 million, respectively.

The Commercial segment includes packaged roast and ground coffee products sold to foodservice, offices, convenience stores and quick service and casual dining restaurants. For the fiscal year ended June 30, 2007 and for the nine months ended March 31, 2008, the Commercial segment generated net sales of $113.7 million and $88.2 million, respectively, and operating income of $13.6 million and $13.0 million, respectively.

The Millstone segment includes Millstone® gourmet roast and ground and whole bean coffee products. Millstone s products are primarily sold in packaged and bulk whole bean form through its direct store delivery system. Millstone also produces private label brands sold in packaged and bulk whole bean form by various retailers, such as Brothers (sold by Publix and King Soopers) and Veneto s (sold by Wal-Mart). For the fiscal year ended June 30, 2007 and for the nine months ended March 31, 2008, the Millstone segment generated net sales of $161.6 million and $85.1 million, respectively, and operating loss of $54.3 million and operating income of $3.7 million, respectively. The operating loss of $54.3 million for the fiscal year ended June 30, 2007 included an impairment charge of $57.9 million.

History

The Folgers coffee business began in 1850 when William H. Bovee hired James A. Folger to build a mill in San Francisco, California, which Bovee named The Pioneer Steam Coffee and Spice Mills. James A. Folger became a full partner of the Pioneer Steam Coffee and Spice Mills in 1865, and in 1872 he bought out the other partners, renaming the company J. A. Folger & Co. In 1963, P&G acquired the Folgers coffee business.

Competitive Strengths

Superior Brand Equity

Folgers is among the most iconic consumer products brands and one of the most well-known names in coffee in the United States, having the highest levels of unaided consumer awareness of the leading national retail coffee brands. Folgers targets its advertising and marketing campaigns to create emotional ties between Folgers consumers and Folgers coffee products. For example, P&G believes that the Best Part of Wakin Up is Folgers in Your Cup advertising campaign is among the most memorable consumer brand marketing campaigns in the United States, creating powerful emotional connections with consumers since 1984. The licensed Dunkin Donuts® brand is also highly recognized by consumers and tailored to the rapidly growing gourmet coffee market. Folgers devotes significant resources to research and understand its consumers, customers and the retail coffee market to guide its investment strategies for new coffee innovations and branding, advertising and pricing decisions.

Strong Market Leader

Folgers is the largest retail coffee roaster in the United States. Folgers is the number one retail coffee brand based on volume and sales in the United States with market shares of 40% and 36%, respectively, in 2007. Folgers is also the number one retail instant packaged coffee brand based on sales and volume and the number one retail decaffeinated packaged coffee brand based on sales and volume in the United States in 2007. Folgers market leadership is attributable to the strength of the Folgers brand, the loyalty of its consumers and Folgers superior roasting and blending capabilities.

Table of Contents

History of Market Leading Product Innovation

Over Folgers long history of innovation in the retail coffee industry, Folgers has repeatedly developed new coffee products and technologies that have transformed the retail coffee product portfolio across the industry. For example:

In 1968, Folgers introduced Folgers Crystals instant coffee, improving the quality of instant coffee products then available.

In 1977, Folgers led the first major yield improvement of at-home coffee products, resulting in the ability to brew the same number of consistent quality cups from fewer green coffee beans.

In 1984, Folgers introduced Folgers decaffeinated coffee, quickly becoming the market leader in the retail decaffeinated coffee category.

In 2003, Folgers introduced the AromaSeal plastic canister, replacing the metal can that had been used for years for roast and ground coffee products. This patented first-in-the-industry plastic canister provides more freshness and ease of handling and storage for consumers and was awarded the DuPont Diamond Award for innovation in packaging in 2004.

In 2006, Folgers introduced Simply Smooth , a less acidic coffee product for sensitive stomachs.

Industry Leading Production Capability, Operational Scale and Excellence

P&G believes Folgers production facilities, operational efficiencies and scale provide Folgers with state-of-the-art sourcing and production capabilities. Folgers also has proprietary core competencies in formulation, blending and roasting techniques, as well as a broad range of highly integrated production and distribution processes, which management believes have enabled Folgers to enhance product quality while achieving lower costs. This technology and production expertise in formulation, blending and roasting allows Folgers to maintain a consistent quality product while utilizing green coffee beans from various source countries, resulting in production flexibility to optimize the quality and production costs of Folgers products. In addition to generating new revenue opportunities, the focus on enhancing operating efficiency has generated significant savings for Folgers in recent years.

Significant, Stable Cash Flow

Folgers generated an operating margin of 19.4% in fiscal 2007, compared to 9.6% for the S&P Mid-Cap Food Products Index in the twelve months ended June 30, 2007. The profitability of Folgers business combined with its modest capital expenditure requirements have historically enabled it to generate strong and stable cash flow. In fiscal 2005, 2006 and 2007 and for the nine months ended March 31, 2008, Folgers generated $232.8 million, $182.7 million, $248.5 million and $205.2 million, respectively, of cash flow from operating activities.

Products

Folgers primarily engages in sourcing, blending and roasting green coffee beans and packaging, marketing and distributing quality branded coffee products. These coffee products are sold throughout the United States in a variety of different packaging and coffee product formats, including roast and ground, whole bean and single serve coffee products. Folgers also sells coffee products in limited amounts in Canada. Folgers consists of three business segments: Retail, Commercial and Millstone.

Retail

The Retail segment, which represented approximately 83% of combined net sales in fiscal 2007, includes mainstream roast and ground coffee products (such as Folgers Classic Roast and Folgers Coffee House Series), gourmet roast and ground coffee products (such as Folgers Gourmet Selections and Dunkin Donuts®, under an

Table of Contents

exclusive licensing agreement as described below) and single serve coffee products (such as Folgers Instant, Folgers Singles, Folgers Cappuccino and Folgers Pods). Folgers mainstream roast and ground coffee is available in plastic canisters, vacuum packed bags or brick packaging, and is less expensive than gourmet coffee. Mainstream roast and ground coffee is available in caffeinated and decaffeinated forms. The key competitor brands are Maxwell House and Yuban (Kraft), Chock full o Nuts, Hills Brothers and Chase & Sanborn (Massimo Zanetti Beverages) and private label brands.

Gourmet coffee is coffee that typically carries a premium image or a premium price, is either whole bean or ground and is packaged in soft bags or available in bulk whole bean dispensers. Folgers gourmet brands in the Retail segment are Folgers Gourmet Selections (introduced in August 2006) and Dunkin Donuts® licensed retail packaged coffee products. The key competitor brands are Starbucks and Seattle s Best (Kraft under license from Starbucks), Eight O Clock Coffee, Green Mountain, Peet s and private label brands.

Folgers has an exclusive licensing agreement with Dunkin Donuts LLC to produce, sell, advertise and distribute a variety of roast and ground packaged coffee products under the Dunkin Donuts® brand name. The products may be sold throughout the United States and Canada in numerous distribution channels, including grocery stores, drug stores, mass merchandisers and club stores (excluding Dunkin Donuts® locations). Pursuant to the licensing agreement, Folgers has commitments to support the Dunkin Donuts® licensed retail packaged coffee products through advertising and consumer marketing programs. The agreement will remain in effect until January 1, 2027, unless Dunkin Donuts LLC terminates the agreement, which it is entitled to do under certain circumstances, including if Folgers commits a material breach of the agreement, undergoes a change in control after the Transactions without Dunkin Donuts LLC consent (not to be unreasonably withheld), or fails to meet certain sales, volume or distribution thresholds. Folgers may terminate the agreement under certain circumstances, including in the case of a material breach by Dunkin Donuts LLC. Folgers began selling Dunkin Donuts® licensed retail packaged coffee products in August 2007.

Single serve coffee is prepared for single cup use, as opposed to multi-cup use, and is categorized into the following three types: instant coffee, powdered creamy instant coffee, and coffee pods. Instant coffee is prepared by heating water and adding coffee to the hot water. Powdered creamy instant coffee is prepared similarly to regular instant coffee but contains ingredients that add additional flavor and creaminess to the coffee. Finally, coffee pods are individual pods, disks or K-Cups that are used in a single cup brewer system. The key competitor brands in this sub-category are Maxwell House, General Foods International Coffee and Tassimo (Kraft), Taster s Choice and Nescafé (Nestlé), Senseo (Sara Lee), Green Mountain (Green Mountain Coffee Roasters) and private label brands.

Commercial

Folgers Commercial segment, which represented 7% of net sales in fiscal 2007, includes packaged roast and ground coffee products sold to foodservice, offices, convenience stores and quick service and casual dining restaurants. The Commercial segment also includes sales of ancillary product offerings such as caffeine, teas and coffee equipment for use in professional settings. Key competitors in this market include Sara Lee, Kraft, Starbucks Office Coffee and Foodservice, S&D Coffee and Green Mountain Coffee Roasters.

Millstone

Folgers Millstone segment, which represented 10% of net sales in fiscal 2007, consists of Millstone coffee, which was Folgers first gourmet coffee brand. Millstone coffee products are distributed primarily through a direct store delivery system to nearly 8,000 retail outlets and sold in packaged and bulk form. Within the Millstone segment Folgers also produces private label brands sold in packaged and bulk whole bean form by various retailers, such as Brothers (sold by Publix and King Soopers) and Veneto s (sold by Wal-Mart). The key competitor brands are Starbucks and Seattle s Best (Kraft under license from Starbucks), Eight O Clock Coffee, Green Mountain, Peet s and private label brands.

58

Table of Contents

Raw Materials

Green coffee beans are an agricultural product grown in over 50 tropical countries. Coffee beans primarily come in two types: Arabica and Robusta. Most of Folgers products are a blend of Arabica and Robusta beans. Folgers Gourmet Selections, Millstone and the Dunkin Donuts® licensed retail packaged coffee products are made from 100% premium Arabica beans. Folgers purchases most of its raw or unroasted green coffee beans from the three largest green coffee bean producing and exporting countries: Brazil, Vietnam and Colombia. All of Folgers green coffee bean orders are placed through exporters and dealers. The beans are grown, harvested and processed in the source country and then transported to Folgers facilities in New Orleans, Louisiana to be cleaned and stored.

In the last three fiscal years, the cost of green coffee beans represented between 50% and 60% of Folgers cost of products sold. The supply and price of coffee beans are influenced by numerous factors which are beyond Folgers control. For example, green coffee bean crops in Brazil, which produces one-third of the world s green coffee beans, are susceptible to frost in June and July and drought in September, October and November. However, because Folgers has the ability to purchase coffee from a number of countries and has developed techniques designed to permit the substitution of one country s coffee beans for those of another in producing its products without significantly affecting product consistency, supply limitations in one country generally have not had a material impact on the price Folgers pays for green coffee beans.

Historically, Folgers has used short-term coffee futures and options contracts for the purpose of hedging the variability of coffee prices in unpriced purchase commitments. Although this has generally enabled Folgers to partially mitigate the effect of changing prices, no strategy can entirely eliminate pricing risks and Folgers generally remains exposed to loss when prices change significantly in a short period of time.

Folgers relies on natural gas, diesel and plastic resins for the production, packaging and distribution of its coffee products and Folgers cannot always pass increases of these costs through to its customers. In recent years, the prices of natural gas and other energy sources have risen significantly.

Production

Folgers uses different roasting processes based on the variety, quality, origin and physical characteristics of the coffee beans being roasted. The beans are pre-dried, roasted and blended in plants owned by Folgers, where coffee is also packaged for distribution to customers. Over Folgers long history, its roasting techniques have been developed with the goal that consumers always brew a consistent cup of coffee. Folgers uses trade secrets and patented technologies to ensure that its coffee roasts uniformly and delivers consistent flavor. Folgers uses additional technologies to produce instant coffee crystals, which P&G believes have enhanced appearance and solubility compared to powdered instant coffee sold by competitors.

After roasting, Folgers coffee is conveyed to the packaging areas of its plants where it is packaged in ground or whole bean form. The packaging for Folgers products is developed by Folgers research and development teams to preserve the freshness of the coffee. Folgers has made technological advances, including innovative cost saving preparation techniques and unique consumer packaging, which have won numerous awards. In addition, the patented Folgers AromaSeal canister is an award winning package design that P&G believes increased consumer loyalty.

Sales and Distribution

Historically, Folgers coffee products have been sold by an internal P&G sales team that generally sells multiple products from different product units together, such as coffee, snack foods and pet care products. In contemplation of a separation from P&G, Folgers has recently begun to optimize its sales strategy with the announcement that it is moving to a third party sales broker for its retail grocery business and has appointed Advantage Sales and Marketing (Advantage) as its exclusive broker. Following the completion of the

Transactions, the Coffee Business sales and distribution will be transitioned into the existing Smucker sales and distribution network, which includes Advantage as retail broker for all of the Smucker family of brands, including the brands of the Coffee Business. The Coffee Business will be integrated into the Smucker go-to-market strategy of maintaining an internal sales team to service its largest national accounts, including Wal-Mart, Sam s Club, Target, Costco, Safeway, Kroger, FoodLion and Supervalu. This go-to-market strategy and move to a broker system will allow Folgers to increase its focus on certain key retail channels important to its coffee business, including the grocery channel, which accounted for 42% of Folgers net sales in fiscal 2007.

Folgers and Dunkin Donuts® licensed retail packaged coffee products are currently distributed through two primary distribution facilities in Lacombe, Louisiana (for retail products) and Kansas City, Missouri (for foodservice products). Additionally, Folgers and Dunkin Donuts® licensed retail packaged coffee products are stocked in four regional distribution centers in Chino, California, Kansas City, Missouri, Florence, Kentucky and Atlanta, Georgia. P&G and Folgers distribution facilities are managed by third parties. Customers receive their Folgers and Dunkin Donuts® products in one of three ways, either by customer pick-up at one of the distribution centers, by third-party carriers arranged by the customer, or by third-party carriers arranged by P&G to the customer s store or warehouse facility. Following the completion of the Transactions, the distribution network is expected to be transitioned and integrated within the existing Smucker distribution network of six third-party distribution facilities and Smucker will continue to operate and utilize the distribution facilities in Lacombe, Louisiana and Kansas City, Missouri. For more information on the transition services to be provided in connection with the Transactions, see Additional Agreements Transition Services Agreement.

Millstone gourmet coffee is available to retailers in packaged and bulk whole bean form. Millstone coffee products are typically delivered to customers through Millstone s direct store delivery system as many as three times per week, depending on store volume. The beans are roasted and packaged for delivery at the plant and transported to one of five Millstone distribution centers. The coffee is then delivered primarily by Millstone employees to the customers locations, with the remainder delivered to customers warehouses. Following the completion of the Transactions, the Millstone coffee products will continue to be delivered through the direct store delivery system.

Marketing

Folgers marketing and advertising campaigns directed at consumers are conducted through targeted television and radio advertising, interactive, print media, public relations and in-store displays. Marketing and publicity is primarily directed towards Folgers branded products. Folgers also promotes its brands through marketing efforts directly with customers, including incentive programs and business development agreements based on the amount of coffee products purchased. Folgers has also launched a joint marketing initiative with Dunkin Donuts LLC, including radio and television advertising, to support the marketing of Dunkin Donuts® licensed retail packaged coffee products. Smucker also expects to increase marketing efficiencies, including improving Folgers brand promotion to retail customers, particularly in the grocery channel.

Customers

Folgers primary customers are grocery stores, drug stores, mass merchandisers, club stores, dollar stores and foodservice businesses. Folgers historically sold to these customers for resale to consumers primarily through P&G s direct sales force and distribution agreements. Sales to Wal-Mart in fiscal 2007 represented 29% of Folgers combined net sales. Folgers top ten customers represented 61% of Folgers combined net sales in the same period. Folgers does not typically enter into long-term contracts with its customers. Instead, Folgers customers make purchase decisions based on a combination of price, product quality, consumer demand, customer service performance and trade promotions.

Retail

For fiscal 2007, the Retail segment s top five customers were Wal-Mart, Kroger, Supervalu, Costco and Dollar General. Sales to these customers represented approximately 50% of Retail net sales in fiscal 2007. Consolidation in the retail industry has increased the importance of Retail s significant customers.

Table of Contents

Commercial

Folgers Commercial customers are divided into the following four categories: foodservice, offices, convenience stores and quick service and casual dining restaurants. The top five customers of the Commercial segment for fiscal 2007 were Sysco, Vistar, Dot Foods, Sam s Club and MBM. Sales to these customers represented approximately 58% of Commercial net sales in fiscal 2007.

Millstone

Folgers primary customers in the Millstone segment for fiscal 2007 were Wal-Mart, Kroger, Safeway, Publix and Defense Commissary Agency U.S., which collectively accounted for approximately 71% of Millstone net sales in fiscal 2007.

Seasonality

Demand for certain of Folgers products may be influenced by holidays, changes in seasons or other annual events. Coffee consumption by consumers is influenced by the seasons of the year as well as by customer promotion activities. For example, Folgers customers typically plan increased coffee promotions from Thanksgiving through Christmas and New Year s and again for the Easter holiday season. Folgers competes with other coffee producers to participate in its customers promotions. To meet increased seasonal demand, Folgers buys more green coffee beans, adds additional production shifts and increases finished product inventory during certain periods of the year. This may mean that Folgers has short-term cash needs driven by increased working capital impacting cash flow. The importance of the Easter holiday to the business and the fact that Easter can occur in different calendar quarters year to year may make comparisons to the prior quarterly period difficult.

Backlog

Orders are generally filled within a few days of receipt and are subject to cancellation at any time prior to shipment. The backlog of unfilled orders at any given time is not material.

Competition

The vast majority of Folgers sales are derived from selling packaged coffee to the U.S. retail packaged coffee market. Folgers defines the U.S. retail packaged coffee market as packaged coffee sold in grocery stores, drug stores, mass merchandisers, club stores and dollar stores, but not including packaged coffee sold in coffee shops or other foodservice establishments. Sales to the retail packaged coffee market represented over 90% of Folgers combined net sales in fiscal 2007. The U.S. retail packaged coffee market is comprised of three categories: mainstream roast and ground coffee, gourmet coffee and single serve coffee. Folgers also sells commercial packaged roast and ground coffee products to foodservice, offices, convenience stores and quick service and casual dining restaurants. Sales to the U.S. commercial coffee market represented less than 10% of Folgers combined net sales in fiscal 2007.

Folgers is subject to competitive conditions in both the U.S. retail coffee market and the U.S. commercial coffee market. Competitors include large national and international companies and numerous local and regional companies. Folgers coffee products also compete with retailer brands, wholesalers and cooperatives, as well as specialty or premium brands. Competition is primarily on the basis of product quality, brand recognition, brand loyalty, price, service, marketing and advertising. Some of these competitors, such as Kraft and Starbucks, have greater financial, marketing, distribution, management and other resources than Folgers. Substantial advertising and promotional expenditures are required to maintain or improve a brand s market position or to introduce a new product.

The U.S. retail coffee market is highly competitive because it offers the customer a variety of choices without requiring a separate trip to a specialty coffee retailer. Folgers competes with other retail coffee roasters such as Maxwell House, Yuban and General Foods International Coffee (Kraft), Starbucks and Seattle s Best (Kraft under license from Starbucks), Taster s Choice and Nescafé (Nestlé), Chock full o Nuts, Hills Brothers

Table of Contents

and Chase & Sanborn (Massimo Zanetti Beverages), Eight O Clock Coffee and private label brands. Folgers principal strategies for competing in the U.S. retail coffee market are superior product quality, innovative advertising, product promotion, product innovation and price. Folgers is also able to compete with other premium licensed coffee brands by offering a variety of gourmet roasts, available in packaged and bulk whole bean form, or roast and ground packaged form, through its Millstone and Folgers Gourmet Selections brands, as well as through sales of Dunkin Donuts® licensed retail packaged coffee products.

In addition to the competition generated from grocery store sales, Folgers faces competition for sales of packaged roast and ground coffee to commercial and noncommercial foodservice distributors and operators, and convenience stores. Folgers currently sells packaged roast and ground coffee to quick service establishments, and competes for business with other coffee retailers who are also seeking markets in quick service. Current competitors include Sara Lee, Kraft, Starbucks Office Coffee and Foodservice, S&D Coffee and Green Mountain Coffee Roasters.

Folgers also faces competition from the away-from-home gourmet coffee market, a growing market in the coffee industry and a market in which Folgers does not participate. The away-from-home gourmet coffee market consists of prepared premium whole bean or roast and ground varieties, espresso-based beverages and iced coffee sold at special retailers and a growing number of specialty coffee stores, including coffeehouse chains. These retailers draw business away from the U.S. retail coffee market, whose consumers brew their coffee at home. Competitors include Starbucks, Dunkin Donuts®, Caribou Coffee, Peet s, The Coffee Bean & Tea Leaf, and numerous convenience stores, restaurants, coffee shops and street vendors.

Research and Development

Since the beginning of the Folgers coffee business, Folgers has exhibited a history of product innovation, industry leadership and consumer understanding. Folgers innovations can be broken down into two primary categories: product innovations and packaging innovations. Throughout the years, Folgers deep understanding of the coffee consumer and commitment to continuously improving its blending and roasting technology has driven industry-leading product innovation. In 1968, Folgers introduced Folgers Crystals, which brought consumers a richer instant coffee taste than competing brands. In 1977, Folgers led the first major yield improvement of at-home coffee products, resulting in the ability to brew the same number of consistent quality cups from fewer coffee beans. In 1984, Folgers introduced Folgers decaffeinated coffee, which quickly became the market leader for retail decaffeinated packaged coffee. In 2006, Folgers introduced Simply Smooth, a less acidic coffee product made from specially selected green coffee beans that are roasted to reduce certain irritants that may affect sensitive stomachs. Also in 2006, Folgers introduced Folgers Gourmet Selections, marking Folgers brand s first significant entry into the gourmet roast and ground coffee market. Folgers Gourmet Selections appeals to consumers who want accessible, affordable gourmet coffee, and Folgers Gourmet Selections continues to grow behind the positioning and strength of the Folgers brand name.

Folgers is an industry leader in packaging innovation. In 1984, Folgers introduced vacuum packed brick packaging technology that subsequently became an important additional packaging option for consumers. In 2003, Folgers introduced the AromaSeal canister, replacing the metal can that had been used for decades in roast and ground coffee. This patented first-in-the-industry plastic canister provides more freshness and ease of handling and storage for consumers, and has received a number of awards, including the DuPont Diamond Award for innovation in packaging in 2004, selected from over 100 other contestants in one of the packaging industry s most prestigious competitions.

Folgers principal research and development facilities are located in Cincinnati, Ohio. Research and development resources are focused on the production and preparation of coffee, packaging and presentation of products and personal and professional brewing techniques. Research and development expenditures were $13.7 million in fiscal 2007, $16.6 million in fiscal 2006 and $15.6 million in fiscal 2005.

In addition to Folgers track record of product and packaging innovation, Folgers has a history of devoting significant resources to consumer market research. Folgers approach has traditionally been to develop a

Table of Contents

comprehensive understanding of its consumers, customers and the retail coffee market and incorporate that knowledge into its decision making processes. This internally developed consumer research drives Folgers investment strategies regarding the introduction of new coffee innovations and branding, advertising and pricing decisions, which P&G believes generates improved returns on marketing and trade spending.

Intellectual Property

Folgers owns a number of trademarks and trade names, which are material to its business and protected by registration or otherwise in the United States and most other markets where its products are sold. Folgers trademarks are important because their marks develop brand awareness and maintain consumer loyalty. Folgers trademarks include Folgers, Wake Up Special Every Day, Mountain Grown, The Best Part of Wakin Up I Folgers In Your Cup, Custom Café, Home Café, The One Cup Café, Millstone, Millstone Café and Bakery and AromaSeal. Depending jurisdiction, trademarks are generally valid as long as the marks are in use and/or their registrations are properly maintained and they have not been found to have become generic. Registrations of trademarks can also generally be renewed indefinitely as long as the trademarks are in use.

Folgers owns several hundred patents worldwide in addition to proprietary trade secrets, technology, know-how processes and other intellectual property rights that are not registered.

P&G and Kraft are currently engaged in patent litigation in Federal District Court. P&G is asserting two patent infringement claims against Kraft covering proprietary plastic canister technology related to its coffee business. See Legal Proceedings.

Government Regulation

As a producer and marketer of food items, Folgers is subject to regulation by various governmental agencies, including the Food and Drug Administration, the Department of Agriculture, the Federal Trade Commission, the Environmental Protection Agency, the Department of Labor and the Department of Commerce, as well as various state agencies, with respect to production processes, product quality, packaging, labeling, storage and distribution. Under various statutes and regulations, these agencies prescribe requirements and establish standards for quality, purity and labeling. Other agencies and bodies outside of the United States where Folgers sells its products, as well as states and municipalities also regulate Folgers activities. Failure to comply with one or more regulatory requirements can result in a variety of sanctions, including monetary fines or compulsory withdrawal of products from store shelves.

Folgers advertising is subject to regulation by the Federal Trade Commission. Folgers is also subject to certain health and safety regulations, including those issued under the Occupational Safety and Health Act.

Folgers coffee roasting operations are subject to various federal, state and local laws and regulations, which require Folgers to obtain licenses relating to customs, health and safety, building and land use, and environmental protection. Folgers roasting facilities are subject to state and local air quality and emissions regulation. If Folgers encounters difficulties in obtaining any necessary licenses or if it has difficulty complying with these laws and regulations, it could be subject to fines and penalties.

P&G believes that Folgers is in compliance in all material respects with all such laws and regulations and that it has obtained all material licenses and permits that are required for the operation of its business. P&G is not aware of any environmental regulations that have or that it believes will have a material adverse effect on Folgers operations.

Legal Proceedings

P&G and Kraft are currently engaged in patent litigation in Federal District Court. P&G is asserting two U.S. patents against Kraft in the Northern District of California, alleging in each suit infringement by Kraft for marketing Maxwell House coffee in plastic canisters. P&G is seeking an injunction and damages.

Table of Contents

Kraft filed for inter partes reexamination of P&G s U.S. patent in the U.S. Patent and Trademark Office (USPTO) in January, 2007. The Patent Examiner confirmed all of the claims of P&G s patent in a decision mailed June 7, 2007. Kraft appealed the Patent Examiner s opinion to the Board of Patent Appeals, filing its appeal brief on April 14, 2008. Kraft filed a second, ex parte reexamination request against P&G s patent on January 18, 2008, and the USPTO granted the request March 18, 2008. Both the inter partes and ex partes reexamination proceedings remain pending. Under the Separation Agreement, P&G will be entitled to a specified share of the settlement amounts, if any, paid by Kraft in connection with this litigation.

In addition, Folgers is the subject of various other pending or threatened legal actions in the ordinary course of its business. All such matters are subject to many uncertainties and outcomes that are not predictable with assurance. In P&G s opinion, there are no claims or litigation pending that are reasonably likely to have a material adverse effect on Folgers combined financial position or results of operations or cash flow.

Employees

Folgers had approximately 1,200 employees as of December 31, 2007. There are two unionized groups within Folgers workforce, the UAW Local 1805 in New Orleans and the Local Lodge No. 778 of the International Association of Machinists & Aerospace Workers, or IAM, in Kansas City, which together P&G expects to cover approximately 45% of Folgers workforce. Neither the Kansas City nor the New Orleans plants have had any labor-related work stoppages in the last five years. The agreement with the UAW runs through September 17, 2009. The agreement with IAM runs through September 26, 2010, renewing on an annual basis thereafter until notice of intent not to renew is delivered by either party. P&G believes that Folgers relations with its employees and union representative organizations are good.

Property

Folgers currently operates four production plants and two warehouse and distribution centers, which P&G believes are in good condition, well maintained and sufficient for its present operations. The following table shows properties used by Folgers in connection with its roasting, production and distribution operations:

Location	Own or Lease	Purpose	Approximate Square Footage
Cincinnati, OH	Leased	Corporate Headquarters	120,000
New Orleans, LA	Owned	Roasting and Production	396,000
New Orleans, LA	Owned	Roasting and Production	182,000
Kansas City, MO	Owned	Roasting and Production	247,000
Sherman, TX	Owned	Roasting and Production	321,000
New Orleans, LA	Leased	Warehouse and Distribution	100,000
Lacombe, LA	Owned	Warehouse and Distribution	614,000

Folgers also leases approximately 203,000 additional square feet of office space for product distribution. Almost all office and warehouse space is leased by Folgers and managed and operated by third parties.

Table of Contents

BUSINESS STRATEGIES AFTER THE TRANSACTIONS

Smucker is a leading North American manufacturer and marketer of branded food products with a strong portfolio of leading, iconic brands. Smucker markets and manufactures leading branded fruit spreads, peanut butter, shortening and oils, ice cream toppings, baking mixes and ready-to-spread frostings, sweetened condensed and evaporated milk and health and natural foods beverages in North America. Its family of brands includes Smucker s®, Jif®, Crisco®, Pillsbury®, Eagle Brand®, R.W. Knudsen Family®, Hungry Jack®, White Lily® and Martha White® in the United States, along with Robin Hood®, Five Roses®, Carnation®, Europe s Best® and Bick s® in Canada.

For the 52 weeks ended July 13, 2008, Smucker s brands ranked first in dollar share in eight of the 13 product categories in which it participated in the U.S. market, and in eight of the 11 product categories in which it participated in the Canadian market. On a pro forma basis after giving effect to the Transactions, approximately 75% of Smucker s sales for fiscal 2009 are projected to come from sales of number one brands.

Smucker distributes its products through multiple channels, and has a significant presence in the grocery, club store, military, dollar and mass retail store channels, as well as in the foodservice sector. Smucker sells its products to the grocery retail channel primarily through a national broker as well as an in-house dedicated sales force servicing key national accounts.

Smucker has established long-term objectives of 6% compounded annual net sales growth and 8% compounded growth in operating income and earnings per share. Smucker has executed on, and expects to continue to execute on, its strategy of balanced sales growth through increases in market share, introductions of new and innovative products and acquisitions. Smucker expects to pursue these profitability objectives through a combination of sales growth, improved operating efficiencies and, over the longer term, repurchases of common shares. In implementing its strategy, Smucker focuses on products sold in the center of the store an area of importance in driving retailer sales growth and profitability.

Smucker has been able to execute on its strategy of increasing its market share through consistent investment in its brands including advertising, consumer promotions and cross-marketing initiatives across its product lines. This strategy has also enabled Smucker to significantly diversify its portfolio of products over the last five years with introductions of over 100 new and innovative products, including Crisco® Olive Oil, Pillsbury® Reduced Sugar cake mixes, frostings and brownies, Jif®-to-Go, and Smucker s® Organic fruit spreads. In addition, Smucker has extended acquired brands into new categories providing additional opportunities for growth. Examples include extending the Jif® Brand into the snack nut category.

Strategically, Smucker targets three types of acquisitions: enabling, bolt-on and transformational. Enabling acquisitions, which are typically smaller in size, generally provide new capabilities. Smucker s Uncrustables® frozen sandwiches are an example of an enabling acquisition. Smucker s expertise in brand management and commitment of financial resources to the brand has resulted in an increase in sales from approximately $2 million at the time of acquisition to over $100 million over a period of approximately ten years.

Transformational acquisitions which provide access to new markets and categories, and bolt-on acquisitions, which provide increased presence in categories Smucker currently participates in, have also played an important role in Smucker s growth and market strength.

Since acquiring the Jif and Crisco brands from P&G in fiscal 2003, Smucker has increased net sales of its Jif brand by over 40% and has also increased margin and market share. Smucker has also extended the Crisco brand into other segments within the oil category, such as olive and peanut oils, and has introduced innovative packaging. Since Smucker s transformational acquisition of Jif and Crisco, Smucker has completed 10 additional acquisitions, all in the United States and Canada. The most significant acquisitions include:

The June 2004 transformational purchase of International Multifoods Corporation (IMC), with annual net sales at the time of acquisition of approximately $900 million. This transaction was a platform for Smuckers entry into several categories, including the key baking mix category. The acquisition added a variety of iconic brands to Smucker s portfolio, including Pillsbury® baking mixes, flour and ready-to-spread frostings; Hungry Jack® pancake mixes, syrup and potato side dishes; Martha White® baking mixes and ingredients; and Pet® evaporated milk. In Canada, Smucker added the leading brands of Robin Hood® flour and Bick s® pickles and condiments. With the addition of these brands, together with the combination of Crisco, Smucker has established a leadership position in the baking aisle. Since acquiring these brands, Smucker has improved product quality, grown its Pillsbury frostings brand to number two in the category, introduced reduced sugar cake mixes and frostings, expanded its Funfetti products and enhanced packaging.

The May 2007 acquisition of Eagle Family Foods Holdings, Inc., with annual net sales at the time of the acquisition of approximately $200 million, added Eagle Brand® sweetened condensed and evaporated milk. This acquisition provided an expanded presence in the baking aisle and added another #1 brand to Smucker s portfolio. The October 2007 acquisition of the Carnation® milk products in Canada, with annual sales of approximately $50 million at the time of acquisition, further enhanced Smucker s canned milk product offerings and provided Smucker the number one position in the Canadian canned milk category.

In March 2008, Smucker completed the acquisition of Europe s Best®, Canada s leading branded provider of frozen fruit, in the fast growing frozen fruit category. In May 2008, Smucker also completed the acquisition of the Knott s Berry Farm® food brand, providing access to expanded distribution opportunities in the retail and foodservice channels. Together, these two businesses had aggregate annual sales of approximately $110 million at the time of acquisition.

Smucker through its successful acquisition history has demonstrated the ability to effectively integrate acquired businesses on a timely basis, achieve anticipated synergies, effectively blend corporate cultures and continue to invest in the growth of all of its brands.

The addition of Folgers adds a large, iconic #1 brand to the Smucker portfolio of brands and fits within its strategy of owning and marketing leading North American food brands located in the center of the store. Smucker has substantial experience in marketing to Folgers consumer demographic, and believes that its broad portfolio of leading brands will allow it to leverage Folgers to enhance Smucker s ability to reach out to consumers at retail through complementary, multi-brand, consumer-themed promotional activities.

Smucker believes that Folgers coffee products will create significant cross marketing opportunities with its existing strong brands in the breakfast and dessert categories. The merger of Folgers and Smucker will also bring together innovation capabilities in formulation, processes, packaging design and related research and development functions.

Additionally, Folgers strategy to move towards a go-to-market model that incorporates both an in-house sales force and third-party brokers is aligned with Smucker s current sales model. Folgers appointment of Advantage, which currently serves as Smucker s grocery retail broker, will provide significant opportunities in executing its go-to-market strategies. After completion of the transaction, Folgers will be one of the largest brands in the Advantage portfolio, and together with Smucker s experience in the grocery retail segment, will provide increased focus and opportunity in the U.S. retail channel. The strong presence of Folgers in the mass retail, drug, dollar and club channels will also provide continued growth opportunities for the Smucker brands. Similarly, Smucker s strength in Canada and the U.S. grocery and foodservice channels is expected to provide expanded distribution opportunities for Folgers.

The combination of the proven leadership at Smucker and the experienced line operations personnel at Folgers provides depth of talent at all levels at the combined company. The commitment to the Folgers values of integrity, ownership, passion, transparency and agility, together with Smucker s Basic Beliefs of quality, people, ethics, growth and independence, are expected to assist in successfully integrating the cultures of both companies.

Table of Contents

Following the completion of the Transactions, Folgers will be Smucker s largest selling brand and its first $1 billion brand. Folgers will also increase the size of the categories in which Smucker currently participates to approximately $15 billion as compared to $8 billion currently and $1 billion in 2002. The combined company will have annual sales approaching $5 billion and significantly enhanced cash flow and margins driven by the underlying strength of the Folgers and Smucker businesses, as well as an estimated synergy opportunity of approximately $80 million primarily in administrative, supply chain, warehousing and distribution costs. The enhanced cash flow should allow Smucker to continue its proven strategy of investing in its brands to increase market share, the introduction of new and innovative products and acquisitions, allowing Smucker to continue to serve its constituents: consumers, customers, employees, suppliers, communities and shareholders.

Table of Contents

MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND

RESULTS OF OPERATIONS OF FOLGERS

The following discussion and analysis is intended to provide investors with an understanding of the historical performance of Folgers and its financial condition. This discussion and analysis presents the factors that had a material effect on the results of operations of Folgers during the nine-month periods ended March 31, 2008 and 2007 and the fiscal years ended June 30, 2007, 2006 and 2005.

The financial statements of Folgers have been derived from P&G s historical accounting records and reflect significant allocations of direct costs and expenses. All of the allocations and estimates in these financial statements are based on assumptions that management of P&G believes are reasonable. However, the financial statements do not necessarily represent the financial position of Folgers had it been operated as a separate independent entity.

You should read this discussion in conjunction with the historical combined financial statements of Folgers and the notes to those statements and the unaudited pro forma condensed combined financial data and the notes to the pro forma condensed combined financial data of Smucker included elsewhere in this document.

The following discussion and analysis contains forward-looking statements. See Special Note Regarding Forward-Looking Statements for a discussion of the uncertainties, risks and assumptions associated with these statements.

Overview

Folgers primarily engages in sourcing, blending and roasting green coffee beans and packaging, marketing and distributing quality branded coffee products. These coffee products are sold in a variety of different packaging and coffee product formats, which include roast and ground, whole bean and single serve packaged and bulk coffee products in the retail and commercial channels, primarily in the United States.

Folgers business consists of three reporting segments:

- *Retail*. The Retail segment generated 83% of Folgers combined net sales in fiscal 2007. Its packaged products include roast and ground coffee (such as Folgers Classic Roast and Folgers Coffee House Series), single serve coffee (such as Folgers Instant and Folgers Singles) and gourmet roast and ground coffee (such as Folgers Gourmet Selections and Dunkin Donuts® licensed retail packaged coffee products).

- *Commercial*. The Commercial segment generated 7% of Folgers combined net sales in fiscal 2007. Its products include packaged roast and ground coffee products sold to foodservice businesses, offices, convenience stores and quick service and casual dining restaurants.

- *Millstone*. The Millstone segment generated 10% of Folgers combined net sales in fiscal 2007. Its products include Millstone branded gourmet coffee, which is primarily sold in packaged and bulk whole bean form through its direct store system network to nearly 8,000 retail outlets in the United States. The Millstone segment also includes smaller private label brands.

Folgers net sales in its Retail and Millstone segments are derived from sales to retail outlets such as grocery stores, drug stores, mass merchandisers, club stores and dollar stores.

Historically, Folgers has experienced variations in sales from quarter-to-quarter due to the Thanksgiving/Christmas and Easter holiday seasons, which are typically periods of higher coffee sales. Quarterly sales are also affected by a variety of other factors, including the cost of green coffee beans, competition, marketing programs and weather. Therefore, the results for any quarter are not indicative of the results that may be achieved for the fiscal year.

Table of Contents

In the following discussion, references to volume of products sold by Folgers refer to volume as measured by the servings of coffee that can be made from various forms of coffee products.

Impact of the Distribution from P&G on Folgers Financial Statements

Folgers combined financial statements reflect the historical financial position, results of operations and cash flow of the business to be transferred to Folgers by P&G. P&G did not account for Folgers as, and Folgers was not operated as, a standalone company for the periods presented. Folgers financial statements have been carved out from P&G s consolidated financial statements and reflect assumptions and allocations made by P&G. The combined financial statements do not fully reflect what Folgers financial position and results of operations would have been had Folgers been a standalone company during the periods presented. Folgers has not made adjustments to reflect significant changes that will occur in Folgers as a result of Folgers separation from P&G and the completion of the Transactions. As a result, this historical combined financial information is not necessarily indicative of what Smucker s operating results or financial position would have been had the Transactions been completed during the periods presented or will be after the completion of the Transactions.

Folgers combined financial statements were prepared using P&G s historical basis in the assets and liabilities of the Coffee Business. Folgers historical combined financial statements include all revenues, costs, assets and liabilities directly attributable to Folgers. Certain expenses reflected in the combined financial statements, as more fully described in Note 4 to Folgers audited combined financial statements included elsewhere in this document, include allocations of corporate expenses from P&G, which in the opinion of P&G are reasonable. All such costs and expenses have been deemed to have been paid by Folgers to P&G in the period in which the costs were recorded. Allocations of current income taxes receivable or payable are deemed to have been remitted, in cash, by or to P&G in the period in which the related income taxes were recorded. Amounts due to or from P&G have been classified within divisional equity.

Until the Distribution, P&G performed and will continue to perform significant corporate and operational functions for Folgers, as well as for its other businesses. Folgers combined financial statements reflect an allocation of these costs. Expenses allocated to Folgers include costs related to human resources, legal, treasury, insurance, accounting, internal audit and other similar services. Following the Distribution, expenses incurred by Smucker to replace some of these functions may differ from Folgers historically allocated levels.

In addition, following the Distribution and completion of the Transactions, P&G has agreed to provide transition services to Folgers, as it is integrated into Smucker, including relating to: supply network solutions (i.e., orders fulfillment, shipment and billing), purchasing, North America product supply operations (i.e., order management and distribution), global data management, information technology services, market development organization, decision support services and reporting, customer and consumer solutions, consumer relations, service provider professional sales (i.e., payment processing, maintenance and operation support for customer management system and data warehouse), certain limited financial services and accounting, and market measurements. These services will be provided under the Transition Services Agreement described in Additional Agreements Transition Services Agreement. Because these services will only be provided for a limited period of time after the completion of the Transactions, Smucker intends to develop the capabilities to perform these services or make alternative arrangements for these services.

Certain Trends and Other Factors Affecting Folgers

Green Coffee Bean Commodity Costs

In the last three fiscal years, the cost of green coffee beans represented between 50% and 60% of Folgers cost of products sold. Folgers imports green coffee beans from a number of countries, primarily from Brazil, Colombia and Vietnam. The price of green coffee beans is highly volatile and is influenced by numerous factors beyond Folgers control. For example, green coffee bean crops in Brazil, which produces one-third of the world s green coffee beans, are susceptible to frost in June and July and drought in September, October and November.

To mitigate this risk, Folgers purchases green coffee beans from a number of countries and has developed roasting and blending techniques designed to permit the substitution of one country s coffee beans for those of another without significantly affecting product consistency. As a result, supply limitations relating to any single country generally have not had a material impact on the availability of green coffee beans for use in Folgers products.

Folgers generally has been able to raise the selling prices of its products to mitigate price increases of green coffee beans. Accordingly, increased prices of green coffee beans generally result in higher selling prices and generate increased net sales. For example, green coffee bean prices have increased significantly since 2005. From July 2005 to May 2008, the monthly average price of Arabica coffee beans traded on the New York Board of Trade increased from $0.98 per pound to $1.37 per pound. Over the same period, Folgers increased the prices of coffee products to mitigate the impact on Folgers of increased prices of green coffee beans. While selling price increases typically offset the absolute dollar increase of cost of green coffee beans, cost of products sold and operating income, each as a percent of sales, are adversely affected in a market of increasing green coffee bean costs.

Historically, Folgers has used short-term coffee futures and options contracts to hedge and partially mitigate the effects of changes in green coffee bean prices and to reduce fluctuations in Folgers cost of products sold. Although this has generally enabled Folgers to partially limit the effect of changing prices, no strategy can entirely eliminate pricing risks and Folgers generally remains exposed to loss when prices change significantly in a short period of time. If the hedges that Folgers enters into do not adequately offset the impact of coffee bean price volatility or Folgers hedges result in losses, Folgers cost of products sold may increase, resulting in a decrease in profitability and lower operating margins. In addition, sudden decreases in the cost of green coffee beans could require Folgers to reduce sales prices of its products before realizing cost savings in its inventory, also negatively affecting profitability and operating margin. See Note 9 to Folgers combined financial statements for further discussion.

Hurricane Katrina

Folgers produces most of its Retail and Millstone products at its facilities in New Orleans, Louisiana, which were adversely affected for about two months by the impact of Hurricane Katrina, resulting in a substantial decline in Folgers net sales for fiscal 2006 compared to fiscal 2005. Folgers production capacity was restored at the New Orleans facilities in November 2005 and full shipments to customers resumed in December 2005.

In addition, Folgers incurred certain one-time expenses in fiscal 2006 related to Hurricane Katrina, which were proportionally allocated between the Retail and Millstone segments. Following Hurricane Katrina, Folgers combined cost of products sold increased. Specifically, Folgers production and freight costs increased because of the addition of temporary third-party production for roast and ground coffee during the supply disruption. Folgers also experienced increased cost of temporary labor in New Orleans and increased cost of freight for green coffee beans to the production site. In addition, freight costs to customers increased due to higher fuel costs and reduced availability of freight suppliers in the affected areas. Folgers also had increased selling, general and administrative expense (SG&A) in fiscal 2006 related to Hurricane Katrina. These expenses included the cost to assess site damage, restore utility operations, establish temporary water supply, clean up and repair wind and water damage and establish on-site housing and meal service for employees and contractors working on the repair and clean up.

P&G filed an insurance claim for property damage and business interruption and recorded insurance receipts aggregating $93.3 million ($33.2 million in fiscal 2006; $32.8 million in fiscal 2007; $27.3 million in the first nine months of fiscal 2008). The insurance receipts were recorded by Folgers within SG&A expense and were proportionally allocated between the Retail and Millstone segments. Although the Commercial segment has minor operations in New Orleans, its primary facilities are located in Kansas City; therefore, the Commercial segment was not allocated any of the insurance receipts. All filed claims relating to Hurricane Katrina have been closed and no further claims are expected to be filed by P&G or Folgers.

Table of Contents

Even after returning to normal operations following Hurricane Katrina, Folgers production costs continue to be higher than historical levels. The on-going higher costs are primarily due to increases in local transportation costs in New Orleans, higher energy costs and higher depreciation expense. Additionally, Folgers established roast and ground packaging operations at the production facility in Kansas City to mitigate any future disruptions to the New Orleans facilities. These actions have resulted in incremental on-going operating costs.

Millstone Goodwill Impairment

In December 2006, Millstone s contract with Safeway, a grocery retailer, for Safeway Select private label packaged coffee was not renewed. Coffee shipments under this contract ended in July 2007. The Safeway Select brand represented 15% and 12% of Millstone volume and net sales, respectively, in fiscal 2007. The loss of these sales, combined with continued competitive pressures in the gourmet coffee market and on-going increased operating costs resulting from Hurricane Katrina, resulted in negative cash flow for the Millstone segment for the foreseeable future. Therefore, Millstone s goodwill was determined to be fully impaired and Folgers recognized a goodwill impairment charge of $57.9 million during fiscal 2007 in the Millstone segment.

Significant Accounting Policies and Estimates

In preparing Folgers combined financial statements in accordance with generally accepted accounting principles, certain accounting policies are particularly important. These include policies relating to revenue recognition, inventory valuation, goodwill and other intangibles and hedging activity. These significant accounting policies, and others set forth in Note 3 to Folgers combined financial statements, should be reviewed as they are integral to understanding the results of operations and financial condition of Folgers. Due to the nature of Folgers business, estimates generally are not considered highly uncertain at the time of estimation, as they are not expected to result in changes that would materially affect Folgers results of operations or financial condition in any given year.

Revenue Recognition

Sales are recognized when revenue is realized or realizable and has been earned. The revenue recorded includes shipping and handling costs, which generally are included in the invoice price to the customer. Folgers policy is to recognize revenue when title to the product, ownership and risk of loss transfer to the customer, which can be on the date of shipment or the date of receipt by the customer. A provision for payment discounts and product return allowances is recorded as a reduction of sales in the same period that the revenue is recognized. Trade promotions, consisting primarily of customer pricing allowances, merchandising funds and consumer coupons, are offered through various programs to customers and consumers. Sales are recorded net of related trade promotion spending. Accruals for expected payouts under these programs are included as accrued marketing and promotion in the accrued expenses and other liabilities line item in Folgers balance sheet.

Inventory Valuation

Inventory is stated at the lower of cost or market price. The carrying values of certain coffee bean inventory are determined based on the last in, first out (LIFO) method while all other inventory is valued using the first in, first out (FIFO) method.

Goodwill and Other Intangibles

Goodwill balances, resulting from business combinations accounted for under the purchase method, are allocated to reporting units expected to derive the benefits of the acquisition. Goodwill is not amortized, but is evaluated annually for impairment or when indicators of a potential impairment are present. The annual evaluation for impairment of goodwill is based on valuation models that incorporate internal projections of expected future cash flow and operating plans.

Table of Contents

Hedging Activity

Hedging activities consist primarily of financial instruments utilized for hedging the price of certain commodities, including green coffee beans. A portion of Folgers hedging activity qualifies for hedge accounting treatment. For qualifying hedges, the effective portion of realized gains or losses is accounted for in cost of products sold at the same time the underlying hedged purchases are accounted for in cost of products sold. Realized gains on futures, options and swap contracts reduce cost of products sold and realized losses on these contracts increase cost of products sold. See Note 9 to Folgers combined financial statements for further discussion.

Results of Operations

Folgers fiscal year begins on July 1 and ends on the following June 30. For example, fiscal 2007 began on July 1, 2006 and ended on June 30, 2007.

The following table presents information about Folgers results of operations, in dollar amounts and expressed as a percentage of net sales, for the nine months ended March 31, 2008 and 2007 and for fiscal 2007, 2006 and 2005.

	Nine Months Ended March 31,				Fiscal Year Ended June 30,					
Dollars in millions	**2008**		**2007**		**2007**		**2006**		**2005**	
Net sales	$ 1,374.3	100%	$ 1,246.7	100%	$ 1,643.8	100%	$ 1,497.3	100%	$ 1,446.6	100%
Costs and expenses:										
Cost of products sold	920.5	67%	787.9	63%	1,025.5	62%	951.4	64%	813.8	56%
Gross margin	453.8	33%	458.8	37%	618.3	38%	545.9	36%	632.8	44%
Selling, general and administrative expense	169.6	12%	178.5	14%	241.7	15%	288.4	19%	270.2	19%
Goodwill impairment			57.9		57.9					
Operating income	284.2	21%	222.4	18%	318.7	19%	257.5	17%	362.6	25%
Interest expense	0.7		1.3		1.7		1.8		2.0	
Earnings before income taxes	283.5	21%	221.1	18%	317.0	19%	255.7	17%	360.6	25%
Income taxes	103.4		93.9		134.3		94.9		134.1	
Net income	$ 180.1	13%	$ 127.2	10%	$ 182.7	11%	$ 160.8	11%	$ 226.5	16%

Nine Months Ended March 31, 2008 Compared to Nine Months Ended March 31, 2007

Net Sales

	Nine Months Ended March 31,		
Dollars in millions	**2008**	**2007**	**Percent Change**
Retail	$ 1,201.0	$ 1,036.4	16%
Commercial	88.2	88.4	0%
Millstone	85.1	121.9	(30)%
Combined	$ 1,374.3	$ 1,246.7	10%

Combined. Combined net sales increased 10% to $1,374.3 million in the first nine months of fiscal 2008 behind higher pricing, volume growth and positive product mix. Volume increased 2%, with retail volume up

4%, partially offset by a 7% decline in Commercial volume and a 34% decline in Millstone volume. Higher selling prices added 6% to net sales behind price increases in January 2007, October 2007, February 2008 and March 2008. These price increases to recover higher commodity costs were partially offset by higher trade spending versus the prior period to secure planned merchandising during the important holiday season due to strong competitive activity. Combined net sales in the first nine months in fiscal 2008 reflected disproportionate volume growth of Dunkin Donuts® licensed retail packaged coffee products and Folgers Gourmet Selections products, both of which are priced at a premium relative to the average selling price of Folgers products. This product mix impact drove a positive 2% increase in net sales during the first nine months of fiscal 2008.

Retail. Retail net sales increased 16% to $1,201.0 million in the first nine months of fiscal 2008. Retail net sales growth resulted from a 4% increase in volume driven by the launch of licensed Dunkin Donuts® branded retail packaged products in August 2007 and volume growth of Folgers branded products. Retail net sales increased at a faster rate than volume as a result of a 7% impact from price increases implemented in January 2007, October 2007, February 2008 and March 2008. The increase in selling prices was partially offset by higher trade spending compared to the prior period to ensure sufficient merchandising by customers during the holiday season and due to strong competitive activity. The addition of licensed Dunkin Donuts® retail packaged coffee products and disproportionate growth of premium Folgers Gourmet Selections products, which are both priced at a premium relative to the average price of Retail products, drove a positive 5% product mix impact during the first nine months of 2008.

Commercial. Commercial net sales were essentially flat in the first nine months of fiscal 2008. Volume declined 7% primarily from the expiration of contracts with two of Folgers customers in April 2007 and June 2007. This volume decline was largely offset by the benefit of price increases implemented in January 2007, October 2007 and January 2008, which contributed 3% to Commercial net sales. Product mix added 4% to net sales due to disproportionate decline in volume of lower priced products.

Millstone. Millstone net sales decreased 30% to $85.1 million in the first nine months of fiscal 2008 as a result of a 34% decrease in volume. The volume decrease was related to the loss of the Safeway Select private label contract effective in July 2007, which represented 15% and 12%, respectively, of Millstone volume and net sales in fiscal 2007, and strong competitive activity. The impact of the volume decrease to net sales in the fiscal 2008 period was partially offset by a positive 4% product mix impact due to a disproportionate decline in volume of lower priced products, including Safeway Select private label products.

Operating Income

Combined. Gross profit was down 1% as an increase in Retail gross profit in the first nine months of fiscal 2008 was more than offset by lower gross profit in Millstone. Combined cost of products sold was $920.5 million in the first nine months of fiscal 2008 compared to $787.9 million in the same period in fiscal 2007. Combined cost of products sold as a percentage of combined net sales increased to 67% in the fiscal 2008 period from 63% in the fiscal 2007 period. The percentage increase was driven primarily by higher green coffee bean costs (partially offset by higher selling prices), a more profitable product mix and scale benefits of volume growth. The benefits of supply chain and production savings projects principally generated by packaging material savings, blend reformulation and Millstone direct store delivery system structure changes were largely offset by higher costs for natural gas, diesel and plastic resins compared to the comparable prior year period.

Combined SG&A was $169.6 million in the first nine months of fiscal 2008 versus $178.5 million in the comparable prior year period primarily due to lower direct overhead costs from a focus on cost control and lower marketing spending. These factors, together with higher net sales, reduced SG&A as a percentage of combined net sales to 12% in the fiscal 2008 period from 14% in the fiscal 2007 period. Combined SG&A included insurance claim receipts related to Hurricane Katrina of $27.3 million and $32.8 million in the nine months ended March 31, 2008 and March 31, 2007, respectively.

Table of Contents

As a result of the foregoing factors, as well as the $57.9 million charge in December 2006 related to the impairment of Millstone goodwill, combined operating income increased 28% to $284.2 million in the first nine months of fiscal 2008, and combined operating margin was 21% for the first nine months of fiscal 2008, compared to 18% in the comparable prior period.

	Operating Income			Operating Margin	
	Nine Months Ended March 31,			Nine Months Ended March 31,	
Dollars in millions	**2008**	**2007**	**Percent Change**	**2008**	**2007**
Retail	$ 267.5	$ 266.7	0%	22%	26%
Commercial	13.0	11.4	14%	15%	13%
Millstone	3.7	(55.7)	n/a	4%	(46)%
Combined	$ 284.2	$ 222.4	28%	21%	18%

Retail. Retail operating income was essentially flat at $267.5 million for the first nine months of fiscal 2008 compared to the first nine months of fiscal 2007. Higher gross profit behind volume growth was mostly offset by increases in SG&A and lower insurance claim receipts. Retail gross margin decreased in the first nine months of fiscal 2008 as a result of higher green coffee bean costs partially offset by higher selling prices, more profitable product mix and scale benefits of volume growth. Retail SG&A for the first nine months of fiscal 2008 increased compared to the prior year period due to marketing spending to support both the Dunkin Donuts launch and Folgers display programs with retailers. Retail SG&A included insurance claim receipts related to Hurricane Katrina of $23.2 million and $27.9 million in the nine months ended March 31, 2008 and March 31, 2007 respectively.

Commercial. Commercial operating income increased 14% to $13.0 million for the first nine months of fiscal 2008 compared to the first nine months of fiscal 2007. Commercial operating margin increased 2 percentage points as lower SG&A offset a reduction in gross profit. Commercial gross margin decreased in the first nine months of 2008 as higher green coffee bean costs and lower volume were only partially offset by higher selling prices and cost savings projects principally generated by packaging material savings and blend reformulation. Commercial SG&A in the first nine months of fiscal 2008 decreased compared to the first nine months of the prior year period due to reductions in overhead costs. Commercial SG&A as a percentage of Commercial net sales is higher than the combined SG&A as a percentage of net sales due to higher spending for in-store equipment and service expenses to the foodservice and convenience store channels.

Millstone. Millstone operating income for the first nine months of fiscal 2008 was $3.7 million compared to an operating loss of $55.7 million in the first nine months of fiscal 2007, which included a $57.9 million charge for the impairment of Millstone goodwill. Millstone gross profit decreased versus the comparable prior year period primarily due to lower volume and higher green coffee bean costs. These impacts were partially offset by cost savings related to the direct store delivery network and the supply chain. Millstone SG&A in the first nine months of fiscal 2008 decreased due to lower marketing spending and lower direct store delivery costs. Millstone SG&A included insurance claim receipts related to Hurricane Katrina of $4.1 million and $4.9 million in the nine months ended March 31, 2008 and March 31, 2007 respectively. Despite a significant reduction in the Millstone direct store delivery system costs in the first nine months of fiscal 2008, direct store delivery system costs as a percentage of Millstone net sales increased compared to the prior year period because the direct store delivery system has a significant fixed cost component that was spread across lower net sales.

Income Taxes

Folgers income tax rate decreased to 36% for the nine months ended March 31, 2008 from 42% for the nine months ended March 31, 2007. The tax rate was higher in the comparable prior year period because the Millstone goodwill impairment charge incurred in December 2006 was not tax deductible.

Table of Contents

Fiscal 2007 Compared to Fiscal 2006

Net Sales

Dollars in millions	Fiscal 2007	Fiscal 2006	Percent Change
Retail	$ 1,368.5	$ 1,203.6	14%
Commercial	113.7	115.5	(2)%
Millstone	161.6	178.2	(9)%
Combined	$ 1,643.8	$ 1,497.3	10%

Combined. Combined net sales increased 10% to $1,643.8 million in fiscal 2007, which reflected a full year of uninterrupted operations following Hurricane Katrina. Volume was up 7% due to the growth in Retail volume, which more than offset declines in Commercial and Millstone volumes. Pricing added 4% to combined net sales, due to price increases implemented in October 2006 and again in January 2007 to mitigate higher green coffee bean costs. This was partially offset by a negative 1% product mix impact resulting from a volume decline in premium-priced Millstone products.

Retail. Retail net sales increased 14% to $1,368.5 million in fiscal 2007 resulting primarily from an 8% increase in volume, which reflected a full year of uninterrupted operations in fiscal 2007 following Hurricane Katrina, as well as the introduction of Folgers Gourmet Selections products in August 2006. Selling price increases implemented in October 2006 and again in January 2007 to mitigate higher green coffee bean costs added 5% to Retail net sales in fiscal 2007. Product mix had a positive 1% impact driven by the introduction of Folgers Gourmet Selections.

Commercial. Commercial net sales decreased 2% to $113.7 million in fiscal 2007 due to a 3% volume decline resulting from the expiration of contracts with two customers in the fourth quarter of fiscal 2007. Price increases to mitigate higher green coffee bean costs added 2% to Commercial net sales in fiscal 2007, but were partially offset by a negative 1% product mix impact.

Millstone. Millstone net sales decreased 9% to $161.6 million in fiscal 2007. Volume was down 12% primarily due to competitive activity from other gourmet brands. Lower customer trade promotion spending in fiscal 2007 drove a positive 1% pricing impact. In addition, favorable product mix contributed 2% to net sales due to a disproportionate volume decline of lower priced products.

Operating Income

Combined. Combined cost of products sold was $1,025.5 million in fiscal 2007 compared to $951.4 million in fiscal 2006. Combined cost of products sold declined to 62% of combined net sales in fiscal 2007 from 64% of net sales in fiscal 2006, as higher green coffee bean costs were more than offset by selling price increases taken in fiscal 2007 and scale benefits due to higher volume. The benefit of fiscal 2007 cost savings principally resulting from blend reformulation, and efficiencies related to manufacturing packaging materials and transportation as well as the impact of base period Katrina costs more than offset increased on-going post-Katrina costs incurred in fiscal 2007 to operate in New Orleans and Kansas City.

Combined SG&A was $241.7 million in fiscal 2007 compared to $288.4 million in fiscal 2006. Combined SG&A as a percentage of net sales was 15% in fiscal 2007 compared to 19% in fiscal 2006. The improvement as a percentage of combined net sales was a result of a one-time expense of approximately $50 million in fiscal 2006 related to damages caused by Hurricane Katrina and higher net sales in fiscal 2007. Marketing spending as a percentage of combined net sales in fiscal 2007 was roughly in-line with the fiscal 2006 levels. Insurance receipts related to Hurricane Katrina were $32.8 million and $33.2 million in fiscal 2007 and fiscal 2006, respectively.

Table of Contents

As a result of the foregoing factors, as well as the $57.9 million charge in fiscal 2007 related to the impairment of Millstone goodwill, combined operating income increased 24% to $318.7 million in fiscal 2007 and combined operating margin was 19% in fiscal 2007, compared to 17% in fiscal 2006.

	Operating Income			Operating Margin	
Dollars in millions	**Fiscal 2007**	**Fiscal 2006**	**Percent Change**	**Fiscal 2007**	**Fiscal 2006**
Retail	$ 359.4	$ 231.5	55%	26%	19%
Commercial	13.6	20.9	(35)%	12%	18%
Millstone	(54.3)	5.1	n/a	(34)%	3%
Combined	$ 318.7	$ 257.5	24%	19%	17%

Retail. Retail operating income increased 55% to $359.4 million in fiscal 2007 compared to fiscal 2006 due to the impact of a full year of uninterrupted operations in fiscal 2007 following Hurricane Katrina and one-time expenses related to Hurricane Katrina in fiscal 2006. Retail operating margin increased 7 percentage points in fiscal 2007 due to higher gross margins and lower Retail SG&A as a percentage of net sales. Retail gross margins increased as a result of scale benefits due to higher volume and price increases taken during fiscal 2007, partially offset by higher green coffee bean costs. Additionally, Retail gross margins were also impacted by one-time fiscal 2006 costs related to Hurricane Katrina and fiscal 2007 cost savings principally resulting from blend reformulation, and efficiencies related to manufacturing, packaging materials and transportation, which were partially offset by higher on-going costs incurred in fiscal 2007 to operate in New Orleans and Kansas City. Retail SG&A in fiscal 2007 decreased versus fiscal 2006 as a result of one-time fiscal 2006 expenses of approximately $42 million related to Hurricane Katrina. Insurance receipts related to Hurricane Katrina were $27.9 million and $28.2 million in fiscal 2007 and fiscal 2006, respectively.

Commercial. Commercial operating income decreased 35% to $13.6 million in fiscal 2007 compared to fiscal 2006. Commercial operating margin decreased 6 percentage points in fiscal 2007 due to lower Commercial gross margins and higher Commercial SG&A as a percentage of net sales. Commercial gross margin decreased due to higher green coffee costs and lower volume, partially offset by higher selling prices. Commercial SG&A as a percentage of net sales increased in fiscal 2007 due to higher Commercial overhead costs resulting from expanded sales coverage and increased marketing expenses.

Millstone. Millstone operating loss was $54.3 million in fiscal 2007 compared to operating income of $5.1 million in fiscal 2006 primarily due to the $57.9 million impairment of Millstone goodwill and lower net sales. Millstone gross margin improved due to supply chain improvements, savings from more efficient buying and blending of green coffee beans and improved product mix, which more than offset a reduction in volume. Millstone SG&A as a percentage of net sales in fiscal 2007 increased due to lower net sales and higher marketing spending compared to fiscal 2006, which more than offset a one-time expense in fiscal 2006 of approximately $8 million related to damages caused by Hurricane Katrina. Insurance receipts related to Hurricane Katrina were $4.9 million and $5.0 million in fiscal 2007 and fiscal 2006, respectively.

Income Taxes

Folgers   income tax rate increased from 37% for fiscal 2006 to 42% for fiscal 2007. The tax rate was higher in fiscal 2007 due to the non-deductibility of the Millstone goodwill impairment charge incurred in fiscal 2007.

76

Table of Contents

Fiscal 2006 Compared to Fiscal 2005

Net Sales

Dollars in millions	Fiscal 2006	Fiscal 2005	Percent Change
Retail	$ 1,203.6	$ 1,155.2	4%
Commercial	115.5	105.4	10%
Millstone	178.2	186.0	(4)%
Combined	$ 1,497.3	$ 1,446.6	4%

Combined. Combined net sales increased 4% to $1,497.3 million in fiscal 2006. The full year effect of price increases implemented in December 2004 and again in March 2005 contributed 13% to combined net sales growth and more than offset an 8% volume decline resulting primarily from the impact of Hurricane Katrina. In August 2005, Hurricane Katrina caused significant damage to Folgers production facilities in New Orleans. This caused a temporary disruption in Folgers ability to ship Retail and Millstone products at full capacity and resulted in volume declines in both Retail and Millstone. In addition, the disproportionate volume decline in premium-priced Millstone products had a negative 1% product mix impact.

Retail. Retail net sales increased 4% to $1,203.6 million in fiscal 2006. Volume decreased 8% in fiscal 2006 due to temporary disruptions related to Hurricane Katrina, which prevented Folgers from producing at full capacity in September and October 2005. Lower volume was more than offset by the full year effect of price increases implemented in December 2004 and again in March 2005, which added 13% to Retail net sales. Additionally, product mix had a negative 1% impact.

Commercial. Commercial net sales increased 10% to $115.5 million in fiscal 2006. The full year effect of price increases implemented in December 2004 and again in March 2005 added 9% while Commercial volume increased 1% in fiscal 2006 compared to fiscal 2005.

Millstone. Millstone net sales decreased 4% to $178.2 million in fiscal 2006. Volume in fiscal 2006 declined 15% due to temporary disruptions relating to Hurricane Katrina and strong competitive activity in the gourmet coffee market. Price increases, taken to mitigate higher green coffee bean costs, contributed 12% to Millstone net sales in fiscal 2006. Additionally, product mix had a negative 1% impact.

Operating Income

Combined. Combined cost of products sold was $951.4 million in fiscal 2006 compared to $813.8 million in fiscal 2005. Combined cost of products sold as a percentage of combined net sales increased to 64% in fiscal 2006 from 56% in fiscal 2005. Combined cost of products sold as a percentage of net sales was higher in fiscal 2006 due to higher green coffee bean costs, lower volume, costs related to Hurricane Katrina and higher energy costs, partially offset by selling price increases and a $17.9 million gain due to hedging activity in fiscal 2005.

Combined SG&A was $288.4 million in fiscal 2006 compared to $270.2 million in fiscal 2005. Combined SG&A as a percentage of net sales in fiscal 2006 was roughly equal to combined SG&A as a percentage of net sales in fiscal 2005 at 19%. In fiscal 2006, Folgers incurred approximately $50 million in one-time expenses related to Hurricane Katrina. These costs were partially offset by a $33.2 million insurance receipt related to Hurricane Katrina, lower marketing spending as a percentage of net sales, and the impact of higher net sales.

Table of Contents

As a result of the foregoing factors, operating income decreased by 29% to $257.5 million in fiscal 2006 and operating margin was 17% in fiscal 2006, compared to 25% in fiscal 2005 as follows:

	Operating Income			Operating Margin	
Dollars in millions	Fiscal 2006	Fiscal 2005	Percent Change	Fiscal 2006	Fiscal 2005
Retail	$ 231.5	$ 314.4	(26)%	19%	27%
Commercial	20.9	17.7	18%	18%	17%
Millstone	5.1	30.5	(83)%	3%	16%
Combined	$ 257.5	$ 362.6	(29)%	17%	25%

Retail. Retail operating income decreased 26% to $231.5 million in fiscal 2006 compared to fiscal 2005 primarily due to temporary disruptions related to Hurricane Katrina which prevented Folgers from producing at full capacity in September and October 2005. Retail gross margin decreased in fiscal 2006 compared to fiscal 2005 due to lower volume, costs related to Hurricane Katrina, and higher energy costs. The impact of higher green coffee bean costs was offset by higher selling prices. Retail SG&A as a percentage of net sales in fiscal 2006 increased slightly due to one-time expenses related to Hurricane Katrina totaling approximately $42 million in fiscal 2006, which were partially offset by a $28.2 million insurance receipt relating to Hurricane Katrina and the impact of higher net sales.

Commercial. Commercial operating income increased 18% to $20.9 million in fiscal 2006 compared to fiscal 2005 primarily driven by higher net sales. Operating margin increased 1 percentage point in fiscal 2006 versus the prior year period. Commercial gross margin decreased in fiscal 2006 due to higher green coffee costs and higher energy costs, partially offset by higher selling prices. Commercial SG&A expenses as a percentage of net sales in fiscal 2006 decreased due to a reduction in marketing spending and the impact of higher net sales.

Millstone. Millstone operating income decreased 83% to $5.1 million in fiscal 2006 compared to fiscal 2005 primarily due to lower volume and Hurricane Katrina impacts. Millstone gross margin in fiscal 2006 decreased due to the impact of lower volume, costs related to Hurricane Katrina and higher energy costs. The impact of higher green coffee bean costs in fiscal 2006 was offset by higher selling prices. Millstone SG&A as a percentage of net sales increased in fiscal 2006 due to the one-time costs to Millstone of approximately $8 million related to Hurricane Katrina and the impact of lower net sales, partially offset by a $5.0 million insurance receipt related to Hurricane Katrina and lower marketing spending.

Income Taxes

Folgers income tax rate was 37% in both fiscal 2006 and fiscal 2005.

Liquidity and Capital Resources

Historical

Folgers historically generated, and prior to the Distribution will continue to generate, significant cash flow from operations, the majority of which is distributed to P&G (cash will not be included among the assets to be transferred to Folgers in connection with the Contribution, subject to limited exceptions for restricted cash in brokers accounts). In addition, prior to the Distribution, Folgers has participated in P&G s cash management system.

Cash Flow

Cash flow from operating activities. Operating cash flow for the nine months ended March 31, 2008 was $205.2 million. Net earnings after adjustments for non-cash items (mainly depreciation) and an increase in accrued liabilities related to holiday merchandising expenses were the primary source of operating cash flow. This was partially offset by cash used for working capital to support business growth and seasonality.

Table of Contents

Operating cash flow for the nine months ended March 31, 2007 was $197.3 million. Net earnings after adjustments for non-cash items (mainly depreciation and the one-time Millstone impairment charge) and an increase in accrued liabilities related to holiday merchandising expenses were the primary source of operating cash flow. This was partially offset by cash used for working capital to support business growth and seasonality.

Operating cash flow in fiscal 2007 was $248.5 million. Net earnings, after adjustments for non-cash items (mainly depreciation and the one-time Millstone impairment charge) was the primary driver of operating cash flow.

Operating cash flow in fiscal 2006 and fiscal 2005 was $182.7 million and $232.8 million, respectively. Net income, after adjustments for non-cash items (mainly depreciation) was the primary source of operating cash flow in both fiscal years.

Cash flow from investing activities. Investing activities have historically been primarily related to capital expenditures. Capital expenditures were $13.6 million and $35.7 million in each of the nine months ended March 31, 2008 and March 31, 2007, respectively and were $42.4 million, $42.7 million and $36.0 million in each of fiscal 2007, fiscal 2006 and fiscal 2005, respectively. P&G expects Folgers capital expenditures for fiscal 2008 to be approximately $28 million, of which $13.6 million was incurred in the first nine months of fiscal 2008.

Cash flow from financing activities. Folgers distributed excess cash to P&G of $197.1 million in the nine months ended March 31, 2008, $203.8 million in fiscal 2007, $143.4 million for fiscal 2006 and $206.2 million in fiscal 2005.

Contractual Obligations

The following table presents Folgers contractual obligations as of June 30, 2007 on a historical basis:

Dollars in millions	Total	Amounts due by period Less than 1 year	1-3 years	4-5 years	More than 5 years
Operating lease obligations (1)	$ 1.8	$ 1.1	$ 0.5	$ 0.2	$
Capital lease obligations (2)	14.8	8.1	1.3	1.5	3.9
Purchase obligations (3)	1.3	1.3			
Total (4)	$ 17.9	$ 10.5	$ 1.8	$ 1.7	$ 3.9

(1) Folgers leases certain property, plant and equipment for varying periods which are accounted for as operating leases.

(2) Folgers also periodically enters into service and supply arrangements with certain vendors, pursuant to which vendors procure specialized machinery and equipment dedicated to satisfying minimum production levels which Folgers is obligated to purchase. Folgers accounts for such arrangements as capital leases.

(3) Folgers has purchase commitments for materials, supplies, services and property, plant and equipment as part of the normal course of business.

(4) Folgers expects to enter into a term loan credit facility that will provide for the $350 million of Folgers Debt as contemplated by the Transactions, which debt will mature one year and one day from the date the debt is incurred by Folgers. See Debt Financing Folgers Debt.

Recent Accounting Pronouncements

Other than as discussed below, no new accounting pronouncement issued or effective during the fiscal year has had or is expected to have a material impact on Folgers combined financial statements.

Table of Contents

In July 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation (FIN) 48, Accounting for Uncertainty in Income Taxes. FIN 48 addresses the accounting and disclosure of uncertain tax positions. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Folgers adopted FIN 48 as of July 1, 2007. The impact of the adoption was not material to the financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards (SFAS) 157, Fair Value Measures, (SFAS 157) which establishes a framework for measuring fair value and expands disclosures about fair value measurements. Pursuant to FASB Financial Staff Position 157-2, the FASB issued a partial deferral of the implementation of SFAS 157, as it relates to all non-financial assets and liabilities where fair value is not already the required measurement attribute by other accounting standards. The remainder of SFAS 157 will be effective for Folgers on July 1, 2008. Folgers does not expect SFAS 157 to have a material impact on its financial statements.

In February 2007, the FASB issued SFAS 159, The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115 (SFAS 159). SFAS 159 gives the option to carry most financial assets and liabilities at fair value, with changes recognized in earnings. SFAS 159 will be effective for Folgers beginning July 1, 2008, although early adoption is permitted. Folgers is currently assessing the potential effect of SFAS 159 on its financial statements.

In December 2007, the FASB issued SFAS 141 (Revised), Business Combinations (SFAS 141R) and SFAS 160, Noncontrolling Interests in Consolidated Financial Statements (SFAS 160). SFAS 141R and SFAS 160 revise the method of accounting for a number of aspects of business combinations, including acquisition costs, contingencies (including contingent assets, contingent liabilities and contingent purchase price), the impact of partial and step-acquisitions (including the valuation of net assets attributable to non-acquired minority interests), and post-acquisition exit activities of acquired businesses. SFAS 141R and SFAS 160 will be effective for Folgers on July 1, 2009.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities (SFAS 161). SFAS 161 amends and expands the disclosure requirements of SFAS No. 133 with the intent to provide users of financial statements with an enhanced understanding of (1) how and why an entity uses derivative instruments; (2) how derivative instruments and related hedged items are accounted for under Statement 133 and its related interpretations; and (3) how derivative instruments and related hedged items affect an entity s financial position, financial performance, and cash flows. SFAS 161 is effective for Folgers beginning July 1, 2009. Folgers is currently evaluating the provisions of SFAS 161 to determine the impact on its combined financial statements.

Quantitative and Qualitative Disclosure About Market Risk

Folgers is exposed to market risks, such as changes in commodity prices and, following the Distribution, interest rates. To manage the volatility related to these exposures, Folgers enters into various financial transactions, which it accounts for under SFAS