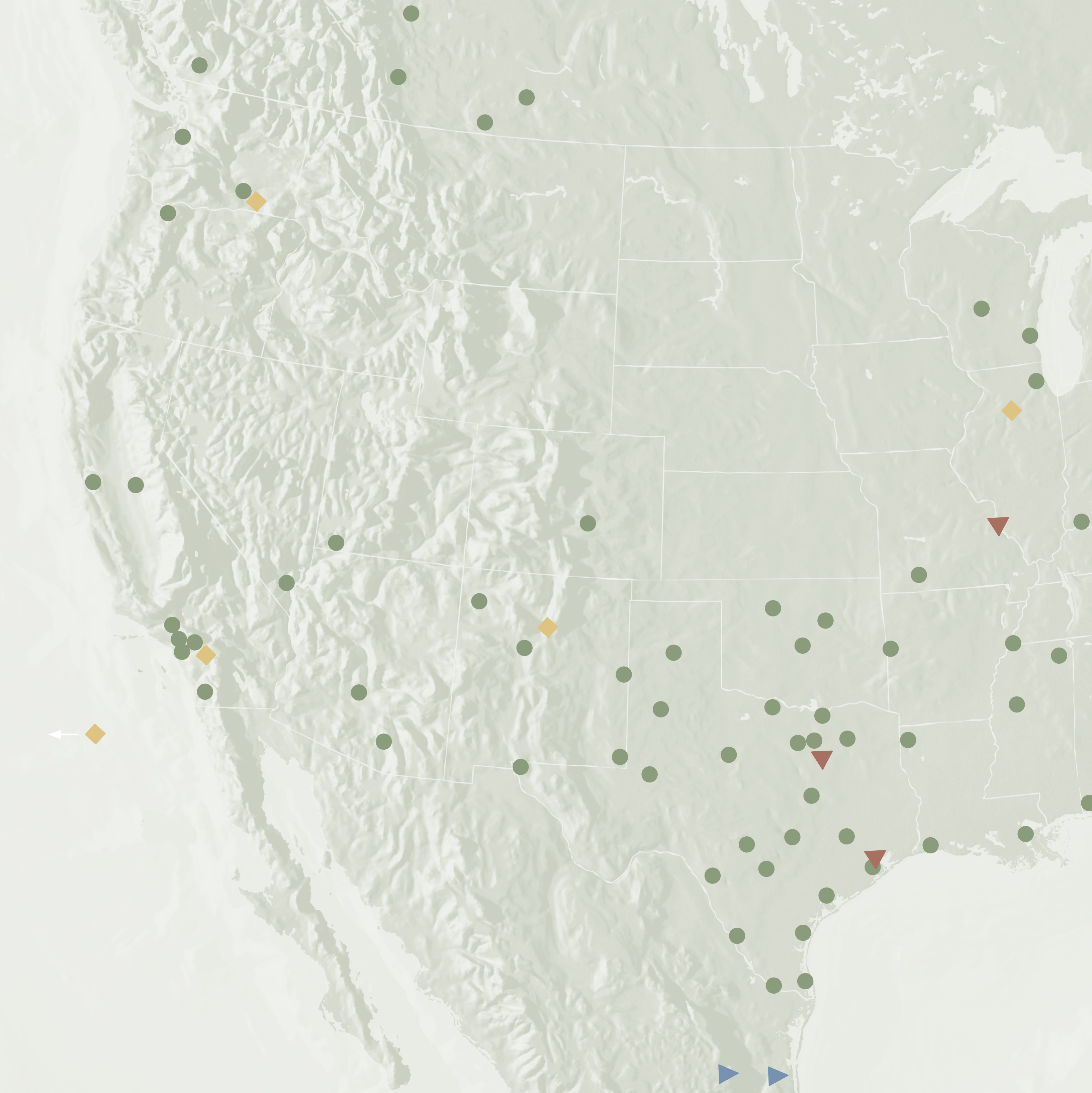
# UNIFIRST CORPORATION *2003 Annual Report*

INCLUDING AN INTERVIEW WITH
**RONALD D. CROATTI**, CHAIRMAN OF THE BOARD,
PRESIDENT AND CHIEF EXECUTIVE OFFICER



# Locations

UNIFIRST CORPORATION & SUBSIDIARIES

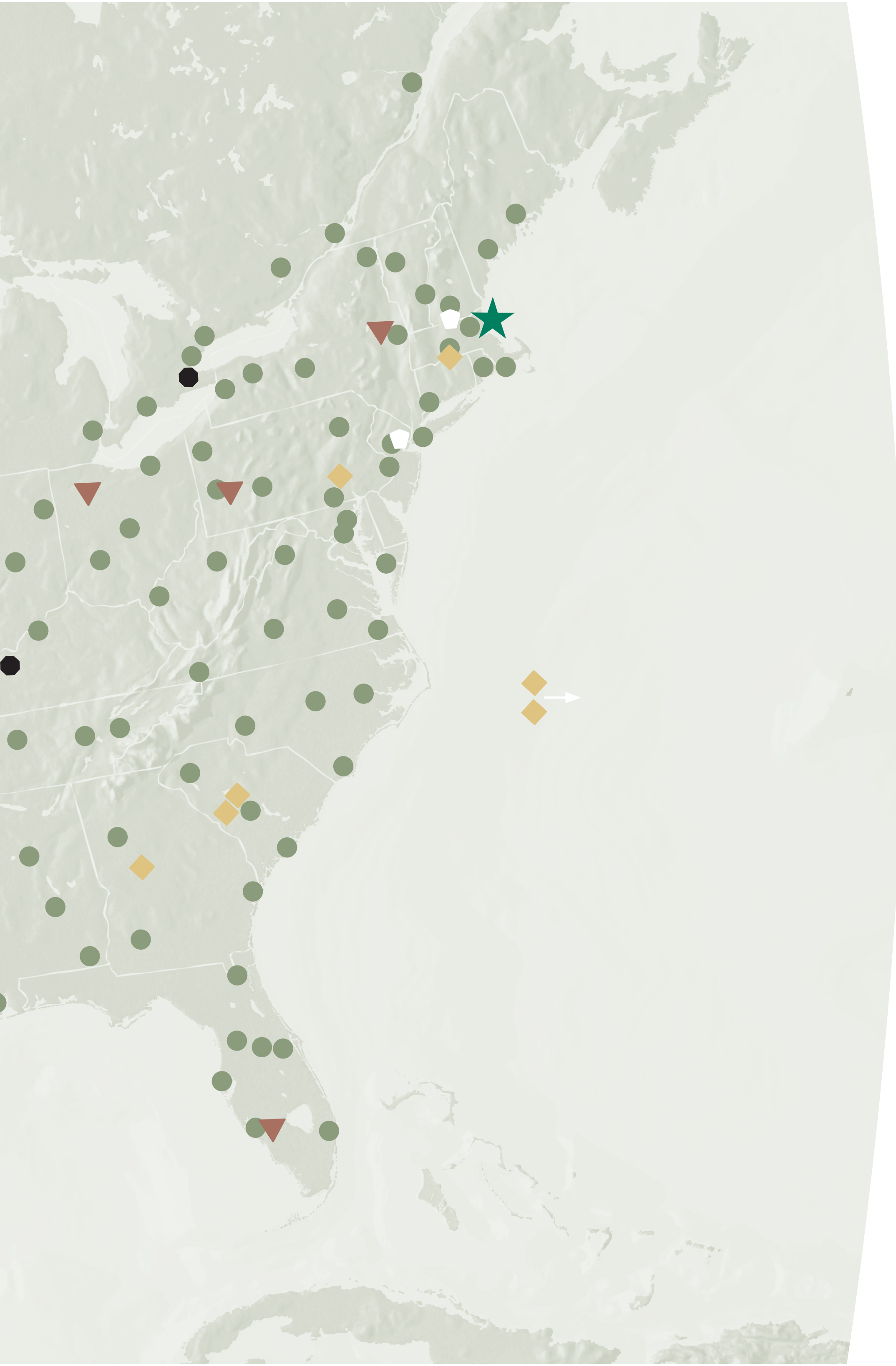
★ CORPORATE HEADQUARTERS

● SERVICE LOCATIONS

● DISTRIBUTION CENTERS

▷ MANUFACTURING PLANTS

"...to provide an equitable return on investment and



◇ NUCLEAR SERVICE LOCATIONS ⬠ CLEANROOM SERVICE LOCATIONS ▽ FIRST AID LOCATIONS

# Who is UniFirst?

FROM MODEST BEGINNINGS IN 1936, UNIFIRST CORPORATION HAS GROWN TO BECOME ONE OF NORTH AMERICA'S LARGEST WORKWEAR AND TEXTILE SERVICES COMPANIES. WE RENT, LEASE AND SELL UNIFORMS, PROTECTIVE APPAREL, CAREERWEAR, FLOORCARE AND OTHER FACILITY SERVICES PRODUCTS TO ALL KINDS OF BUSINESSES. ¶ UNIFIRST'S CORPORATE MISSION IS TO BE RECOGNIZED AS THE QUALITY LEADER IN OUR INDUSTRY. OUR CAREFUL FOCUS ON SERVING EACH CUSTOMER'S SPECIAL NEEDS AND PROVIDING TOTAL SATISFACTION ENABLES US TO GROW, TO PROVIDE AN EQUITABLE RETURN ON INVESTMENT, AND TO CREATE OPPORTUNITIES FOR OUR TEAM PARTNERS. ¶ IN FISCAL YEAR 2003, UNIFIRST EMPLOYED 7,900 TEAM PARTNERS WHO SERVED OVER 150,000 CUSTOMER LOCATIONS FROM SITES IN THE UNITED STATES, CANADA AND EUROPE; OPERATED 132 CUSTOMER SERVICE CENTERS, 12 NUCLEAR DECONTAMINATION FACILITIES, 2 CLEANROOM OPERATIONS, 7 FIRST AID LOCATIONS, 2 DISTRIBUTION CENTERS AND 2 MANUFACTURING PLANTS; MANUFACTURED MILLIONS OF GARMENTS; DESIGNED CUSTOM GARMENTS FOR CORPORATE IMAGE PROGRAMS AND SPECIAL WORKWEAR APPLICATIONS; AND STOOD AS A WORLD LEADER IN CLEANING AND DECONTAMINATING NUCLEAR PROTECTIVE CLOTHING.

# Financial Highlights

**UNIFIRST CORPORATION AND SUBSIDIARIES**

(IN THOUSANDS, EXCEPT PER SHARE DATA)

| FISCAL YEAR ENDED AUGUST | 2003 | 2002 | % CHANGE |
|---|---|---|---|
| REVENUES | **$596,936** | $578,898 | 3.1% |
| INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE | **29,262** | 26,859 | 8.9% |
| INCOME PER SHARE BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE | **1.53** | 1.40 | 9.3% |
| SHAREHOLDERS' EQUITY | **335,380** | 309,740 | 8.3% |

to create opportunities for our team partners."

# Dear Shareholders

In fiscal 2003, UniFirst produced record revenues of $596.9 million, an increase of 3.1 percent over fiscal year 2002's $578.9 million. Fiscal 2002 had fifty-three weeks, and on a comparative fifty-two week basis revenues were up 5.1 percent. Income before cumulative effect of accounting change was $29.3 million, or $1.53 per basic share, an 8.9 percent increase from last year's $26.9 million, or $1.40 per basic share. Net income for fiscal 2003 was $27.0 million, or $1.41 per basic share, an increase of 0.6 percent from the previous year's $26.9 million, or $1.40 per basic share.

In light of the general business slowdown, I think we did a first rate job handling the challenges we faced. We saw our record revenues come primarily from a combination of internal growth and new sales, without the benefit of acquisitions and with little that can be credited to price increases. During the year, even though the market for new or expanded service programs was tepid, we continued to see positive signs from both sales and service departments. In fact, a comparison with last fiscal year showed we did better, both in securing new business and in reducing the rate of customer defections… a good result in a down economy.

In the uniform services area, sales averages by Professional Reps were up and our National Accounts team had its best year ever. The efforts we made to improve prospect database management, to push for a balanced sales approach and to emphasize pursuit of mid to large size service-type businesses helped. But more than that, we simply benefited from the hard work and perseverance of our UniFirst Team Partners, who wouldn't let the tough conditions get the best of them.

As we began fiscal 2003, we thought we were beginning to see some signs of a turnaround. But they were short lived. The economy continued to shed jobs, particularly in industry segments that have been traditional users of rental uniform programs. The manufacturing sector was particularly hard-hit. And though some other areas showed relative stability – or even slight growth – in many cases, the jobs being retained were lower skill, lower wage service positions, while those disappearing were the higher skill, higher wage production and assembly jobs that have historically been big rental uniform users. As a result, the positive effect of our sales efforts were diminished somewhat by current account shrinkage which was occurring at the same time. We made progress, but not as much as we would have in a better economic climate.

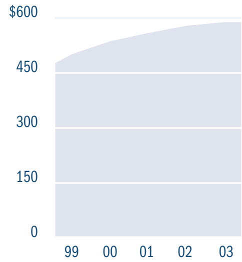
We were also challenged on the operations side of our business, as environmental and geopolitical factors conspired to drive up costs. The war in the Middle East and the labor-caused disruption in Venezuelan energy production had the combined effect of pushing up prices at the pump and increasing the cost of everything from heating oil and diesel fuel to natural gas. Adding to this, an unusually severe winter, combining colder than normal temperatures with uncharacteristically intense storm activity, directly affected several of our operations (as well as those of our customers) causing lost workdays and extra time and effort in catching up on service. Plus the severe weather resulted in increased fuel consumption, both at our facilities and in our vehicles. The result of more usage was more expense.

During the year, we invested $38 million in infrastructure expansions and improvements. We completed the construction of our Valles, Mexico manufacturing plant and gradually ramped it up toward full production. We made necessary investments to replace vehicles and production equipment and to maintain facilities. But we also did everything possible to exercise tough cost controls. We deferred or postponed capital projects wherever possible. And we challenged managers in all areas of our business to undertake a thorough evaluation of manpower utilization to see where we might implement reductions or

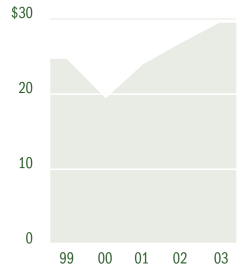


"We're a total solutions provider and we deliver values

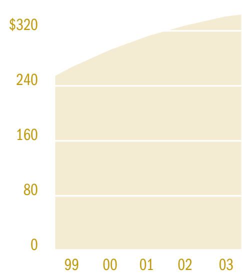
REVENUES
(IN MILLIONS OF DOLLARS)




INCOME BEFORE CUMULATIVE EFFECT OF ACCOUNTING CHANGE
(IN MILLIONS OF DOLLARS)




SHAREHOLDERS' EQUITY
(IN MILLIONS OF DOLLARS)




efficiency improvements that could lower costs without reducing customer value. Sustaining profitability was a quarter-to-quarter imperative.

As we head into Fiscal Year 2004, I think we're making progress, both in adjusting to the tough business climate and in controlling some of the key costs associated with operations. We're seeing better sales productivity – from our UniFirst uniform operations and from our subsidiary businesses. Once again, our UniTech Services Division had a banner year. Our Green Guard First Aid and Safety business made good progress as well, with expansion of local service operations in several markets. Lastly, but not unimportantly, our acquisition of Textilease Corporation just days after the end of FY 2003 affords an immediate growth benefit, but also presents challenges that will test our organization as we work to integrate their operations in the months ahead.

There is still some uncertainty in the economy, but there also now seem to be more positive indicators than negative. So while we will continue to exercise appropriate caution and careful management oversight, we're heading into the new fiscal year with a combination of optimism and resolve. Optimism about the significant opportunities we have for continued growth and resolve in our absolute commitment to produce the greatest reward for all our key stakeholders... customers, employees and shareholders alike.

Thank you for your continued support of our efforts and I look forward to reporting to you on the progress of your company as we move through the year.

*Ronald D. Croatti*
*Chairman of the Board, President and*
*Chief Executive Officer*

to customers in the way they choose to receive them."

THE FOLLOWING IS EXTRACTED FROM AN INTERVIEW OF RONALD D. CROATTI, CHAIRMAN OF THE BOARD, PRESIDENT AND CHIEF EXECUTIVE OFFICER OF UNIFIRST CORPORATION, WHICH WILL BE PUBLISHED IN AN UPCOMING ISSUE OF *MODERN BUSINESS* MAGAZINE. WE INCLUDE IT HERE BECAUSE WE BELIEVE THERE'S RELEVANCE TO THE INTERESTS OF OUR SHAREHOLDERS AND EMPLOYEES.

***YOU'VE TALKED IN THE PAST ABOUT UNIFIRST'S BUSINESS BALANCE. CAN YOU EXPLAIN WHY THIS IS IMPORTANT?*** To a certain extent it parallels the advice an investor might hear from a financial planner about the benefits of a balanced investment portfolio. Lower risk... better, more consistent performance over the long-term... that kind of thing. In our case, the balance I refer to has multiple dimensions. From a customer-base standpoint, we are widely diversified. No single rental customer represents more than 1% of total revenues and there's no single industry that dominates our service attention. In fact, though a typical customer might be a smaller business in a service, retail or manufacturing industry, our overall user mix ranges widely – encompassing virtually every industry and including companies of all sizes.

Next, from a services standpoint, we balance our industrial uniform focus with complementary products that afford us broader marketing and sales opportunities with a wider range of customers. These include floorcare products, restroom service products, specialty protective garments for flame resistant and high visibility applications, and more. Also, of course, we look to our nuclear, cleanroom and first aid and safety businesses to afford us an avenue to reach markets and customers we might not normally hit with a straight uniform-focused approach.

And lastly, we gain balance through the multiple service options and programs we offer. We recognized long-ago that not everyone wants to rent and that's why we also offer straight lease and purchase programs as well as lease and purchase programs with supplementary cleaning options. We're not just a rental company. We're a total solutions provider and we deliver values to customers in the way they choose to receive them.

The net result of all this is that shifts in industry fundamentals, market directions or customer needs and preferences are more easily adjusted for and are less likely to negatively impact our performance.

***HOW DO YOU RATE THE COMPANY'S OPPORTUNITIES FOR CONTINUED GROWTH?*** I rate them as excellent. Many industry observers agree that the service potential for the kinds of products we deliver is at least three times the current combined industry volume. That would put the opportunity at over $30 billion and leave plenty of room for every industry participant to expand their business. We know, for example, that the biggest expansion category is with businesses that either don't have clothing service or have it, but are purchasing as opposed to renting or leasing. This last group, especially, is a prime target. They are more then twice the size of the current rental/lease user base and simply need to be convinced of the economic benefits associated with the rent or lease option versus purchase.

There's also geographic expansion. Right now, UniFirst is in 98 of the top 100 MSAs (Metropolitan Statistical Areas), 176 of the top 200 and 260 of all 321. We're also able to reach with route delivery approximately 75% of Canadian businesses. Still, there are plenty of places where we don't currently have a physical presence, but could in the future. Our first priority is to fill in the gaps so that we can put trucks on the street in every one of the top 150 US markets. And after that it will be the top 200 markets. And so on. The point is, there's lots of room for additional geographic expansion and the business growth that will result from it.

Of course, there's also growth to be had in the markets where we already operate and with the customers we already serve. Share gain is available in the presently served market through displacement of competitors and served-base penetration increases can come through the introduction to current customers of additional product services and the expansion of those already in use. These are continuing objectives of our professional and route sales teams and we anticipate ongoing incremental successes from their efforts.

In short, we believe our growth prospects today are better than they have ever been and we think we're well positioned to take advantage of them.



"The game we are playing today is quicker, tougher and

***WHAT MARKET CHANGES OR TRENDS DO YOU SEE IMPACTING THE BUSINESS?*** What comes immediately to mind is the typical customer's desire for increased convenience in running their business, their acceptance of specialized services as the way to deal with repetitive business tasks they don't want to handle on their own and their expectation for broad selection in service choices once they opt for outsourcing. All these things play directly to the kinds of strengths that we bring to the table. Among our core competencies are our reliable route service delivery systems, our ability to manage diverse product lines while at the same time executing quick order turnaround, and our highly consistent process focus that results in predictable quality every time. These aren't features we all of a sudden came up with. They are the result of being in this business for seven decades and perfecting the tools and skills required for success. The trick is to be able to take what we know so well and apply it to today's markets and customers in a way that best satisfies needs and delivers value.

We're doing that every day in a variety of ways and it seems to be working.

***HOW IS THE COMPETITIVE CLIMATE AFFECTING NEW CUSTOMER ACQUISITION?*** Honestly, I have to say it's having a more positive than negative effect. It's certainly true that we're seeing some aggressive competition and there's no question we sometimes lose deals we think we should've won, simply because the other guy offered a low-price we were unwilling to match. But overall, we think we, the customer, and the industry in general benefits from strong competition.

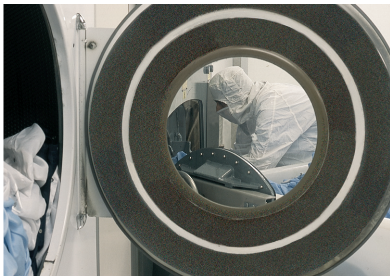
First off, a more forceful competitive presence and a louder competitive voice serves to educate the market about who we all are and what we do. It seems strange to say for an industry that is as mature as ours, but there remain a lot of businesses out there who don't really know us. Many of them can clearly benefit from the products and services we offer, yet somehow they've been left in the dark. Only through the educational effects of the stronger promotion that tough competition generates is the curtain gradually being lifted and the light filtering in.

The other thing a tough competitive environment does is force us to work smarter and to be more efficient in producing and delivering the services we offer. We know we can't compete in today's market with the same offer, the same deliverables or the same value equation that worked five or ten years ago. Differentiation is key to developing competitive advantage and we're constantly working to find things we can add – like our own branded garment lines – that give the customer something they can't get elsewhere.

The game we are playing today is quicker, tougher and more demanding. It calls for new ways of thinking. Better planning. Sharper strategies. Solutions that are fine-tuned to specific needs... even specific customers. All that wouldn't have come without competition. And importantly, the competitors who consistently learn most quickly and best apply the knowledge they've gained will have an advantage over the others.

We relish the challenge and we believe we are more than holding our own.

***WHAT KIND OF INFRASTRUCTURE INVESTMENTS IS THE COMPANY CONTINUING TO MAKE?*** The quick answer to that is those that are people focused and produce a customer advantage. I talked earlier about the capital investments the company made in fiscal year 2003. They were pretty typical of what we do on an annual basis to maintain, improve and expand infrastructure. Some of that investment simply goes to the replacement of operating equipment like trucks, washers and dryers and computers. Some of it goes to facility maintenance and improvements… often including space expansion to account for higher volumes of product moving through our plants. But increasingly, as we look strategically at infrastructure needs, we're making choices for those things that will make a direct impact on efficiency improvements while benefiting customers through enhanced service values.



more demanding. It calls for new ways of thinking."

For a company whose primary focus remains work clothing and the processes required to service it, it often surprises people to learn how much technology we employ in our business. But computerized laundry and distribution systems, process software packages, optical and radio frequency scanning, sales automation gear and a variety of other digitally based business process tools make us a fairly sophisticated service provider. Most of this is transparent to the customer, but the customer is never out of mind when we're making the decisions to invest in it.

***WHAT STEPS ARE YOU TAKING TO CONTROL COSTS?***

Well, this is related to what we just talked about. But let me expand by saying that in addition to productivity improvement, there are three areas that we are really focused on as ways of holding down our operating costs. They are self-manufacture, training and process standardization.

To the extent that our primary business remains rental uniform and work clothing programs for businesses, we will continue to use very large numbers of garments annually. And because in rental and lease programs we continue to own the garments, merchandise cost for the clothing we supply to customers is a big part of the cost of delivering our service. That means any steps we can take to lower the prices we pay for garments benefits us in a very direct way.

We will always be major purchasers of clothing because from a practical standpoint we simply can't make everything we use in our customer programs. The range of garment types and styles is just too broad. Consequently, our focus with self-manufacture is to produce those few items that represent the largest percentage of our usage. Generally speaking, that means basic industrial shirts and pants, as well as some high usage jeans, jackets, coveralls and polos. By eliminating the outside manufacturer's markup on these items, we're able to deliver a more competitive service program to customers in the marketplace, without compromising profitability.

Another area we focus on extensively when we're thinking about cost control is training. Good people using good productivity tools can only go so far in generating improved results by themselves. Real improvements only come when people and tools are melded into a cohesive force through the addition of appropriate training. Everyone wants to do a good job. The problem too often is the "how" hasn't been given enough attention. That's why we place so much emphasis on knowledge and skills training for individuals at all levels in the organization, with Team Partners receiving up to 40 hours per year of combined classroom and on-the-job instruction.

With more technology being constantly integrated into everything we do, UniFirst Team Partners are regularly being challenged to learn new things. Everything from new software applications, to more advanced production systems, to better ways to measure, control and report on the service packages that are actually being delivered. It may not be rocket science, but in order to get the constant advancement we want in key business processes, we have to be learning all the time. So being able to take advantage of the improvements – and cost savings – we expect, hinges on the quality and effectiveness of the training we provide.

The last key cost control step I'd like to focus on is the effort we're putting into defining the standards and procedures that drive our essential business processes. With a large organization like ours, operating from more than 150 locations in the US, Canada, Mexico and Europe, it's not surprising that some inconsistency will creep into the way we do things. And this variability can be exacerbated by the integration of acquired businesses that may have brought some of their own unique approaches and systems with them.

While efforts across all units may be directed to the same end result, the path to getting there can sometimes diverge. And this kind of inconsistency typically breeds inefficiency and increases costs. In a business that succeeds based on the predictability of what it delivers, process variabilities work against what we're aiming for. Generally speaking, we believe there is a best way to do each job and that by applying



...any steps we can take to lower the prices we consistent procedures and measuring against common standards, we will be best positioned to give our customers what they expect and do it at a competitive price. Consequently, there are task teams throughout the organization that are chartered to detail and codify best practices into procedures and structure them for system-wide implementation.

Much of this has already been done with positive results. More is ongoing with the expectation of a similar payoff.

***WHAT IS THE MOST POSITIVE IMPACT OF GARMENT SELF-MANUFACTURE ON THE BUSINESS?*** We've just talked about the cost benefits and that's certainly important. But it doesn't end there. From the perspective of our customers, having a supplier that can exercise full control over the most basic component of their service program – the clothing – represents a genuine value. First off, the reliability and timeliness of supply is going to be better and for the customer that means quicker outfitting of new wearers and absence of delays in replacing worn or damaged garments. Also they gain an advantage through the availability of the special features and added construction quality we build into our own branded garments. These are items designed specifically for the tougher duty required of rental service garments. So they're stronger, more durable and longer wearing. Plus they have been cut to allow the wearer more comfort and freedom of movement than would be available in most other maker's clothing.

Another advantage self-manufacture affords us and our customers is the ability to readily adjust to special needs and requirements. We can handle custom-cuts, add special construction features or design and apply unique extras with a minimum of delay. And because of the modular manufacturing system we employ, we can economically produce these non-standard items in relatively small quantities, making it possible for customers to have the special clothes they need without the requirement for very large minimums. Finally, having our own manufacturing operations gives us a point of leverage when we are negotiating purchase arrangements with outside suppliers for large quantities of clothing. We'll never make all of what we use and will continue to be a large purchaser of clothing. But the simple fact of having the ability to manufacture on our own when we wish to, puts us in a stronger position to command the best possible pricing on those items we do purchase.

***CAN YOU TALK A BIT ABOUT THE COMPANY'S SPECIALTY BUSINESS AREAS?*** UniTech Services is our specialty protective garment services unit, encompassing our domestic nuclear business, Euro Nuclear Services and UniClean Cleanroom Services. We entered the nuclear decontamination laundry business more than four decades ago in order to serve the very special clothing maintenance needs of business and government units involved in handling and processing nuclear materials. We have become the preeminent provider in this niche area, with specialized cleaning and decontaminating facilities strategically located around the United States and in Europe. Our customer base is balanced between industrial and governmental users and service is typically predicated on long-term usage agreements. The processes we use are highly technical and the quality monitoring we employ unusually stringent. (All UniTech locations are ISO certified.) None of our traditional uniform service competitors have the capabilities we do in this area and none are presently able to service these highly demanding users.

Our UniClean Cleanroom Services business is a growing area for us. We presently have two Class One cleanrooms with plans for further expansion already in place. Cleanroom services are becoming increasingly important as the number of high-tech, biotech, medical products and other ultra-clean process and manufacturing operations expand to serve the demands of an increasingly technical society. These businesses need to provide their workers with clothing that will help to prevent the possibility of manufacturing, assembly or process contamination by the workers themselves. Even the slightest introduction of a foreign element could ruin an entire batch of product, so specially constructed non-shedding garments maintained via very special non-contaminating laundering and

pay for garments benefits us in a very direct way.

packaging techniques is an absolute requirement. Because garments tend not to be specific to any individual wearer, this can be a ship-and-receive in bulk business as opposed to one that can only be effectively handled through weekly door-to-door route delivery. Thus an individual cleanroom facility can have a much wider service area then can our typical industrial laundry.

Our Green Guard First Aid and Safety business has given us an entrée into a whole new route service specialty with broad business-to-business application. Companies everywhere have the requirement of providing basic first aid, safety and non-prescription medication options to their workforce. Many buy what they need from local pharmacies or discount drug retailers. But a large number of companies have recognized the significant benefit – and the lower total cost – that comes from getting the product they need through a specialized route service provider. The items they need are always there when they need them. Cabinets are maintained clean and full. Extra safety items that may be required are delivered on demand. Everything is handled by service professionals who are trained to understand first aid and safety and who are knowledgeable about state and federal requirements. Also, there is the significant customer benefit of reducing sickness-related lost time and absenteeism that comes from having the right first aid and safety products on hand whenever they are needed.

These specialty businesses, plus our target initiatives in facility services and the flame resistant/high visibility garment areas, not only lend additional business balance, they give us cross-sell opportunities with many current customers and afford us excellent expansion opportunities in areas outside our mainstream uniform focus. And that clearly benefits our prospects for continued growth.

***HOW DO YOU VIEW THE OPPORTUNITIES FOR ACQUISITIONS AND FURTHER INDUSTRY CONSOLIDATION?*** I think the hard realities of the competitive environment in our industry will continue to put pressure on regional and local competitors who are not as well capitalized as the large national companies and who do not have the purchasing leverage or infrastructure resources they can translate into an edge in the marketplace. There will always be a place for the specialist business that caters to the specific needs of a limited range of customers or a particular category of businesses. But the smaller competitor,who tries to offer the same range of programs and services to the same broad business base as do the nationals, will have increasing difficulty.

The other factor that's having an impact is the acquisition and consolidation of businesses outside our industry. It's been said that someone being born today in America could live their entire lifetime without ever patronizing an independent business. Chain operations of all kinds – but particularly those in the retail and service areas – are now dominant. Centralized purchasing for multiple units is becoming the norm, not the exception. And as local independent entities begin to be rolled into these larger organizations – or are replaced by chain outlets with similar products and services, but a more efficient business model – the smaller uniform service competitors will have an increasingly hard time maintaining their base. It will be the bigger providers, with national scale service operations that can accommodate these similarly nationally based users, who will win out.

We anticipate that more independents will be absorbed by large players in our industry and that even some of the larger regional companies, who have thus far strongly defended their independence, will begin to more favorably view the benefits of merging with one of the majors. It won't happen overnight, but the general direction has been set. We expect we will continue to be actively involved in the pursuit of these opportunities and that we will be successful in securing our share of any deals that are done.

We see a great future in this business and we're confident that with our resources we're well positioned to maintain a leadership position.



"…well positioned to maintain a leadership position.

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)OF
THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended August 30, 2003

Commission File Number 1-8504

UNIFIRST CORPORATION
(Exact name of registrant as specified in its charter)

| | |
|---|---|
| Massachusetts | 04-2103460 |
| (State of Incorporation) | (IRS Employer Identification Number) |

68 Jonspin Road
Wilmington, Massachusetts 01887
(Address of principal executive offices)(Zip Code)

Registrant's telephone number: (978) 658-8888

Securities registered pursuant to Section 12(b) of the Act:

| **Title of Class** | **Name of each exchange on which shares are traded** |
|---|---|
| Common Stock, $.10 par value per share | New York Stock Exchange |

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No X

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2).

Yes X No

The number of outstanding shares of UniFirst Corporation Common Stock and Class B Common Stock at November 14, 2003 were 9,010,479 and 10,175,144, respectively. The aggregate market value of shares held by non-affiliates of the Company as of the end of the last business day of UniFirst's most recently completed second fiscal quarter was $163,425,580 (based upon the closing price of the Company's Common Stock on the New York Stock Exchange on said date and assuming the market value of a share of Class B Common Stock (which is generally non-transferable, but is convertible at any time into one share of Common Stock) is identical to the market value of the Common Stock).

PART I

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Company's Proxy Statement for its 2004 Annual Meeting of Shareholders (which will be filed with the Securities and Exchange Commission within 120 days after the close of the 2003 fiscal year) are incorporated by reference into Part III hereof.

This Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. The Company's actual results could differ materially from those set forth in the forward-looking statements. Certain factors that might cause such a difference are discussed in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this Form 10-K.

ITEM 1. BUSINESS

GENERAL

UniFirst Corporation (the "Company") is one of the largest providers of workplace uniforms and protective clothing in the United States. The Company designs, manufactures, rents, cleans, delivers, and sells a wide range of uniforms and protective clothing, including shirts, pants, jackets, coveralls, jumpsuits, lab coats, smocks and aprons, and also rents industrial wiping products, floormats and other non-garment items, to a variety of manufacturers, retailers and service companies. The Company serves businesses of all sizes in numerous industry categories. Typical customers include automobile service centers and dealers, delivery services, food and general merchandise retailers, food processors and service operations, light manufacturers, maintenance facilities, restaurants, service companies, soft and durable goods wholesalers, transportation companies, and others who require employee clothing for image, identification, protection or utility purposes. At certain specialized facilities, the Company also decontaminates and cleans work clothes that may have been exposed to radioactive materials and services special cleanroom protective wear. Typical customers for these specialized services include government agencies, research and development laboratories, high technology companies and utilities operating nuclear reactors. In fiscal 2003, the Company generated $596.9 million in revenue, of which approximately 61% was from the rental of uniforms and protective clothing, 26% was from the rental of non-garment items, 9% was from garment decontamination services, 2% was from the direct sale of garments, and 2% was from first aid cabinet services and other safety supplies.

The Company maintains its website at www.unifirst.com, and makes available free of charge through our website our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished to the Securities Exchange Commission (SEC) pursuant to Section 13(a) or 15(d) of the Securities Exchange Act, as amended, as soon as reasonably practicable after such documents are electronically filed, or furnished, to the SEC.

PRODUCTS AND SERVICES

The Company provides its customers with personalized workplace uniforms and protective work clothing in a broad range of styles, colors, sizes and fabrics. The Company's uniform products include shirts, pants, jackets, coveralls, jumpsuits, smocks, aprons and specialized protective wear, such as garments for use in radioactive and clean room environments and fire retardant garments. The Company also offers non-garment items and services, such as industrial wiping products, floormats, mop dust-control service and other textile products. At certain specialized facilities, the Company also decontaminates and cleans clothes which may have been exposed to radioactive materials and services special cleanroom protective wear.

The Company offers its customers a range of garment service options, including full-service rental programs in which garments are cleaned and serviced by the Company and lease programs in which garments are cleaned and maintained by individual employees, as well as the opportunity to purchase garments and related items directly. As part of its rental business, the Company picks up a customer's soiled uniforms or other items on a periodic basis (usually weekly) and delivers at the same time cleaned and processed replacement items. The Company's centralized services, specialized equipment and economies of scale generally allow it to be more cost effective in providing garment services than customers could be by themselves, particularly those customers with high employee turnover rates. The Company's uniform program is intended not only to help its customers foster greater company identity, but to enhance their corporate image and improve employee safety, productivity and morale. The Company typically serves its customers pursuant to written service contracts that range in duration from three to five years.

## CUSTOMERS

The Company serves businesses of all sizes in numerous industry categories. Typical customers include automobile service centers and dealers, delivery services, food processors and service operations, light manufacturers, maintenance facilities, restaurants, service companies, soft and durable goods wholesalers, transportation companies, and others who require employee clothing for image, identification, protection or utility purposes. The Company currently services over 150,000 customer locations in 46 of the United States, Canada and Europe from approximately 158 manufacturing, distribution and customer service facilities.

## MARKETING AND CUSTOMER SERVICE

The Company employs trained sales representatives whose sole function is to market the Company's services to potential customers and develop new accounts. The Company also utilizes its route salespeople to maximize sales to existing customers, such as by offering garment rental customers the opportunity to purchase non-garment items. Potential customers are contacted by mail, by telephone and in-person. Sales representatives develop their appointments through the use of an extensive, proprietary database of pre-screened and qualified business prospects. This database is built through responses to the Company's promotional initiatives, through contacts via its World Wide Web site and trade shows and through the selective use of purchased lists. The Company also endeavors to elevate its brand identity through certain advertising and promotional initiatives.

The Company believes that customer service is the most important element in developing and maintaining its market position and that its emphasis on customer service is reflected throughout its business. The Company serves its customers through approximately 1,100 route salespersons, who generally interact on a weekly basis with their accounts, and more than 750 service support people, who are charged with expeditiously handling customer requirements regarding the outfitting of new customer employees, garment repair and replacement, billing inquiries and other matters. The Company's policy is to respond to all customer inquiries and problems within 24 hours.

The Company's customer service function is supported by its fully-networked management information systems, which provide Company personnel with access to information on the status of customers' orders, inventory availability and shipping information, as well as information regarding customers' individual employees, including names, sizes, uniform styles and colors. The Company has a national account sales group that targets larger customers with nationwide operations for which the Company can serve as the primary supplier of garment services. The Company currently employs twenty persons in its national account sales organization.

## COMPETITION

The uniform rental and sales industry is highly competitive. The Company believes that the top four companies in the uniform rental segment of the industry currently generate over half of the industry's volume. The remainder of the market, however, is divided among more than 600 smaller businesses, many of which serve one or a limited number of markets or geographic service areas and generate annual revenues of less than $1.0 million, and a small group of which have revenues of up to approximately $200 million. Although the Company is one of the larger companies engaged in the uniform rental and sales business, there are other firms in the industry which are larger and have greater financial resources than the Company. The Company's leading competitors include Aramark Corporation, Cintas Corporation and G&K Services, Inc. In addition to its traditional rental competitors, the Company may increasingly compete in the future with businesses that focus on selling uniforms and other related items. The principal methods of competition in the industry are quality of service and price. The Company also competes with industry competitors for acquisitions, which has the effect of increasing the price for acquisitions and reducing the number of available acquisition candidates. The Company believes that its ability to compete effectively is enhanced by the superior customer service and support that it provides its customers.

## MANUFACTURING AND SOURCING

The Company manufactured approximately 55% of all garments which it placed in service during fiscal 2003. These were primarily work pants manufactured at its plant in Ebano, San Luis Potosi, Mexico and shirts manufactured at its plant in Valles, San Luis Potosi, Mexico. The balance of the garments used in its programs are purchased from a variety of industry suppliers. While the Company currently acquires the raw materials with which it produces its garments from a limited number of suppliers, the Company believes that such materials are readily available from other sources. To date, the Company has experienced no significant difficulty in obtaining any of its raw materials or supplies.

## EMPLOYEES

At August 30, 2003, the Company employed approximately 7,900 persons, about 5% of whom are represented by unions pursuant to two separate collective bargaining agreements. The Company considers its employee relations to be good.

EXECUTIVE OFFICERS

The executive officers of the Company are as follows:

| NAME | AGE | POSITION |
|---|---|---|
| Ronald D. Croatti | 60 | Chairman of the Board, President, and Chief Executive Officer |
| Cynthia Croatti | 48 | Executive Vice President and Treasurer |
| John B. Bartlett | 62 | Senior Vice President and Chief Financial Officer |
| Dennis G. Assad | 58 | Senior Vice President, Sales and Marketing |
| Bruce P. Boynton | 55 | Senior Vice President, Operations |
| David A. DiFillippo | 46 | Senior Vice President, Operations |

The principal occupation and positions for the past five years of the executive officers named above are as follows:

Ronald D. Croatti joined the Company in 1965. Mr. Croatti became Chairman of the Board in fiscal 2002. He has served as Chief Executive Officer since 1991 and President since August 31, 1995. Mr. Croatti has overall responsibility for the management of the Company.

Cynthia Croatti joined the Company in 1980. Ms. Croatti has served as Executive Vice President since January 2001, and as Treasurer since 1982 and has primary responsibility for overseeing the human resources and purchasing functions of the Company.

John B. Bartlett joined the Company in 1977. Mr. Bartlett has served as Senior Vice President and Chief Financial Officer since 1986 and has primary responsibility for overseeing the financial functions of the Company, as well as its information systems department.

Dennis G. Assad joined the Company in 1975. Mr. Assad has served as Senior Vice President, Sales and Marketing since 1995 and has primary responsibility for overseeing the sales and marketing functions of the Company.

Bruce P. Boynton joined the Company in 1976. Mr. Boynton has served as Senior Vice President, Operations since January 2001, is the chief operating officer for the Company's Canadian operations and has primary responsibility for overseeing the operations of certain regions in the United States. Prior to January 2001, Mr. Boynton had served as Vice President, Operations since 1986.

David A. DiFillippo joined the Company in 1979. Mr. DiFillippo has served as Senior Vice President, Operations since January 2002, and has primary responsibility for overseeing the operations of certain regions in the United States. Prior to January 2002, Mr. DiFillippo had served as Vice President, Central Rental Group since January 2000. Prior to January 2000, Mr. DiFillippo had served as a Regional General Manager.

Ronald D. Croatti and Cynthia Croatti are siblings.

ENVIRONMENTAL MATTERS

The Company and its operations are subject to various federal, state and local laws and regulations governing, among other things, the generation, handling, storage, transportation, treatment and disposal of hazardous wastes and other substances. In particular, industrial laundries use and must dispose of detergent waste water and other residues. The Company is attentive to the environmental concerns surrounding the disposal of these materials and has through the years taken measures to avoid their improper disposal. In the past, the Company has settled, or contributed to the settlement of, actions or claims brought against the Company relating to the disposal of hazardous materials and there can be no assurance that the Company will not have to expend material amounts to remediate the consequences of any such disposal in the future. Further, under environmental laws, an owner or lessee of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances located on or in or emanating from such property, as well as related costs of investigation and property damage. Such laws often impose liability without regard to whether the owner or lessee knew of or was responsible for the presence of such hazardous or toxic substances. There can be no assurances that acquired or leased locations have been operated in compliance with environmental laws and regulations or that future uses or conditions will not result in the imposition of liability upon the Company under such laws or expose the Company to third-party actions such as tort suits. The Company continues to address environmental conditions under terms of consent orders negotiated with the applicable environmental authorities or otherwise with respect to sites located in or related to Woburn, Massachusetts, Uvalde, Texas, Williamstown, Vermont, and Springfield, Massachusetts.

The Company's nuclear garment decontamination facilities are licensed by the Nuclear Regulatory Commission, or in certain cases by the applicable state agency, and are subject to regulation by federal, state and local authorities. In recent years, there has been increased scrutiny and, in certain cases, regulation of nuclear facilities or related services that have resulted in the suspension of operations at certain nuclear facilities served by the Company or disruptions of the Company's ability to service such facilities. There can be no assurance that such increased scrutiny will not lead to the shut-down of such facilities or otherwise cause material disruptions in the Company's garment decontamination business.

Subsequent Event - Textilease Corporation Acquisition/Revolving Senior Credit Facility

On September 2, 2003 ("Closing Date"), the Company completed its acquisition of 100% of Textilease Corporation ("Textilease"). The purchase price of approximately $175.6 million in cash, net of assumed debt of approximately $2.4 million, was financed as part of a new $285 million unsecured revolving credit agreement ("Credit Agreement"), with a syndicate of banks. The Credit Agreement, completed on the Closing Date, replaces the Company's previous $125 million unsecured revolving credit agreement and is due on the third anniversary of the Closing Date (September 2, 2006). Availability of credit requires compliance with financial and other covenants, including maximum leverage, minimum fixed charge coverage, and minimum tangible net worth, as defined in the Credit Agreement.

Textilease, headquartered in Beltsville, Maryland, had fiscal year 2002 revenues of approximately $95 million. It services over 25,000 uniform and textile products customers from 12 locations in six southeastern states, and also services a wide range of large and small first-aid service customers from additional specialized facilities.

## ITEM 2. PROPERTIES

At August 30, 2003, the Company owned or occupied 158 facilities containing an aggregate of approximately 4.4 million square feet located in the United States, Canada, Mexico, Germany and the Netherlands. These facilities include the Company's 320,000 square foot Owensboro, Kentucky distribution center (which the Company believes is one of the largest and most advanced garment distribution facilities in the industry) and its many customer service locations. The Company owns 94 of these facilities, containing about 3.8 million square feet. The Company believes its industrial laundry facilities are among the most modern in the industry.

The Company owns substantially all of the machinery and equipment used in its operations. In the opinion of the Company, all of its facilities and its production, cleaning and decontamination equipment have been well maintained, are in good condition and are adequate for the Company's present needs. The Company also owns a fleet of approximately 2,000 delivery vans, trucks and other vehicles. The Company believes that these vehicles are in good repair and are adequate for the Company's present needs.

## ITEM 3. LEGAL PROCEEDINGS

From time to time the Company is subject to legal proceedings and claims arising from the conduct of its business operations, including personal injury, customer contract, employment claims and environmental matters as described above. The Company maintains insurance coverage providing indemnification against the majority of such claims and management does not expect that any material loss to the Company will be sustained as a result thereof.

## ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

None

PART II

## ITEM 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS

### COMMON STOCK INFORMATION

Our common stock trades on the New York Stock Exchange under the symbol "UNF." The following table sets forth, for the periods indicated, the high and low sales prices of our common stock on the New York Stock Exchange, and the dividends per share of common stock and class B common stock. These sales prices represent prices between dealers and do not include retail mark-ups, markdowns, or commissions and may not necessarily represent actual transactions.

| | Price Per Share | | Dividends Per Share | |
|---|---|---|---|---|
| **For the Year Ended August 30, 2003** | **High** | **Low** | **Class B Common Stock** | **Common Stock** |
| First Quarter | $ 24.690 | $ 18.680 | $ 0.030 | $ 0.0375 |
| Second Quarter | 21.400 | 18.550 | 0.030 | 0.0375 |
| Third Quarter | 18.830 | 14.000 | 0.030 | 0.0375 |
| Fourth Quarter | 26.920 | 17.990 | 0.030 | 0.0375 |

| | Price Per Share | | Dividends Per Share | |
|---|---|---|---|---|
| **For the Year Ended August 31, 2002** | **High** | **Low** | **Class B Common Stock** | **Common Stock** |
| First Quarter | $ 19.490 | $ 15.300 | $ 0.030 | $ 0.0375 |
| Second Quarter | 24.360 | 19.370 | 0.030 | 0.0375 |
| Third Quarter | 28.690 | 22.190 | 0.030 | 0.0375 |
| Fourth Quarter | 25.260 | 21.520 | 0.030 | 0.0375 |

The approximate number of shareholders of record of the Company's common stock and Class B common stock as of November 14, 2003 were 125 and 22, respectively.

We have generally declared and paid cash dividends of the Company's common stock and Class B common stock quarterly. The amounts of future dividends on our common stock or class B common stock will be at the discretion of our Board of Directors after taking into account various factors, including our financial condition, operating results, anticipated cash needs, and plans for expansion. Each share of common stock is entitled to 125% of any cash dividend paid on each share of class B common stock

## ITEM 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data should be read in conjunction with the Company's Consolidated Financial Statements and Notes to Consolidated Financial Statements included in Item 8.

Ten Year Financial Summary
UniFirst Corporation and Subsidiaries

| **Fiscal Year Ended August (In thousands, except Financial Ratios and per share data)** | **2003** | **2002** | **2001** | **2000** | **1999** | **1998** | **1997** | **1996** |
|---|---|---|---|---|---|---|---|---|
| Summary of Operations | | | | | | | | |
| Revenues | $ 596,936 | $ 578,898 | $ 556,371 | $ 528,726 | $ 487,100 | $ 448,052 | $ 419,093 | $ 391,794 |
| Depreciation and amortization | 39,659 | 38,031 | 37,568 | 34,710 | 31,724 | 26,629 | 23,386 | 20,814 |
| Income from operations | 48,838 | 51,979 | 47,565 | 39,244 | 51,747 | 54,175 | 47,001 | 40,915 |
| Other expense (income), net | 1,266 | 8,660 | 10,108 | 7,200 | 4,841 | 2,316 | 2,118 | 2,398 |
| Provision for income taxes | 18,310 | 16,460 | 14,233 | 12,176 | 22,800 | 18,669 | 16,160 | 13,855 |
| Income before cumulative effect of accounting change, net | 29,262 | 26,859 | 23,224 | 19,868 | 24,106 | 33,190 | 28,723 | 24,662 |
| Net income | 27,020 | 26,859 | 23,224 | 19,868 | 24,106 | 33,190 | 28,723 | 24,662 |
| Financial Position at Year End | | | | | | | | |
| Total assets | $ 514,587 | $ 494,835 | $ 491,813 | $ 500,150 | $ 465,627 | $ 376,130 | $ 339,626 | $ 302,378 |
| Long-term obligations | 69,812 | 85,096 | 94,795 | 126,638 | 113,105 | 47,149 | 40,837 | 39,365 |
| Shareholders' equity | 335,380 | 309,740 | 285,545 | 271,172 | 257,433 | 246,374 | 217,192 | 191,109 |
| Financial Ratios | | | | | | | | |
| Income before cumulative effect of accounting change, net as a % of revenues | 4.9% | 4.6% | 4.2% | 3.8% | 4.9% | 7.4% | 6.9% | 6.3% |

| | | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| Return on average shareholders' equity | 8.4% | 9.0% | 8.3% | 7.5% | 9.6% | 14.3% | 14.1% | 13.7% |
| Weighted average number of shares outstanding -- basic | 19,182 | 19,222 | 19,364 | 19,670 | 20,438 | 20,511 | 20,511 | 20,511 |
| Weighted average number of shares outstanding -- diluted | 19,222 | 19,278 | 19,378 | 19,670 | 20,438 | 20,511 | 20,511 | 20,511 |
| Per Share Data | | | | | | | | |
| Revenues | $ 31.12 | $ 30.12 | $ 28.73 | $ 26.88 | $ 23.83 | $ 21.84 | $ 20.43 | $ 19.10 |
| Income before cumulative effect of accounting change, net | $ 1.53 | $ 1.40 | $ 1.20 | $ 1.01 | $ 1.18 | $ 1.62 | $ 1.40 | $ 1.20 |
| Cumulative effect of accounting change, net | (0.12) | -- | -- | -- | -- | -- | -- | -- |
| Net Income - basic | 1.41 | 1.40 | 1.20 | 1.01 | 1.18 | 1.62 | 1.40 | 1.20 |
| Income before cumulative effect of accounting change, net | $ 1.52 | $ 1.40 | $ 1.20 | $ 1.01 | $ 1.18 | $ 1.62 | $ 1.40 | $ 1.20 |
| Cumulative effect of accounting change, net | (0.12) | -- | -- | -- | -- | -- | -- | -- |
| Net Income - diluted | 1.40 | 1.39 | 1.20 | 1.01 | 1.18 | 1.62 | 1.40 | 1.20 |
| Shareholders' equity | 17.48 | 16.11 | 14.75 | 13.79 | 12.60 | 12.01 | 10.59 | 9.32 |
| Dividends | | | | | | | | |
| Common stock | .15 | .15 | .15 | .15 | .14 | .12 | .12 | .11 |
| Class B common stock | .12 | .12 | .12 | .12 | .11 | .10 | .10 | .09 |

| **Fiscal Year Ended August (In thousands, except Financial Ratios and per share data)** | **1995** | **1994** |
|---|---|---|
| Summary of Operations | | |
| Revenues | $ 355,041 | $ 318,039 |
| Depreciation and amortization | 19,194 | 17,912 |
| Income from operations | 34,531 | 32,457 |
| Other expense (income), net | 2,787 | 2,513 |
| Provision for income taxes | 11,110 | 11,073 |
| Income before cumulative effect of accounting change, net | 20,634 | 18,871 |
| Net income | 20,634 | 18,871 |
| Financial Position at Year End | | |
| Total assets | $ 272,691 | $ 250,160 |
| Long-term obligations | 36,376 | 41,602 |
| Shareholders' equity | 168,596 | 149,472 |
| Financial Ratios | | |
| Income before cumulative effect of accounting change, net as a % of revenues | 5.8% | 5.9% |
| Return on average shareholders' equity | 13.0% | 13.4% |
| Weighted average number of shares outstanding -- basic | 20,511 | 20,506 |
| Weighted average number of shares outstanding -- diluted | 20,511 | 20,506 |
| Per Share Data | | |
| Revenues | $ 17.31 | $ 15.51 |
| Income before cumulative effect of accounting change, net | $ 1.01 | $ 0.92 |
| Cumulative effect of accounting change, net | -- | -- |
| Net Income - basic | 1.01 | 0.92 |
| Income before cumulative effect of accounting change, net | $ 1.01 | $ 0.92 |
| Cumulative effect of accounting change, net | -- | -- |
| Net Income - diluted | 1.01 | 0.92 |
| Shareholders' equity | 8.22 | 7.29 |
| Dividends | | |
| Common stock | .10 | .10 |
| Class B common stock | .08 | .08 |

## ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Critical Accounting Policies and Estimates

The Company believes the following critical accounting policies reflect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates. There have been no changes in judgments or estimates that had a material effect on our condensed consolidated financial statements for the periods presented.

Revenue Recognition and Allowance for Doubtful Accounts

The Company recognizes revenue from rental operations in the period in which the services are provided. Direct sale revenue is recognized in the period in which the product is shipped. Judgments and estimates are used in determining the collectability of accounts receivable. The Company analyzes specific accounts receivable and historical bad debt experience, customer credit worthiness, current economic trends and the age of outstanding balances when evaluating the adequacy of the allowance for doubtful accounts. Management judgments and estimates are used in connection with establishing the allowance in any accounting period. Changes in estimates are reflected in the period they become known. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Material differences may result in the amount and timing of bad debt expense recognition for any given period if management makes different judgments or utilizes different estimates.

Inventories and Rental Merchandise in Service

Inventories are stated at the lower of cost or market value, net of any reserve for excess and obsolete inventory. Judgments and estimates are used in determining the likelihood that new goods on hand can be sold to customers or used in rental operations. Historical inventory usage and current revenue trends are considered in estimating both excess and obsolete inventories. If actual product demand and market conditions are less favorable than those projected by management, additional inventory write-downs may be required. The Company uses the last-in, first-out (LIFO) method to value a significant portion of its inventories. Substantially all inventories represent finished goods.

Rental merchandise in service is being amortized on a straight-line basis over the estimated service lives of the merchandise, which range from 6 to 24 months. In establishing estimated lives for merchandise in service, management considers historical experience and the intended use of the merchandise. Material differences may result in the amount and timing of operating profit for any period if management makes different judgments or utilizes different estimates.

Insurance

The Company self-insures for certain obligations related to health, workers' compensation, vehicles and general liability programs. The Company also purchases stop-loss insurance policies to protect it from catastrophic losses. Judgments and estimates are used in determining the potential value associated with reported claims and for losses that have occurred, but have not been reported. The Company's estimates consider historical claim experience and other factors. The Company's liabilities are based on estimates, and, while the Company believes that the accrual for loss is adequate, the ultimate liability may be in excess of or less than the amounts recorded. Changes in claim experience, the Company's ability to settle claims or other estimates and judgments used by management could have a material impact on the amount and timing of expense for any period.

Environmental and Other Contingencies

The Company is subject to legal proceedings and claims arising from the conduct of their business operations, including environmental matters, personal injury, customer contract matters, employment claims. Accounting principles generally accepted in the United States require that a liability for contingencies be recorded when it is probable that a liability has occurred and the amount of the liability can be reasonably estimated. Significant judgment is required to determine the existence of a liability, as well as the amount to be recorded. The Company regularly consults with attorneys and outside consultants to ensure that all of the relevant facts and circumstances are considered, before a contingent liability is recorded. The Company records accruals for environmental and other contingencies based on enacted laws, regulatory orders or decrees, the Company's estimates of costs, insurance proceeds, participation by other parties and the timing of payments, and the input of outside consultants and attorneys. The estimated liability for environmental contingencies has been discounted using credit-adjusted risk-free rates of interest that range from approximately 4.0% to 5.0% over periods ranging from fifteen to thirty years. The estimated current costs, net of legal settlements with insurance carriers, have been adjusted for the estimated impact of inflation at 3% per year. Changes in enacted laws, regulatory orders or decrees, management's estimates of costs, insurance proceeds, participation by other parties and the timing of payments, and the input of outside consultants and attorneys could have a material impact on the amounts recorded for environmental and other contingent liabilities.

Income Taxes

The Company's policy of accounting for income taxes is in accordance with SFAS No. 109 - "Accounting for Income Taxes". Deferred income taxes are provided for temporary differences between amounts recognized for income tax and financial reporting purposes at currently enacted tax rates. The Company computes income tax expense by jurisdiction based on its operations in each jurisdiction.

The Company is periodically reviewed by domestic and foreign tax authorities regarding the amount of taxes due. These reviews include questions regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. In evaluating the exposure associated with various filing positions, the Company records estimated reserves for probable exposures, in accordance with SFAS No. 5 - "Accounting for Contingencies". Based on the Company's evaluation of current tax positions, the Company believes it has appropriately accrued for probable exposures.

Asset Retirement Obligations

Effective September 1, 2002, the Company adopted the provisions of SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 generally applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or the normal operation of a long-lived asset. Under the new accounting method, the Company now recognizes asset retirement obligations in the period in which they are incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset. The Company will depreciate, on a straight-line basis, the amount added to property and equipment and recognize accretion expense in connection with the discounted liability over the various remaining lives which range from approximately one to thirty years.

The estimated liability has been based on historical experience in decommissioning nuclear laundry facilities, estimated useful lives of the underlying assets, external vendor estimates as to the cost to decommission these assets in the future and federal and state regulatory requirements. The estimated current costs have been adjusted for the estimated impact of inflation at 3% per year. The liability has been discounted using credit-adjusted risk-free rates that range from approximately 3.00% - 7.25% over one to thirty years. Revisions to the liability could occur due to changes in the Company's estimated useful lives of the underlying assets, estimated dates of decommissioning, changes in decommissioning costs, changes in federal or state regulatory guidance on the decommissioning of such facilities, or other changes in estimates. Changes due to revised estimates will be recognized by increasing or decreasing the carrying amount of the liability and the carrying amount of the related long-lived asset.

Fiscal Year Ended August 30, 2003 Compared with Fiscal Year Ended August 31, 2002

Revenues. In 2003, revenues increased 3.1% to $596.9 million as compared with $578.9 million for 2002, which had fifty-three weeks. On a comparative 52-week basis, revenues increased by 5.1%. The 3.1% increase can be attributed to growth from existing operations, acquisitions, and price increases in the core uniform rental business (1.9%) and increased revenue from the UniTech garment services business (1.2%).

Operating costs. Operating costs increased to $370.6 million for 2003 as compared with $349.0 million for 2002. As a percentage of revenues, operating costs increased to 62.1% from 60.3% for these periods, primarily due to increased non-garment merchandise costs, primarily mats and facility service products, as well as higher energy costs, offset by a reduction in merchandise costs resulting from improved garment utilization and the Company's continuing transition of its manufacturing operations to Mexico.

Selling and administrative expenses. The Company's selling and administrative expenses decreased to $137.9 million, or 23.1% of revenues, for 2003 as compared with $139.9 million, or 24.2% of revenues, for 2002. Certain amounts included in 2002 selling and administrative expenses have been classified as operating costs in 2003. Had these costs of approximately $3 million in 2002 been reclassified to operating costs in 2002, selling and administrative expenses would have been approximately $136.9 million, or 23.6%

of revenues in 2002. On a comparable basis, selling and administrative expenses increased approximately $1.0 million from 2002 to 2003, primarily due to increased sales and marketing costs driven by sales force expansion, partially offset by reduced legal costs.

Depreciation and amortization. The Company's depreciation and amortization expense increased to $39.7 million, or 6.6% of revenues, for 2003, as compared with $38.0 million, or 6.6% of revenues, for 2002. The increase was due to an increase in depreciation related to additional capital expenditures, offset by a decrease in amortization due to certain intangible assets becoming fully amortized during fiscal 2003.

Other expense (income). Net other expense (interest expense, interest rate swap expense (income) and interest income) was $1.3 million, or 0.21% of revenues, for 2003 as compared with $8.7 million, or 1.5% of revenues, for 2002. During the second quarter of fiscal 2002 the Company recorded a $2.3 million interest charge which was an estimate of the interest due from settling a revenue agent review with the IRS. Excluding this charge, net other expense would have been $6.4 million, or 1.1% of revenues, for 2002. The decrease in net other expense was also a result of lower interest rates and continued debt reduction, as well as changes in the fair value of the $40,000 SWAP, which was $1.3 million of income for 2003 as compared with $1.3 million of expense for 2002.

Provision for Income Taxes. The Company's effective income tax rate was 38.5% for 2003 as compared to 38.0% for 2002. The primary reason for the increase is higher state income taxes.

Fiscal Year Ended August 31, 2002 Compared with Fiscal Year Ended August 25, 2001

Revenues. In 2002, revenues increased 4.0% to $578.9 million as compared with $556.4 million for 2001. This increase can be attributed to an extra week of revenue in fiscal 2002 (1.9%), increased revenue from the nuclear garment services business (1.7%), and price increases in the core uniform rental and first aid business (0.4%).

Operating costs. Operating costs decreased to $349.0 million for 2002 as compared with $349.4 million for 2001. As a percentage of revenues, operating costs decreased to 60.3% from 62.8% for these periods, primarily due to lower merchandise costs resulting from transitioning manufacturing operations to Mexico, better control of garment usage through the use of in-plant stockrooms, and reduced energy related costs such as natural gas, electricity and fuel.

Selling and administrative expenses. The Company's selling and administrative expenses increased to $139.9 million, or 24.2% of revenues, for 2002 as compared with $121.8 million, or 21.9% of revenues, for 2001. Fiscal 2001 reflects a credit to selling and administrative expenses of $1.1 million for a favorable settlement of a lawsuit related to the Company's nuclear garment service business. Excluding this settlement, selling and administrative expenses would have been $122.9 million, or 22.1% of revenues. The increase from 2001 to 2002 is attributable to significant increases in healthcare costs, increased marketing costs due to salesforce expansion and legal expenses.

Depreciation and amortization. The Company's depreciation and amortization expense increased to $38.0 million, or 6.6% of revenues, for 2002, as compared with $37.6 million, or 6.8% of revenues, for 2001. This increase was due primarily to increased depreciation expense during fiscal 2002 related to new capital expenditures and the completion and placement into service of the Company's second manufacturing plant in Mexico, offset by the elimination of goodwill amortization of $2.0 million, which was recorded in 2001. See Note 7 for further discussion.

Interest expense. Interest expense was $8.8 million, or 1.5% of revenues, for 2002 as compared with $9.1 million, or 1.6% of revenues, for 2001. During the second quarter of fiscal 2002, the Company recorded a $2.3 million interest charge as an estimated amount due for settlement of a revenue agent review with the IRS. Excluding this charge, interest expense would have been $6.5 million for 2002, or 1.1% of revenues. The decrease from fiscal 2001 to fiscal 2002 is related to lower interest rates in 2002, as well as continued debt reduction in 2002.

Interest income. Interest income, which is primarily amounts charged to customers for overdue accounts, increased to $1.4 million for fiscal 2002, as compared to $1.2 million for fiscal 2001. The amounts recorded in each year were 0.2% of revenue.

Interest rate swap expense. Interest rate swap expense was $1.3 million, or 0.2% of revenues, for 2002, as compared to $2.2 million, or 0.4% of revenues, for 2001. The lower interest rate swap expense in 2002 is due to a change in the fair value of the Company's $40 million notional amount interest rate swap agreement. See Note 5 for a further discussion of the impact of this change.

Provision for income taxes. The Company's effective income tax rate was 38.0% in both 2002 and 2001.

Liquidity and Capital Resources

Shareholders' equity at August 30, 2003 was $335.4 million, or 82.7% of the Company's total capitalization.

Net cash provided by operating activities was $60.8 million in fiscal 2003 and totaled $189.7 million for the three years ended August 30, 2003. These cash flows were used primarily to fund $105.4 million in capital expenditures to expand and update Company facilities, and reduce debt by a net amount of $58.1 million for the three years ended August 30, 2003. Additionally, during this three year period, $16.4 million was used for acquisitions, net of cash acquired, $6.0 million was used to repurchase 503,000 shares of the Company's common stock, and $7.7 million was used to pay cash dividends to Common and Class B Common shareholders.

As of August 30, 2003, the Company had $6.1 million in cash and cash equivalents and $39.2 million available under its $125.0 million unsecured line of credit with a syndicate of banks. As of August 30, 2003, the Company had standby irrevocable bank commercial letters of credit and mortgages outstanding of $20.1 million. In connection with its acquisition of Textilease Corporation on September 2, 2003 ("Closing Date") (see Note 15 to the Consolidated Financial Statements), the Company entered into a $285 million unsecured revolving credit agreement ("Credit Agreement"), with a syndicate of banks. The Credit Agreement, entered into on the Closing Date, replaces the Company's previous $125 million unsecured revolving credit agreement. As of November 26, 2003, approximately $30.1 million was available on the Credit Agreement, net of outstanding borrowings of $235.2 million and letters of credit of $19.7 million.

The Company believes its cash generated from operations and its borrowing capacity will adequately cover its foreseeable capital requirements.

Contractual Obligations and Commercial Commitments

The following information is presented as of August 30, 2003.

Payments Due by Fiscal Period

| Contractual Obligations | Total | 2004 | 2005 | 2006 | 2007 | Thereafter |
|---|---|---|---|---|---|---|
| Long Term Debt | $ 69,812 | $ 2,493 | $ 505 | $ 65,992 | $ 208 | $ 614 |
| Operating Leases | 9,975 | 3,441 | 2,685 | 1,774 | 1,118 | 982 |
| Total Contractual Cash Obligations | $ 79,787 | $ 5,934 | $ 3,190 | $ 67,766 | $ 1,326 | $ 1,596 |

Commitment Expiration

| Other Commercial Commitments | Total Amounts Committed | 2004 | 2005 | 2006 | 2007 | Thereafter |
|---|---|---|---|---|---|---|
| Unused Lines of Credit | $ 39,229 | $ -- | $ -- | $ 39,229 | $ -- | $ -- |
| Standby Letters of Credit | 20,061 | | | 20,061 | | |
| Total Commercial Commitments | $ 59,290 | $ -- | $ -- | $ 59,290 | $ -- | $ -- |

Seasonality

Historically, the Company's revenues and operating results have varied from quarter to quarter and are expected to continue to fluctuate in the future. These fluctuations have been due to a number of factors, including: general economic conditions in the Company's markets; the timing of acquisitions and of commencing start-up operations and related costs; the effectiveness of integrating acquired businesses and start-up operations; the timing of nuclear plant outages; capital expenditures; seasonal rental and purchasing patterns of the Company's customers; and price changes in response to competitive factors. In addition, the Company's operating results historically have been lower during the second and fourth fiscal quarters than during the other quarters of the fiscal year. The operating results for any historical quarter are not necessarily indicative of the results to be expected for an entire fiscal year or any other interim periods.

Effects of Inflation

Inflation has had the effect of increasing the reported amounts of the Company's revenues and costs. The Company uses the last-in, first-out (LIFO) method to value a significant portion of inventories. This method tends to reduce the amount of income due to inflation included in the Company's results of operations. The Company believes that, through increases in its prices and productivity improvements, it has been able to recover increases in costs and expenses attributable to inflation.

## SAFE HARBOR FOR FORWARD LOOKING STATEMENTS

Forward looking statements contained in this quarterly report are subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995 and are highly dependent upon a variety of important factors that could cause actual results to differ materially from those reflected in such forward looking statements. Such factors include uncertainties regarding the Company's ability to consummate and successfully integrate acquired businesses, uncertainties regarding any existing or newly-discovered expenses and liabilities related to environmental compliance and remediation, the Company's ability to compete successfully without any significant degradation in its margin rates, seasonal fluctuations in business levels, uncertainties regarding the price levels of natural gas, electricity, fuel, and labor, the impact of negative economic conditions on the Company's customers and such customer's workforce, the continuing increase in domestic healthcare costs, demand and prices for the Company's products and services, the impact of interest rate variability upon the Company's interest rate swap arrangements, additional professional and internal costs necessary for compliance with recent and proposed future changes in Securities and Exchange Commission (including the Sarbanes-Oxley Act of 2002), New York Stock Exchange, and accounting rules, strikes and unemployment levels, the Company's efforts to evaluate and potentially reduce internal costs, economic and other developments associated with the war on terrorism and its impact on the economy and general economic conditions. When used in this quarterly report, the words "intend," "anticipate," "believe," "estimate," and "expect" and similar expressions as they relate to the Company are included to identify such forward looking statements.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

### Foreign Currency Exchange Risk

Management has determined that all of the Company's foreign subsidiaries operate primarily in local currencies that represent the functional currencies of the subsidiaries. All assets and liabilities of foreign subsidiaries are translated into U.S. dollars using the exchange rate prevailing at the balance sheet date, while income and expense accounts are translated at average exchange rates during the year. As such, the Company's operating results are affected by fluctuations in the value of the U.S. dollar as compared to currencies in foreign countries, as a result of the Company's transactions in these foreign markets. The Company does not operate a hedging program to mitigate the effect of a significant rapid change in the value of the Canadian Dollar, Euro or Mexican Peso as compared to the U.S. dollar. If such a change did occur, the Company would have to take into account a currency exchange gain or loss in the amount of the change in the U.S. dollar denominated balance of the amounts outstanding at the time of such change. While the Company does not believe such a gain or loss is likely, and would not likely be material, there can be no assurance that such a loss would not have an adverse material effect on the Company's results of operations or financial condition.

### Interest Rate Risk

The Company is exposed to market risk from changes in interest rates which may adversely affect its financial position, results of operations and cash flows. In seeking to minimize the risks from interest rate fluctuations, the Company manages exposures through its regular operating and financing activities. The Company is exposed to interest rate risk primarily through its borrowings under its $125 million unsecured line of credit with a syndicate of banks. Under the line of credit, the Company may borrow funds at variable interest rates based on the Eurodollar rate or the bank's money market rate, as selected by the Company. As of August 30, 2003, the Company's outstanding debt approximates its carrying value.

The Company has entered into interest rate swap agreements to manage its exposure to movements in interest rates on its variable rate debt. The swap agreements are cash flow hedges and are used to manage exposure to interest rate movement by effectively changing the variable rate to a fixed rate. Such instruments are matched with the underlying borrowings. The effective portion of the cash flow hedge is recorded within the other comprehensive loss section of shareholders' equity in the period of change in fair value. The ineffective portion of the cash flow hedge is charged to the Company's consolidated statement of income in the period of change in fair value.

In connection with its acquisition of Textilease Corporation on September 2, 2003 ("Closing Date") (see Note 15 to the Consolidated Financial Statements), the Company entered into a $285 million unsecured revolving credit agreement ("Credit Agreement"), with a syndicate of banks. The Credit Agreement, entered into on the Closing Date, replaces the Company's previous $125 million unsecured revolving credit agreement. Under the line of credit, the Company may borrow funds at variable interest rates based on the Eurodollar rate or the bank's money market rate, as selected by the Company. As of August 30, 2003, the Company's outstanding debt approximates its carrying value.

The Company is evaluating alternatives to manage its exposure to movements in interest rates on its variable rate debt related to the Credit Agreement.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Consolidated Statements of Income
UniFirst Corporation and Subsidiaries

| Year Ended (In thousands, except per share data) | August 30, 2003 | August 31, 2002 | August 25, 2001 |
|---|---|---|---|
| Revenues | $ 596,936 | $ 578,898 | $ 556,371 |
| Cost and expenses: | | | |
| Operating costs | 370,555 | 349,009 | 349,449 |
| Selling and administrative expenses | 137,884 | 139,879 | 121,789 |
| Depreciation and amortization | 39,659 | 38,031 | 37,568 |
| | 548,098 | 526,919 | 508,806 |
| Income from operations | 48,838 | 51,979 | 47,565 |
| Other expense (income): | | | |
| Interest expense | 4,010 | 8,843 | 9,107 |
| Interest income | (1,452) | (1,439) | (1,239) |
| Interest rate swap expense (income) | (1,292) | 1,256 | 2,240 |
| | 1,266 | 8,660 | 10,108 |
| Income before income taxes | 47,572 | 43,319 | 37,457 |
| Provision for income taxes | 18,310 | 16,460 | 14,233 |
| Income before cumulative effect of accounting change | 29,262 | 26,859 | 23,224 |
| Cumulative effect of accounting change (net of income tax benefit of $1,404 in fiscal 2003) | 2,242 | -- | -- |
| Net income | $ 27,020 | $ 26,859 | $ 23,224 |
| Weighted average number of shares outstanding : basic | 19,182 | 19,222 | 19,364 |
| Weighted average number of shares outstanding : diluted | 19,222 | 19,278 | 19,378 |
| Income per share - basic | | | |
| Before cumulative effect of accounting change, net | $ 1.53 | $ 1.40 | $ 1.20 |
| Cumulative effect of accounting change, net | (0.12) | -- | -- |
| Net income | $ 1.41 | $ 1.40 | $ 1.20 |
| Income per share - diluted | | | |
| Before cumulative effect of accounting change, net | $ 1.52 | $ 1.39 | $ 1.20 |
| Cumulative effect of accounting change, net | (0.12) | -- | -- |
| Net income per share | $ 1.40 | $ 1.39 | $ 1.20 |
| Cash dividends per share: | | | |
| Common stock | $ 0.15 | $ 0.15 | $ 0.15 |
| Class B common stock | $ 0.12 | $ 0.12 | $ 0.12 |

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Balance Sheets
UniFirst Corporation and Subsidiaries

| (In thousands, except per share data) | Year Ended August 30, 2003 | Year Ended August 31, 2002 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | $ 6,053 | $ 4,333 |
| Receivables, less reserves of $2,611 for 2003 and $2,687 for 2002 | 57,941 | 54,587 |
| Inventories | 25,355 | 24,807 |
| Rental merchandise in service | 60,490 | 56,047 |
| Prepaid and deferred tax assets | 5,591 | -- |
| Prepaid expenses | 407 | 315 |
| Total current assets | 155,837 | 140,089 |
| Property and equipment: | | |
| Land, buildings and leasehold improvements | 221,487 | 208,000 |
| Machinery and equipment | 238,820 | 229,692 |
| Motor vehicles | 66,081 | 60,925 |
| | 526,388 | 498,617 |
| Less - accumulated depreciation | 251,806 | 229,621 |
| | 274,582 | 268,996 |
| Goodwill | 62,608 | 61,539 |
| Intangible assets, net | 20,524 | 23,155 |
| Other assets | 1,036 | 1,056 |
| | $ 514,587 | $ 494,835 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Current maturities of long-term obligations | $ 2,493 | $ 1,406 |
| Notes payable | 104 | 1,195 |
| Accounts payable | 30,678 | 17,012 |
| Accrued liabilities | 53,670 | 53,331 |
| Accrued and deferred income taxes | -- | 1,457 |
| Total current liabilities | 86,945 | 74,401 |
| Long-term obligations, net of current maturities | 67,319 | 83,690 |
| Deferred income taxes | 24,943 | 27,004 |
| Commitments and Contingencies (Note 9) | | |
| Shareholders' equity: | | |
| Preferred stock, $1.00 par value; 2,000,000 shares authorized; none issued | -- | -- |
| Common stock, $.10 par value; 30,000,000 shares authorized; issued 10,599,359 shares in 2003 and 10,555,109 shares in 2002 | 1,060 | 1,055 |
| Class B common stock, $.10 par value; 20,000,000 shares authorized; Issued and outstanding 10,175,144 shares in 2003 and 10,205,144 shares in 2002 | 1,018 | 1,021 |
| Treasury stock, 1,595,055 shares in 2003 and 1,535,055 shares in 2002, at cost | (26,005) | (24,756) |
| Capital surplus | 12,693 | 12,503 |
| Retained earnings | 348,043 | 323,595 |
| Accumulated other comprehensive loss | (1,429) | (3,678) |
| Total shareholders' equity | 335,380 | 309,740 |
| | $ 514,587 | $ 494,835 |

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Shareholders' Equity
UniFirst Corporation and Subsidiaries

| (In thousands) | Common Shares | Class B Common Shares | Treasury Shares | Common Stock | Class B Common Stock | Treasury Stock | Capital Surplus | Retained Earnings | Accumulated Other Comprehensive Income (Loss) | Comprehensive Income (Loss) |
|---|---|---|---|---|---|---|---|---|---|---|
| Balance, August 26, 2000 | 10,500 | 10,256 | (1,092) | $ 1,050 | $ 1,026 | $ (20,049) | $ 12,438 | $ 278,676 | $ (1,969) | -- |
| Net income | -- | -- | -- | -- | -- | -- | -- | 23,224 | -- | 23,224 |
| Dividends | -- | -- | -- | -- | -- | -- | -- | (2,587) | -- | -- |
| Shares converted | 17 | (17) | -- | 2 | (2) | -- | -- | -- | -- | -- |
| Shares repurchased | -- | -- | (443) | -- | -- | (4,706) | -- | -- | -- | -- |
| Foreign Currency translation adjustments | -- | -- | -- | -- | -- | -- | -- | -- | (893) | (893) |
| Change in fair value of derivative instruments, net of tax | -- | -- | -- | -- | -- | -- | -- | -- | (665) | (665) |
| Comprehensive income | | | | | | | | | | $ 21,666 |
| Balance, August 25, 2001 | 10,517 | 10,239 | (1,535) | 1,052 | 1,024 | (24,755) | 12,438 | 299,313 | (3,527) | |
| Net income | -- | -- | -- | -- | -- | -- | -- | 26,859 | -- | 26,859 |
| Dividends | -- | -- | -- | -- | -- | -- | -- | (2,577) | -- | -- |
| Shares converted | 34 | (34) | -- | 3 | (3) | -- | -- | -- | -- | -- |
| Shares repurchased | -- | -- | -- | -- | -- | (1) | -- | -- | -- | -- |
| Stock options exercised | 4 | -- | -- | -- | -- | -- | 65 | -- | -- | -- |
| Foreign Currency translation adjustments | -- | -- | -- | -- | -- | -- | -- | -- | (471) | (471) |
| Change in fair value of derivative instruments, net of tax | -- | -- | -- | -- | -- | -- | -- | -- | 320 | 320 |
| Comprehensive income | | | | | | | | | | $ 26,708 |
| Balance, August 31, 2002 | 10,555 | 10,205 | (1,535) | 1,055 | 1,021 | (24,756) | 12,503 | 323,595 | (3,678) | |
| Net income | -- | -- | -- | -- | -- | -- | -- | 27,020 | -- | 27,020 |
| Dividends | -- | -- | -- | -- | -- | -- | -- | (2,572) | -- | -- |
| Shares converted | 30 | (30) | -- | 3 | (3) | -- | -- | -- | -- | -- |
| Shares repurchased | -- | -- | (60) | -- | -- | (1,249) | -- | -- | -- | -- |
| Stock options exercised | 14 | -- | -- | 2 | -- | -- | 190 | -- | -- | -- |
| Foreign Currency translation adjustments | -- | -- | -- | -- | -- | -- | -- | -- | 1,904 | 1,904 |
| Change in fair value of derivative instruments, net of tax | -- | -- | -- | -- | -- | -- | -- | -- | 345 | 345 |
| Comprehensive income | | | | | | | | | | $ 29,269 |
| Balance, August 30, 2003 | 10,599 | 10,175 | (1,595) | $ 1,060 | $ 1,018 | $ (26,005) | $ 12,693 | $ 348,043 | $ (1,429) | |

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated Statements of Cash Flows
UniFirst Corporation and Subsidiaries

| Year Ended (In thousands) | August 30, 2003 | August 31, 2002 | August 25, 2001 |
|---|---|---|---|
| Cash flows from operating activities: | | | |
| Net income | $ 27,020 | $ 26,859 | $ 23,224 |
| Adjustments: | | | |
| Cumulative effect of accounting change, net | 2,242 | -- | -- |
| Depreciation | 35,262 | 32,755 | 30,553 |
| Amortization of other assets | 4,397 | 5,276 | 7,015 |
| Accretion on asset retirement obligations | 292 | -- | -- |
| Interest rate swap (income) expense | (1,292) | 1,256 | 2,240 |
| Changes in assets and liabilities, net of acquisitions: | | | |
| Receivables | (3,229) | 1,158 | (1,446) |
| Inventories | (548) | (2,394) | 5,161 |
| Rental merchandise in service | (4,225) | 1,618 | 2,439 |
| Prepaid expenses | (92) | (40) | 23 |
| Accounts payable | 13,667 | (2,670) | (143) |
| Accrued liabilities | (4,982) | (3,156) | 5,856 |
| Accrued and deferred income taxes | (7,704) | (11,351) | (324) |
| Deferred income taxes | -- | 3,388 | 1,613 |
| Net cash provided by operating activities | 60,808 | 52,699 | 76,211 |
| Cash flows from investing activities: | | | |
| Acquisition of businesses, net of cash acquired | (2,785) | (12,342) | (1,300) |
| Capital expenditures | (37,919) | (33,304) | (34,196) |
| Other | 1,912 | 3,940 | (3,261) |
| Net cash used in investing activities | (38,792) | (41,706) | (38,757) |
| Cash flows from financing activities: | | | |
| Increase in debt | -- | 152 | 981 |
| Reduction of debt | (16,667) | (9,998) | (32,580) |
| Repurchase of common stock | (1,249) | (1) | (4,706) |
| Proceeds from exercise of common stock options | 192 | 65 | -- |
| Cash dividends | (2,572) | (2,577) | (2,587) |
| Net cash used in financing activities | (20,296) | (12,359) | (38,892) |
| Net increase (decrease) in cash and cash equivalents | 1,720 | (1,366) | (1,438) |
| Cash and cash equivalents at beginning of year | 4,333 | 5,699 | 7,137 |
| Cash and cash equivalents at end of year | $ 6,053 | $ 4,333 | $ 5,699 |
| Supplemental disclosure of cash flow information: | | | |
| Interest paid | $ 4,554 | $ 8,776 | $ 8,588 |
| Income taxes paid | 24,179 | 24,418 | 13,014 |

The accompanying notes are an integral part of these consolidated financial statements.

Notes to Consolidated Financial Statements
UniFirst Corporation and Subsidiaries

(Amounts in thousands, except per share and common stock options data)

## 1. Summary Of Critical and Significant Accounting Policies

### Business Description

UniFirst Corporation (the "Company") is a leading company in the garment service business. The Company designs, manufactures, personalizes, rents, cleans, delivers and sells a variety of superior quality occupational garments, career apparel and imagewear programs to businesses of all kinds. It also services industrial wiper towels, floor mats and other non-garment items and provides first aid cabinet services and other safety supplies. The Company's UniTech subsidiary decontaminates and cleans, in separate facilities, garments which may have been exposed to radioactive materials.

### Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries, all of which are wholly-owned. Intercompany balances and transactions are eliminated in consolidation. All assets and liabilities of foreign subsidiaries are translated into U.S. dollars using the exchange rate prevailing at the balance sheet date, while income and expense accounts are translated at average exchange rates during the year.

### Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts in the financial statements and accompanying notes. Actual results could differ from those estimates. There have been no changes in judgments or the method of determining estimates that had a material effect on our condensed consolidated financial statements for the periods presented.

### Fiscal Year

The Company's fiscal year ends on the last Saturday in August. For financial reporting purposes, fiscal 2003 had 52 weeks, while fiscal 2002 had 53 weeks and fiscal 2001 had 52 weeks.

### Revenue Recognition and Allowance for Doubtful Accounts

The Company recognizes revenue from rental operations in the period in which the services are provided. Direct sale revenue is recognized in the period in which the product is shipped. Judgments and estimates are used in determining the collectability of accounts receivable. The Company analyzes specific accounts receivable and historical bad debt experience, customer credit worthiness, current economic trends and the age of outstanding balances when evaluating the adequacy of the allowance for doubtful accounts. Management judgments and estimates are used in connection with establishing the allowance in any accounting period. Changes in estimates are reflected in the period they become known. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. Material differences may result in the amount and timing of bad debt expense recognition for any given period if management makes different judgments or utilizes different estimates.

### Inventories and Rental Merchandise in Service

Inventories are stated at the lower of cost or market value, net of any reserve for excess and obsolete inventory. Judgments and estimates are used in determining the likelihood that new goods on hand can be sold to customers or used in rental operations. Historical inventory usage and current revenue trends are considered in estimating both excess and obsolete inventories. If actual product demand and market conditions are less favorable than those projected by management, additional inventory write-downs may be required. The Company uses the last-in, first-out (LIFO) method to value a significant portion of its inventories. Had the Company used the first-in, first-out (FIFO) accounting method, inventories would have been approximately $1.5 million higher at August 30, 2003 and August 31, 2002. Substantially all inventories represent finished goods.

Rental merchandise in service is being amortized on a straight-line basis over the estimated service lives of the merchandise, which range from 6 to 24 months. In establishing estimated lives for merchandise in service, management considers historical experience and the intended use of the merchandise. Material differences may result in the amount and timing of operating profit for any period if management makes different judgments or utilizes different estimates.

Property and Equipment

Property and equipment are recorded at cost. The Company provides for depreciation on the straight-line method based on the following estimated useful lives:

| | |
|---|---|
| Buildings | 30-40 years |
| Leasehold improvements | Term of lease |
| Machinery and equipment | 3-10 years |
| Motor vehicles | 3-5 years |

Expenditures for maintenance and repairs are expensed as incurred. Expenditures for renewals and betterments are capitalized.

Goodwill and Other Intangible Assets

Customer contracts are amortized over their estimated useful lives which have a weighted average life of 14.25 years. Restrictive covenants are amortized over the terms of the respective non-competition agreements, which have a weighted average life of 7.5 years. In accordance with the provisions of Statement of Financial Accounting Standards "SFAS" No. 142, the Company does not amortize goodwill.

Income Taxes

The Company's policy of accounting for income taxes is in accordance with SFAS No. 109 - "Accounting for Income Taxes". Deferred income taxes are provided for temporary differences between amounts recognized for income tax and financial reporting purposes at currently enacted tax rates. The Company computes income tax expense by jurisdiction based on its operations in each jurisdiction.

The Company is periodically reviewed by domestic and foreign tax authorities regarding the amount of taxes due. These reviews include questions regarding the timing and amount of deductions and the allocation of income among various tax jurisdictions. In evaluating the exposure associated with various filing positions, the Company records estimated reserves for probable exposures. Based on the Company's evaluation of current tax positions, the Company believes they have appropriately accrued for probable exposures.

Net Income Per Share

Basic and diluted net income per share is calculated using the weighted average number of common and dilutive potential common shares outstanding during the year. The following table illustrates the amounts used in the denominator of the calculation:

| **Year Ended** | **August 30, 2003** | **August 31, 2002** | **August 25, 2001** |
|---|---|---|---|
| Weighted average number of shares outstanding -- Basic | 19,182 | 19,222 | 19,364 |
| Add: effect of dilutive potential common shares - employee common stock options | 40 | 56 | 14 |
| Weighted average number of shares outstanding - Diluted | 19,222 | 19,278 | 19,378 |

Stock Based Compensation

The Company has stock-based employee compensation plans which are described in Note 10 to the consolidated financial statements. The Company uses the intrinsic value method to account for the plans under Accounting Principles Board No. 25, "Accounting for Stock Issued to Employees," under which no compensation cost has been recognized related to Stock option grants. The Company has adopted the disclosure provisions of SFAS No. 148 "Accounting for Stock-Based Compensation - Transition and Disclosure". Had compensation cost for this plan been determined consistent with SFAS No. 123, the Company's net income and earnings per share would have been reduced to the following pro forma amounts for the following periods:

| Year Ended | August 30, 2003 | August 31, 2002 | August 25, 2001 |
|---|---|---|---|
| Income before cumulative effect of accounting change | $ 29,262 | $ 26,859 | $ 23,224 |
| Less: pro forma compensation expense, net of tax | (171) | (126) | (146) |
| Pro forma income before cumulative effect of accounting change | 29,091 | 26,733 | 23,078 |
| Cumulative effect of accounting change, net of tax | (2,242) | -- | -- |
| Pro forma net income | $ 26,849 | $ 26,733 | $ 23,078 |
| Basic net income per weighted average common share, as reported: | | | |
| Income before cumulative effect of accounting change | $ 1.53 | $ 1.40 | $ 1.20 |
| Cumulative effect of accounting change, net of tax | (0.12) | -- | -- |
| Net income per share | $ 1.41 | $ 1.40 | $ 1.20 |
| Basic net income per weighted average common share, pro forma: | | | |
| Pro forma income before cumulative effect of accounting change | $ 1.52 | $ 1.39 | $ 1.19 |
| Cumulative effect of accounting change, net of tax | (0.12) | -- | -- |
| Pro forma net income per share | $ 1.40 | $ 1.39 | $ 1.19 |
| Diluted net income per weighted average common share, as reported: | | | |
| Income before cumulative effect of accounting change | $ 1.52 | $ 1.39 | $ 1.20 |
| Cumulative effect of accounting change, net of tax | (0.12) | -- | -- |
| Net income per share | $ 1.40 | $ 1.39 | $ 1.20 |
| Diluted net income per weighted average common share, pro forma: | | | |
| Pro forma income before cumulative effect of accounting change | $ 1.51 | $ 1.39 | $ 1.19 |
| Cumulative effect of accounting change, net of tax | (0.12) | -- | -- |
| Pro forma net income per share | $ 1.39 | $ 1.39 | $ 1.19 |

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model as prescribed by SFAS No. 123, based upon the date of grant, with the following assumptions used for grants each year:

| | 2003 | 2002 | 2001 |
|---|---|---|---|
| Risk-free interest rate | 4.00% | 4.03% | 5.78% |
| Expected dividend yield | 1.00% | 1.00% | 1.00% |
| Expected life in years | 10 | 8 | 8 |
| Expected volatility | 30% | 30% | 30% |

The weighted average fair values of options granted during fiscal years 2003, 2002 and 2001 were $8.63, $6.67 and $4.28, respectively.

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and bank short-term investments with maturities of less than ninety days.

Financial Instruments

The Company's financial instruments, which may expose the Company to concentrations of credit risk, include cash and cash equivalents, receivables, accounts payable, notes payable and long-term obligations. Each of these financial instruments is recorded at cost, which approximates its fair value.

Insurance

The Company self-insures for certain obligations related to health, workers' compensation, vehicles and general liability programs. The Company also purchases stop-loss insurance policies to protect it from catastrophic losses. Judgments and estimates are used in determining the potential value associated with reported claims and for losses that have occurred, but have not been reported. The Company's estimates consider historical claims experience and other factors. The Company's liabilities are based on estimates, and, while the Company believes that the accrual for loss is adequate, the ultimate liability may be in excess of or less than the amounts recorded. Changes in claim experience, the Company's ability to settle claims or other estimates and judgments used by management could have a material impact on the amount and timing of expense for any period.

Environmental and Other Contingencies

The Company is subject to legal proceedings and claims arising from the conduct of their business operations, including environmental matters, personal injury, customer contract matters, employment claims. Accounting principles generally accepted in the United States require that a liability for contingencies be recorded when it is probable that a liability has occurred and the amount of the liability can be reasonably estimated. Significant judgment is required to determine the existence of a liability, as well as the amount to be recorded. The Company regularly consults with attorneys and outside consultants to ensure that all of the relevant facts and circumstances are considered, before a contingent liability is recorded. The Company records accruals for environmental and other contingencies based on enacted laws, regulatory orders or decrees, the Company's estimates of costs, insurance proceeds, participation by other parties and the timing of payments, and the input of outside consultants and attorneys. The estimated liability for environmental contingencies has been discounted using credit-adjusted risk-free rates of interest that range from approximately 4.0% to 5.0% over periods ranging from fifteen to thirty years. The estimated current costs, net of legal settlements with insurance carriers, have been adjusted for the estimated impact of inflation at 3% per year. Changes in enacted laws, regulatory orders or decrees, management's estimates of costs, insurance proceeds, participation by other parties and the timing of payments, and the input of outside consultants and attorneys could have a material impact on the amounts recorded for environmental and other contingent liabilities.

Reclassifications

Certain prior year amounts have been reclassified to conform with current year presentation.

2. Acquisitions

Aggregate information relating to the acquisition of businesses which were accounted for as purchases is as follows:

| **Year ended** | **August 30, 2003** | **August 31, 2002** | **August 25, 2001** |
|---|---|---|---|
| Fair value of tangible assets acquired | $ 598 | $ 4,371 | $ 300 |
| Fair value of intangible assets and goodwill acquired | 2,479 | 9,008 | 1,000 |
| Fair value of liabilities assumed or created | (292) | (1,037) | -- |
| Acquisition of businesses, net of cash acquired | $ 2,785 | $ 12,342 | $ 1,300 |

The results of operations of these acquisitions have been included on the Company's consolidated financial statements since their respective acquisition dates. None of these acquisitions were significant, individually or in the aggregate, in relation to the

Company's consolidated financial statements and, therefore, pro forma financial information has not been presented. See Note 15 for Subsequent Events.

3. Income Taxes

The provision for income taxes consists of the following:

| **Year ended** | **August 30, 2003** | **August 31, 2002** | **August 25, 2001** |
|---|---|---|---|
| Current: | | | |
| Federal and Foreign | $ 16,218 | $ 13,383 | $ 14,466 |
| State | 2,026 | 1,624 | 1,873 |
| | 18,244 | 15,007 | 16,339 |
| Deferred: | | | |
| Federal and Foreign | 60 | 1,354 | (1,208) |
| State | 6 | 99 | (898) |
| | 66 | 1,453 | (2,106) |
| | $ 18,310 | $ 16,460 | $ 14,233 |

The following table reconciles the provision for income taxes using the statutory federal income tax rate to the actual provision for income taxes:

| Year ended | August 30, 2003 | August 31, 2002 | August 25, 2001 |
|---|---|---|---|
| Income taxes at the statutory federal income tax rate | $ 16,650 | $ 15,160 | $ 13,110 |
| State income taxes | 1,315 | 1,120 | 385 |
| Foreign income taxes | 193 | 148 | 481 |
| Puerto Rico exempt income | -- | -- | (183) |
| Other | 152 | 32 | 440 |
| | $ 18,310 | $ 16,460 | $ 14,233 |

The Company's Puerto Rico subsidiary's income was 90% exempt from Puerto Rico income taxes through 2001. The Company provides for anticipated tollgate taxes on the repatriation of the subsidiary's accumulated earnings.

The tax effect of items giving rise to the Company's deferred tax (assets) liabilities is as follows:

| | August 30, 2003 | August 31, 2002 | August 25, 2001 |
|---|---|---|---|
| Rental merchandise in service | $ 8,612 | $ 12,765 | $ 20,061 |
| Tax in excess of book depreciation | 25,730 | 23,630 | 20,151 |
| Accruals and other | (14,885) | (11,547) | (13,991) |
| Net deferred tax liabilities | $ 19,457 | $ 24,848 | $ 26,221 |

4. Long-Term Obligations

Long-term obligations outstanding on the accompanying consolidated balance sheets are as follows:

| | August 30, 2003 | August 31, 2002 |
|---|---|---|
| Unsecured revolving credit agreement with a syndicate of banks, interest rates of 2.26% and 2.84% at August 30, 2003 and August 31, 2002, respectively | $ 65,710 | $ 80,000 |
| Notes payable, interest rates from 4.9% - 7.5%, payable in various installments through 2007 | 4,001 | 4,431 |
| Amounts due for restrictive covenants and other, payable in various installments through 2005 | 101 | 665 |
| | 69,812 | 85,096 |
| Less - current maturities | 2,493 | 1,406 |
| | $ 67,319 | $ 83,690 |

Aggregate current maturities of long-term obligations for years subsequent to August 30, 2003 are $2,493 in 2004, $505 in 2005, $65,992 in 2006, $208 in 2007, $132 in 2008, and $482 thereafter.

The Company's unsecured revolving credit agreement ("Agreement") runs through August 30, 2005. As of August 30, 2003, the maximum line of credit was $125,000 of which approximately $39.2 million was available, net of outstanding borrowings of $65.7 million and letters of credit of $20.1 million. Under this Agreement, the Company may borrow funds at variable interest rates based on the Eurodollar rate or the bank's money market rate, as selected by the Company. This Agreement contains, among other things, provisions regarding net worth and debt coverage. Under the most restrictive of these provisions, the Company was required to maintain minimum consolidated tangible net worth of $195,887 as of August 30, 2003. The Company was in compliance with these provisions as of August 30, 2003. See Note 15 for Subsequent Events.

5. Derivative Instruments and Hedging Activities

The Company has entered into interest rate swap agreements to manage its exposure to movements in interest rates on its variable rate debt. The Company accounts for these agreements in accordance with SFAS No. 133, as amended, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS No. 133"). The swap agreements are cash flow hedges and are used to manage exposure to interest rate movement by effectively changing the variable rate to a fixed rate. Such instruments are matched with the underlying borrowings. SFAS No. 133 eliminates special hedge accounting if a swap agreement does not meet certain criteria, thus requiring the Company to reflect all changes in the fair value of the swap agreement in earnings in the period of change.

In October 1999, the Company entered into an interest rate swap agreement, notional amount $40,000 ("the $40,000 SWAP"), maturing October 13, 2004. The Company pays a fixed rate of 6.38% and receives a variable rate tied to the three month LIBOR rate. As of August 30, 2003, the applicable variable rate was 1.11%. On October 15, 2002, the bank had the option to terminate the $40,000 SWAP without further obligation to make payments to the Company. The bank did not exercise this option. Because of the existence of this termination option, the $40,000 SWAP did not meet the required criteria to qualify as a cash flow hedge and use special hedge accounting, under SFAS No. 133. Accordingly, the Company has recorded, in the interest rate swap expense (income) line item of its consolidated statements of income, income of $1,292, expense of $1,256 and expense of $2,240 for the three years ended August 30, 2003, August 31, 2002, and August 25, 2001, respectively, for the changes in the fair value of $40,000 SWAP.

In June 2001, the Company entered into a second interest rate swap agreement with a notional amount of $20,000 ("the $20,000 SWAP"), maturing June 5, 2003. The Company paid a fixed rate of 4.69% and received a variable rate tied to the three month LIBOR rate. At maturity, the applicable variable rate was 1.34%. The $20,000 SWAP met the required criteria as defined in SFAS No. 133 to use special hedge accounting. Accordingly, the Company has recorded, through the other comprehensive loss section of shareholders' equity, income of $345, net of tax of $230 for the year ended August 30, 2003, expense of $195, net of tax of $130 for the year ended August 31, 2002, and expense of $150, net of tax of $100 for the year ended August 25, 2001, respectively, for the change in the fair value in the $20,000 SWAP. The $20,000 SWAP matured on June 5, 2003.

During 2001, the Company entered into natural gas swap agreements to mitigate the commodity price risk associated with the natural gas used at certain laundry facilities. During the third quarter of fiscal 2002, the Company liquidated these swap agreements. The impact of this liquidation was not material to the Company's financial condition or results of operations. These swap agreements met the required criteria as defined in SFAS No. 133 to use special hedge accounting. Accordingly, the Company recorded, in accumulated other comprehensive income (loss), income of $515, net of tax of $343 for the year ended August 31, 2002 and expense of $515, net of tax of $343 for the year ended August 25, 2001 related to the change in the fair value of the swap agreements.

6. Employee Benefit Plans

The Company has a profit sharing plan with a 401(k) feature for all eligible employees not under collective bargaining agreements. The Company matches a portion of the employee's contribution and can make an additional contribution at its discretion. Contributions charged to expense under the plan were $5,887 in 2003 $6,176 in 2002, and $5,744 in 2001.

Some employees under collective bargaining agreements are covered by union-sponsored multi-employer pension plans. Company contributions, generally based upon hours worked, are in accordance with negotiated labor contracts. Payments to these plans amounted to $348 in 2003, $402 in 2002, and $282 in 2001. Information is not readily available for the Company to determine its share of unfunded vested benefits, if any, under these plans.

7. Goodwill and Other Intangible Assets

In June 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 142, "Goodwill and Other Intangible Assets ("SFAS No. 142")". SFAS No. 142 addresses financial accounting and reporting for goodwill and other intangible assets. SFAS No. 142 supersedes Accounting Principles Board ("APB") Opinion No. 17, "Intangible Assets" The Company adopted SFAS No. 142 effective August 26, 2001. Under SFAS No. 142, goodwill is no longer amortized, but reviewed annually, or more frequently if certain indicators arise, for impairment. There were no impairment losses related to goodwill and indefinite-lived intangible assets due to the application of SFAS No. 142. In addition, the remaining useful lives of amortizable intangible assets were reviewed and deemed appropriate.

Upon adoption of SFAS No. 142, the Company discontinued the amortization of goodwill. The following table presents a reconciliation of net income and earnings per share, adjusted for the exclusion of goodwill, net of tax:

| Year ended (in thousands) | August 30, 2003 | August 31, 2002 | August 25, 2001 |
|---|---|---|---|
| Reported net income | $ 27,020 | $ 26,859 | $ 23,224 |
| Add: Goodwill amortization, net of tax | -- | -- | 1,178 |

| | | | |
|---|---|---|---|
| Adjusted net income | $ 27,020 | $ 26,859 | $ 24,402 |
| Reported Net Income per share - Basic | $ 1.41 | $ 1.40 | $ 1.20 |
| Add: Goodwill amortization, net of tax | -- | -- | .06 |
| Adjusted Net Income per share - Basic | $ 1.41 | $ 1.40 | $ 1.26 |
| Reported Net Income per share - Diluted | $ 1.40 | $ 1.39 | $ 1.20 |
| Add: Goodwill amortization, net of tax | -- | -- | .06 |
| Adjusted Net Income per share - Diluted | $ 1.40 | $ 1.39 | $ 1.26 |

The changes in the carrying amount of goodwill are as follows:

| | |
|---|---|
| Balance as of August 25, 2001 | $ 54,579 |
| Goodwill acquired during the period | 6,946 |
| Effect of foreign currency translation | 14 |
| Balance as of August 31, 2002 | $ 61,539 |
| Goodwill acquired during the period | 910 |
| Effect of foreign currency translation | 159 |
| Balance as of August 30, 2003 | $ 62,608 |

Intangible assets, net on the Company's accompanying consolidated balance sheets are as follows:

| **Year Ended** | **August 30, 2003** | **August 31, 2002** |
|---|---|---|
| Customer contracts, net of accumulated amortization of $33,120 and $30,586, respectively | $ 16,713 | $ 18,170 |
| Restrictive covenants, net of accumulated amortization of $13,449 and $11,745, respectively | 3,038 | 4,073 |
| Other intangible assets, net of accumulated amortization of $940 and $811, respectively | 773 | 912 |
| | $ 20,524 | $ 23,155 |

Estimated amortization expense for the five fiscal years subsequent to August 30, 2003, based on intangible assets, net as of August 30, 2003 is as follows:

| | |
|---|---|
| 2004 | $ 3,427 |
| 2005 | 2,757 |
| 2006 | 2,335 |
| 2007 | 2,028 |
| 2008 | 1,894 |

8. Accrued Liabilities

Accrued liabilities on the accompanying consolidated balance sheets are as follows:

| **Year Ended** | **August 30, 2003** | **August 31, 2002** |
|---|---|---|
| Insurance related | $ 18,149 | $ 18,372 |
| Payroll related | 13,824 | 13,537 |
| Environmental related | 5,377 | 5,377 |
| Interest rate swap related | 2,203 | 3,840 |
| Asset retirement obligations | 7,060 | 742 |
| Other | 7,057 | 11,463 |
| | $ 53,670 | $ 53,331 |

9. Commitments and Contingencies

Lease Commitments

The Company leases certain buildings from independent parties. Total rent expense on all leases was $3,280 in 2003, $3,436 in 2002, and $3,564 in 2001. Annual minimum lease commitments for all years subsequent to August 30, 2003 are $3,441 in 2004, $2,685 in 2005, $1,774 in 2006, $1,118 in 2007, $757 in 2008, and $225 thereafter.

Contingencies

The Company and its operations are subject to various federal, state and local laws and regulations governing, among other things, the generation, handling, storage, transportation, treatment and disposal of hazardous wastes and other substances. In particular, industrial laundries use and must dispose of detergent waste water and other residues. The Company is attentive to the environmental concerns surrounding the disposal of these materials and has through the years taken measures to avoid their improper disposal. In the past, the Company has settled, or contributed to the settlement of, actions or claims brought against the Company relating to the disposal of hazardous materials and there can be no assurance that the Company will not have to expend material amounts to remediate the consequences of any such disposal in the future. Further, under environmental laws, an owner or lessee of real estate may be liable for the costs of removal or remediation of certain hazardous or toxic substances located on or in or emanating from such property, as well as related costs of investigation and property damage. Such laws often impose liability without regard to whether the owner or lessee knew of or was responsible for the presence of such hazardous or toxic substances. There can be no assurances that acquired or leased locations have been operated in compliance with environmental laws and regulations or that future uses or conditions will not result in the imposition of liability upon the Company under such laws or expose the Company to third-party actions such as tort suits. The Company continues to address environmental conditions under terms of consent orders negotiated with the applicable environmental authorities or otherwise with respect to sites located in or related to Woburn, Massachusetts, Uvalde, Texas, Williamstown, Vermont, and Springfield, Massachusetts.

The Company's nuclear garment decontamination facilities are licensed by the Nuclear Regulatory Commission ("NRC"), or in certain cases by the applicable state agency, and are subject to regulation by federal, state and local authorities. In recent years, there has been increased scrutiny and, in certain cases, regulation of nuclear facilities or related services that have resulted in the suspension of operations at certain nuclear facilities served by the Company or disruptions of the Company's ability to service such facilities. There can be no assurance that such increased scrutiny will not lead to the shut-down of such facilities or otherwise cause material disruptions in the Company's garment decontamination business.

From time to time, the Company is subject to legal proceedings and claims arising from the conduct of its business operations, including litigation related to charges for certain ancillary services on invoices, personal injury claims, customer contract matters, employment claims and environmental matters as described above.

While it is impossible to ascertain the ultimate legal and financial liability with respect to contingent liabilities, including lawsuits, the Company believes that the aggregate amount of such liabilities, if any, in excess of amounts accrued or covered by insurance, will not have a material adverse effect on the consolidated financial position or results of operation of the Company. It is possible, however, that future results of operations for any particular future period could be materially affected by changes in the Company's assumptions or strategies related to these contingencies or changes out of the Company's control.

As security for certain agreements with the NRC and various state agencies related to the nuclear operations (see Note 14) and certain insurance programs, the Company had standby irrevocable bank commercial letters of credit and mortgages of $20,061 and $14,927 outstanding as of August 30, 2003 and August 31, 2002, respectively.

10. Common Stock Options

The Company adopted an incentive stock option plan (the "Plan") in November, 1996 and reserved 150,000 shares of common stock for issue under the Plan. In January of 2002, the Company increased to 450,000 the number of shares of common stock reserved for issuance under the Plan. Options granted under the Plan, through August 30, 2003, are at a price equal to the fair market value of the Company's common stock on the date of grant. Options granted prior to fiscal 2003 are subject to a proportional four-year vesting schedule and expire eight years from the grant date. Options granted in fiscal 2003 are subject to a five-year cliff-vesting schedule under which options become vested or exercisable after five years from date of grant and expire ten years after the grant date.

The following table summarizes the common stock option activity for the fiscal years ended August 30, 2003, August 31, 2002, and August 25, 2001:

| | NUMBER OF SHARES | WEIGHTED AVERAGE EXERCISE PRICE |
|---|---|---|
| Outstanding, August 26, 2000 | 55,800 | $ 15.07 |

| | | |
|---|---|---|
| Granted | 57,700 | 10.06 |
| Exercised | 0 | 0.00 |
| Forfeited | (5,700) | 12.60 |
| Outstanding, August 25, 2001 | 107,800 | $ 12.52 |
| Granted | 55,700 | 17.55 |
| Exercised | (4,875) | 13.44 |
| Forfeited | (11,375) | 13.71 |
| Outstanding, August 31, 2002 | 147,250 | $ 14.30 |
| Granted | 56,200 | 20.10 |
| Exercised | (14,250) | 13.45 |
| Forfeited | (1,500) | 14.65 |
| Outstanding, August 30, 2003 | 187,700 | $ 16.10 |
| Exercisable, August 25, 2001 | 13,075 | $ 15.13 |
| Exercisable, August 31, 2002 | 46,288 | $ 13.78 |
| Exercisable, August 30, 2003 | 91,967 | $ 14.05 |

The following table summarizes information relating to currently outstanding and exercisable stock options as of August 30, 2003:

| OUTSTANDING OPTIONS | | | EXERCISABLE OPTIONS | |
|---|---|---|---|---|
| NUMBER OUTSTANDING | REMAINING CONTRACTUAL LIFE (IN YEARS) | EXERCISE PRICES | NUMBER EXERCISABLE | EXERCISE PRICES |
| 38,325 | 4.0 | $ 15.13 | 38,325 | $ 15.13 |
| 43,125 | 5.2 | 10.06 | 30,619 | 10.06 |
| 50,050 | 6.2 | 17.55 | 23,023 | 17.55 |
| 48,000 | 9.7 | 20.13 | -- | -- |
| 8,200 | 9.8 | 19.93 | -- | -- |
| 187,700 | | | 91,967 | |

11. Shareholders' Equity

The significant attributes of each type of stock are as follows:

Common stock -- Each share is entitled to one vote and is freely transferable. Each share of common stock is entitled to a cash dividend equal to 125% of any cash dividend paid on each share of Class B common stock.

Class B common stock -- Each share is entitled to ten votes and can be converted to common stock on a share-for-share basis. Until converted to common stock, however, Class B shares are not freely transferable.

12. Other Comprehensive Income (Loss)

The components of accumulated other comprehensive income/(loss) are as follows:

| | Foreign Currency Translation | Change in Fair Value of Derivative Instruments, net of tax | Total Accumulated Other Comprehensive Loss |
|---|---|---|---|
| Balance, August 26, 2000 | $ (1,969) | $ -- | $ (1,969) |
| Change during the period | (893) | (665) | (1,558) |
| Balance, August 25, 2001 | (2,862) | (665) | (3,527) |
| Change during the period | (471) | 320 | (151) |
| Balance, August 31, 2002 | (3,333) | (345) | (3,678) |
| Change during the period | 1,904 | 345 | 2,249 |
| Balance, August 30, 2003 | $ (1,429) | $ -- | $ (1,429) |

13. Segment Reporting

The Company operates as a single reportable segment, that being the design, rental, cleaning and delivery of occupational garments, industrial wiper towels, floor mats and other non-garment items, which represents more than 90% of consolidated net sales. The Company's reporting segment relating to first aid cabinet services and other safety supplies do meet the thresholds of a reportable segment as outlined in SFAS 131. The Company also has activities in Canada, Mexico and Europe, which do not meet the reporting thresholds outlined in SFAS 131.

14. Asset Retirement Obligations

Effective September 1, 2002, the Company adopted the provisions of SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 generally applies to legal obligations associated with the retirement of long-lived assets that result from the acquisition, construction, development and/or the normal operation of a long-lived asset. Under the new accounting method, the Company now recognizes asset retirement obligations in the period in which they are incurred if a reasonable estimate of fair value can be made. The associated asset retirement costs are capitalized as part of the carrying amount of the long-lived asset.

As of September 1, 2002, the Company recognized as a liability the present value of the estimated future costs to decommission its nuclear laundry facilities in accordance with the provisions of SFAS No. 143. The adoption of SFAS No. 143 resulted in a cumulative charge of $2.2 million, net of tax benefit of $1.4 million, related to the change in accounting principle, the recognition of a discounted asset retirement obligation of $5.3 million, and an increase of $2.4 million to the gross carrying value of the related long-lived assets ($900,000, net of accumulated depreciation of $1.5 million). The Company will depreciate, on a straight-line basis, the amount added to property and equipment and recognize accretion expense in connection with the discounted liability over the various remaining lives which range from approximately one to thirty years.

The estimated liability has been based on historical experience in decommissioning nuclear laundry facilities, estimated useful lives of the underlying assets, external vendor estimates as to the cost to decommission these assets in the future and federal and state regulatory requirements. The estimated current costs have been adjusted for the estimated impact of inflation at 3% per year. The liability has been discounted using credit-adjusted risk-free rates that range from approximately 3.00% - 7.25% over one to thirty years. Revisions to the liability could occur due to changes in the Company's estimated useful lives of the underlying assets, estimated dates of decommissioning, changes in decommissioning costs, changes in federal or state regulatory guidance on the decommissioning of such facilities, or other changes in estimates. Changes due to revised estimates will be recognized by increasing or decreasing the carrying amount of the liability and the carrying amount of the related long-lived asset.

The Company revised its estimate of this liability in the quarter ended August 30, 2003 due to changes in the estimate of future decommissioning costs related to one of the Company's nuclear facilities. The change in estimate resulted in an increase of $1,255 to the carrying amount of the liability and the carrying amount of the related long-lived asset. Since this revision is a change in estimate, the Company will depreciate the increase in the long-lived asset over the estimated remaining useful life of the related nuclear facility which is 28 years. In the quarter ended August 30, 2003, the Company also recognized as a liability the present value of the estimated future costs to decommission a new nuclear laundry facility. The Company recognized a discounted asset retirement obligation of $503, and an increase of $497 to the gross carrying value of the related long-lived asset ($494, net of accumulated depreciation of $3). In the current fiscal year, the Company began decommissioning one of the nuclear laundry facilities for which it had recognized an asset retirement obligation. Costs incurred in connection with the decommissioning for the year ended August 30, 2003 were approximately $300. As of August 30, 2003, the Company believes this current decommissioning project will be completed by the end of fiscal 2004.

The pro forma effects of the application of SFAS No. 143 as if the Statement had been adopted on August 27, 2000 (instead of September 1, 2002) are not material and, therefore, have not been presented.

A reconciliation of the Company's liability for the year ended August 30, 2003, is as follows:

| | |
|---|---|
| Upon adoption at September 1, 2002 | $ 5,310 |
| Accretion expense | 292 |
| Change in estimate of liability | 1,255 |
| Additional liabilities recognized | 503 |
| Asset retirement costs incurred | (300) |
| Balance at August 30, 2003 | $ 7,060 |

As of August 30, 2003, the $7.1 million asset retirement obligation is included in accrued liabilities in the accompanying condensed consolidated balance sheet.

15. Subsequent Event - Acquisition/Revolving Senior Credit Facility

On September 2, 2003 ("Closing Date"), the Company completed its acquisition of 100% of Textilease Corporation ("Textilease"). The purchase price of approximately $175.6 million in cash, net of assumed debt of approximately $2.4 million, was financed as part of a new $285 million unsecured revolving credit agreement ("Credit Agreement"), with a syndicate of banks. The Credit Agreement, completed on the Closing Date, replaces the Company's previous $125 million unsecured revolving credit agreement and is due on the third anniversary of the Closing Date (September 2, 2006). Availability of credit requires compliance with financial and other covenants, including maximum leverage, minimum fixed charge coverage, and minimum tangible net worth, as defined in the Credit Agreement.

Textilease, headquartered in Beltsville, Maryland, had fiscal year 2002 revenues of approximately $95 million. It services over 25,000 uniform and textile products customers from 12 locations in six southeastern states, and also services a wide range of large and small first-aid service customers from additional specialized facilities.

The following is a summary of the Company's preliminary estimate of the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition. The Company has engaged a third party to appraise the fair value of the acquired tangible and intangible assets. The appraisal report has not yet been finalized. The results of the appraisal may differ from the Company's preliminary estimate of the fair value of the acquired tangible and intangible assets. The Company is also completing its analysis of the fair values of the liabilities assumed in connection with the acquisition, including certain liabilities that qualify for recognition under Emerging Issues Task Force 95-3 "Recognition of Liabilities in connection with a Purchase Business Combination". The Company will finalize the purchase price allocation after it receives the appraisal report, completes its analysis of assumed liabilities, and receives other relevant information relating to the acquisition. The final purchase price allocation may be significantly different than the Company's preliminary estimate as presented below.

| | |
|---|---|
| Assets: | |
| Current assets | $ 32,601 |
| Property and equipment | 23,963 |
| Goodwill | 124,007 |
| Intangible assets subject to amortization (estimated twelve year weighted-average useful life): | 30,750 |
| Other assets | 4,085 |
| Total assets acquired | $ 215,406 |
| Liabilities: | |
| Current liabilities | $ 23,288 |
| Deferred compensation | 5,616 |
| Deferred income taxes | 10,198 |
| Long-term debt | 676 |
| Total liabilities assumed | $ 39,778 |
| Net assets acquired | $ 175,628 |

The $124.0 million of goodwill was assigned to our only reportable segment, that being the design, rental, cleaning and delivery of occupational garments, industrial wiper towels, floor mats and other non-garment items. None of the goodwill is expected to be deductible for income tax purposes.

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

Board of Directors and Shareholders

UniFirst Corporation

We have audited the accompanying consolidated balance sheets of UniFirst Corporation and subsidiaries as of August 30, 2003 and August 31, 2002 and the related consolidated statements of income, shareholders' equity, and cash flows for each of the two years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit. The consolidated financial statements of UniFirst Corporation and subsidiaries for the year ended August 25, 2001 were audited by other auditors who have ceased operations and whose report dated October 31, 2001, expressed an unqualified opinion on those statements.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the 2003 and 2002 financial statements referred to above present fairly, in all material respects, the consolidated financial position of UniFirst Corporation and subsidiaries at August 30, 2003 and August 31, 2002, and the consolidated results of their operations and their cash flows for each of the two years then ended in conformity with accounting principles generally accepted in the United States.

As discussed in Note 14 to the consolidated financial statements, effective September 1, 2002, the Company adopted Statement of Financial Accounting Standards (Statement) No. 143 "Asset Retirement Obligations."

As discussed in Note 7 to the consolidated financial statements, effective August 26, 2001, the Company adopted Statement No. 142, "Goodwill and Other Intangible Assets." As discussed above, the consolidated financial statements of UniFirst Corporation and subsidiaries for the year ended August 25, 2001, were audited by other auditors who have ceased operations. As described in Note 7, these consolidated financial statements have been revised to include the transitional disclosures required by Statement No. 142 which was adopted as of August 26, 2001. Our audit procedures with respect to the disclosures in Note 7 related to the year ended August 25, 2001 included (a) agreeing the previously reported net income to the previously issued financial statements and agreeing the adjustments to reported net income representing amortization expense (including any related tax effects) recognized in those periods related to goodwill as a result of initially applying Statement No. 142 (including any related tax effects) to the Company's underlying records obtained from management, and (b) testing the mathematical accuracy of the reconciliation of reported net income to adjusted net income, and the related earnings per share amounts. In our opinion, the disclosures for the year ended August 25, 2001 in Note 7 are appropriate. However, we were not engaged to audit, review, or apply any procedures to the consolidated financial statements of UniFirst Corporation and subsidiaries as of August 25, 2001 and for the year then ended, other than with respect to such disclosures and, accordingly, we do not express an opinion or any other form of assurance on the consolidated financial statements as of August 25, 2001 and for the year then ended, taken as a whole.

/s/ Ernst & Young LLP
Boston, Massachusetts

November 4, 2003

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

UniFirst Corporation and Subsidiaries:

To UniFirst Corporation:

We have audited the accompanying consolidated balance sheets of UniFirst Corporation (a Massachusetts corporation) and subsidiaries as of August 25, 2001 and August 26, 2000, and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended August 25, 2001. These consolidated financial statements are the responsibility of management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of UniFirst Corporation and subsidiaries as of August 25, 2001 and August 26, 2000, and the results of their operations and their cash flows for each of the three years in the period ended August 25, 2001, in conformity with accounting principles generally accepted in the United States.

/s/ ARTHUR ANDERSEN LLP
Boston, Massachusetts
October 31, 2001

NOTE:

This is a copy of the audit report previously issued by Arthur Andersen LLP in connection with UniFirst Corporation's filing on Form 10-K for the year ended August 25, 2001. This audit report has not been reissued by Arthur Andersen LLP in connection with this filing on Form 10-K. See Exhibit 23.2 for further discussion.

The following is a summary of the results of operations for each of the quarters within the years ended August 30, 2003 and August 31, 2002. This summary should be read in conjunction with the Company's Consolidated Financial Statements and Notes to Consolidated Financial Statements included in this Item 8.

The Company's fiscal year ends on the last Saturday in August. For financial reporting purposes, fiscal 2003 had 52 weeks and fiscal 2002 had 53 weeks. Each of the quarters presented below includes 13 weeks except the second quarter of 2002 which includes 14 weeks.

**(Unaudited)**
**(In thousands, except per share data)**

| 2003 | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|---|---|---|---|---|
| Revenues | $ 149,179 | $ 146,425 | $ 153,690 | $ 147,642 |
| Income before income taxes | 14,089 | 6,137 | 15,624 | 11,722 |
| Income before cumulative effect of accounting change | 8,665 | 3,774 | 9,609 | 7,214 |
| Weighted average shares outstanding - basic | 19,218 | 19,168 | 19,168 | 19,172 |
| Weighted average shares outstanding - diluted | 19,271 | 19,208 | 19,175 | 19,233 |
| Net income per share - basic | $ 0.45 | $ 0.20 | $ 0.50 | $ 0.38 |
| Net income per share - diluted | $ 0.45 | $ 0.20 | $ 0.50 | $ 0.37 |

| 2002 | First Quarter | Second Quarter | Third Quarter | Fourth Quarter |
|---|---|---|---|---|
| Revenues | $ 142,625 | $ 151,523 | $ 144,259 | $ 140,491 |
| Income before income taxes | 12,313 | 8,321 | 12,149 | 10,536 |
| Income before cumulative effect of accounting change | 7,634 | 5,159 | 7,532 | 6,534 |
| Weighted average shares outstanding - basic | 19,220 | 19,221 | 19,223 | 19,225 |
| Weighted average shares outstanding - diluted | 19,250 | 19,276 | 19,293 | 19,288 |
| Net income per share - basic | $ 0.40 | $ 0.27 | $ 0.39 | $ 0.34 |
| Net income per share - diluted | $ 0.39 | $ 0.27 | $ 0.39 | $ 0.34 |

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

On June 27, 2002, the Company filed a Current Report on Form 8-K - Item 4. Changes to Registrant's Certifying Accountant. On June 24, 2002, the Board of Directors of the Company decided to no longer engage Arthur Andersen LLP as its independent auditors and instead engage Ernst & Young LLP to serve as the Company's independent auditors for the year ending August 31, 2002.

ITEM 9A. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures. As required by Rule 13a-15 under the Securities Exchange Act of 1934 (the "Exchange Act"), the Company carried out an evaluation under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based upon their evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective to ensure that material information relating to the Company required to be disclosed by us in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. In designing and evaluating the disclosure controls and procedures, the Company's management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurances of achieving the desired control objectives, and management necessarily was required to apply its judgment in designing and evaluating the controls and procedures. The Company currently is in the process of further reviewing and documenting its disclosure controls and procedures, and its internal control over financial reporting, and may from time to time make changes aimed at enhancing their effectiveness and to ensure that our systems evolve with our business.

Changes in Internal Control Over Financial Reporting. There were no changes in our internal control over financial reporting during the fourth quarter of fiscal year 2003 that have materially affected, or that are reasonably likely to materially affect our internal controls over financial reporting.

## PART III

### ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT

Incorporated by reference to the information provided under the caption "Election of Directors" in the Company's Proxy Statement for its 2004 Annual Meeting of Shareholders.

### ITEM 11. EXECUTIVE COMPENSATION

Incorporated by reference to the information provided under the caption "Summary Compensation Table," "Option Grants with Respect to Fiscal Year 2003," "Option Exercises and Year-End Holdings," "Supplemental Executive Retirement Plan" and "Stock Performance Graph" in the Company's Proxy Statement for its 2004 Annual Meeting of Shareholders.

### ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT

Incorporated by reference to the information provided under the captions "Election of Directors," "Security Ownership of Management and Principal Shareholders", and "Amendment to 1996 Stock Option Plan" in the Company's Proxy Statement for its 2004 Annual Meeting of Shareholders.

### ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Incorporated by reference to the information provided under the caption "Certain Relationships and Related Transactions" in the Company's Proxy Statement for its 2004 Annual Meeting of Shareholders.

### ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Incorporated by reference to the information provided under the caption "Independent Auditors" in the Company's Proxy Statement for its 2004 Annual Meeting of Shareholders.

## PART IV

### ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES AND REPORTS ON FORM 8-K

(a) The financial statements listed below are filed as part of this report:

1. and 2. FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULES.

The financial statements listed below are included under Item 8 of this Form 10-K.

Consolidated balance sheets as of August 30, 2003 and August 31, 2002

Consolidated statements of income for each of the three years in the period ended August 30, 2003

Consolidated statements of shareholders' equity for each of the three years in the period ended August 30, 2003

Consolidated statements of cash flows for each of the three years in the period ended August 30, 2003

Notes to consolidated financial statements

Report of Ernst & Young LLP, Independent Auditors

Report of Arthur Andersen LLP, Independent Public Accountants

The following additional schedule is filed herewith:

Schedule II - Valuation and qualifying accounts and reserves for each of the three years in the period ended August 30, 2003

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

Board of Directors and Shareholders UniFirst Corporation

We have audited the consolidated financial statements of UniFirst Corporation and subsidiaries as of August 30, 2003 and August 31, 2002, and for each of the two years then ended, and have issued our report thereon dated November 4, 2003 (included elsewhere in this Form 10-K). Our audits also included Schedule II -- Valuation and Qualifying Accounts and Reserves as of August 30, 2003 and August 31, 2002, and for each of the two years then ended, included in this Annual Report on Form 10-K. This schedule is the responsibility of the Company's management. Our responsibility is to express an opinion on this schedule based on our audits. The financial statement schedule of UniFirst Corporation and subsidiaries as of August 25, 2001 and for the year then ended, was subjected to the auditing procedures applied by other auditors, who have ceased operations, in connection with their audit of the consolidated financial statements for that year and whose report dated October 31, 2001, indicated that such financial statement schedule fairly stated in all material respects the financial data required to be set forth therein in relation to the basic financial statements taken as a whole.

In our opinion, the financial statement schedule as of August 30, 2003 and August 31, 2002, and for each of the two years then ended, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

/s/ Ernst & Young LLP
Boston, Massachusetts

November 4, 2003

Report of Arthur Andersen LLP, Independent Public Accountants

To UniFirst Corporation:

We have audited, in accordance with auditing standards generally accepted in the United States, the consolidated financial statements included in this Form 10-K, and have issued our report thereon dated October 31, 2001. Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The supplemental schedule to the consolidated financial statements listed as Item 15(a)(2) in the Form 10-K is the responsibility of the Company's management and is presented for purposes of complying with the Securities and Exchange Commission's rules and is not part of the basic consolidated financial statements. This supplemental schedule has been subjected to the auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly states, in all material respects, the financial data required to be set forth therein, in relation to the basic consolidated financial statements taken as a whole.

/s/ ARTHUR ANDERSEN LLP
Boston, Massachusetts
October 31, 2001

NOTE: ---- This is a copy of the audit report previously issued by Arthur Andersen LLP in connection with UniFirst Corporation's filing on Form 10-K for the year ended August 25, 2001. This audit report has not been reissued by Arthur Andersen LLP in connection with this filing on Form 10-K. See Exhibit 23.2 for further discussion.

UNIFIRST CORPORATION AND SUBSIDIARIES SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS AND RESERVES FOR EACH OF THE THREE YEARS IN THE PERIOD ENDED AUGUST 30, 2003 (THOUSANDS)

| Description | Balance, Beginning of Period | Charged to Costs and Expenses | Charges for Which Reserves Were Created | Balance, End of Period |
|---|---|---|---|---|
| For the year ended August 30, 2003 | | | | |
| Allowance for doubtful accounts | $ 2,687 | $ 3,066 | $ (3,142) | $ 2,611 |
| For the year ended August 31, 2002 | | | | |
| Allowance for doubtful accounts | $ 3,237 | $ 3,326 | $ (3,876) | $ 2,687 |
| For the year ended August 25, 2001 | | | | |
| Allowance for doubtful accounts | $ 3,110 | $ 3,357 | $ (3,230) | $ 3,237 |

Separate financial statements of the Company have been omitted because the Company is primarily an operating company and all subsidiaries included in the consolidated financial statements are totally held.

All other schedules have been omitted since the required information is not present or not present in amounts sufficient to require submission of the schedule, or because the information required is included in the financial statements or the notes thereto.

3. EXHIBITS. The list of exhibits filed as part of this annual report on Form 10-K are set forth at (c) below.

(b) Reports filed on Form 8-K

On July 7, 2003, the Company furnished a Current Report on Form 8-K to report information pursuant to Item 12 - Results of Operations and Financial Conditions in accordance with the interim guidance provided by the SEC pursuant to SEC Release No. 33-8216. The Company attached as Exhibit 99.1 to the Current Report the Company's press release announcing second quarter and first half of fiscal 2003 financial results.

(c) Exhibits

DESCRIPTION

2.1 Stock Purchase Agreement dated as of July 17, 2003 by and among the Company and the stockholders of Textilease Corporation signatory thereto - incorporated by reference to the Company's Current Report on Form 8-K filed on September 17, 2003.

3-A Restated Articles of Organization -- incorporated by reference to Exhibit 3-A to the Company's Registration Statement on Form S-1 (No. 2-83051) -- and the Articles of Amendment dated January 12, 1988, a copy of which was filed on an exhibit to the Company's Annual Report on Form 10-K for fiscal year ended August 27, 1988 -- and the Articles of Amendment dated January 21, 1993, a copy of which was filed on an exhibit to the Company's Quarterly Report on Form 10-Q for fiscal quarter ended February 27, 1993.

3-B By-laws -- incorporated by reference to Exhibit 3-B to the Company's Annual Report on Form 10-K for fiscal year ended August 31, 1991.

10-A UniFirst Corporation Profit Sharing Plan -- incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-8 (number 33-60781) -- and the Amendment dated June 27, 1995, a copy of which was filed on an exhibit to the Company's Annual Report on Form 10-K for fiscal year ended August 31, 1996.

10-D UniFirst Corporation 1996 Stock Incentive Plan, as amended, (incorporated by reference to Exhibit 10-D to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2002.

* 21 List of Subsidiaries

* 23.1 Consent of Ernst & Young LLP, Independent Auditors

* 23.2 Information Regarding Consent of Arthur Andersen LLP

*  31.1 Rule 13a-14(a)/15d-14(a) certification of Ronald D. Croatti

*  31.2 Rule 13a-14(a)/15d-14(a) certification of John B. Bartlett

** 32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002

** 32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002

* Filed herewith
** Furnished herewith

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

UniFirst Corporation

By: /s/ Ronald D. Croatti
Ronald D. Croatti
President and Chief Executive Officer

November 26, 2003

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

| NAME | TITLE | DATE |
|---|---|---|
| /s/ Ronald D. Croatti<br>Ronald D. Croatti | Principal Executive Officer and Director | November 26, 2003 |
| /s/ John B. Bartlett<br>John B. Bartlett | Principal Financial Officer and<br>Principal Accounting Officer | November 26, 2003 |
| /s/ Cynthia Croatti<br>Cynthia Croatti | Director | November 26, 2003 |
| /s/ Donald J. Evans<br>Donald J. Evans | Director | November 26, 2003 |
| /s/ Albert Cohen<br>Albert Cohen | Director | November 26, 2003 |
| /s/ Phillip L. Cohen<br>Phillip L. Cohen | Director | November 26, 2003 |
| /s/ Anthony F. DiFillippo<br>Anthony F. DiFillippo | Director | November 26, 2003 |

EXHIBIT INDEX

DESCRIPTION

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3-A Restated Articles of Organization -- incorporated by reference to Exhibit 3-A to the Company's Registration Statement on Form S-1 (No. 2-83051) -- and the Articles of Amendment dated January 12, 1988, a copy of which was filed on an exhibit to the Company's Annual Report on Form 10-K for fiscal year ended August 27, 1988 -- and the Articles of Amendment dated January 21, 1993, a copy of which was filed on an exhibit to the Company's Quarterly Report on Form 10-Q for fiscal quarter ended February 27, 1993.

3-B By-laws -- incorporated by reference to Exhibit 3-B to the Company's Annual Report on Form 10-K for fiscal year ended August 31, 1991.

10-A UniFirst Corporation Profit Sharing Plan -- incorporated by reference to Exhibit 4.3 to the Company's Registration Statement on Form S-8 (number 33-60781) -- and the Amendment dated June 27, 1995, a copy of which was filed on an exhibit to the Company's Annual Report on Form 10-K for fiscal year ended August 31, 1996.

10-D UniFirst Corporation 1996 Stock Incentive Plan, as amended, (incorporated by reference to Exhibit 10-D to the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2002.

* 21 List of Subsidiaries

* 23.1 Consent of Ernst & Young LLP, Independent Auditors

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** 32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002

** 32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002

* Filed herewith
** Furnished herewith

Exhibit 21

List of subsidiaries of the Company:

UniTech Services Group, Inc.
Interstate Uniform Manufacturing of Puerto Rico, Inc.
UniFirst Canada Ltd.
UniFirst Holdings, L.P.
UTWO Corporation
UR Corporation
UONE Corporation

Euro Nuclear Services B.V.
ENS Nuklear Services, GmbH
UniFirst S.A. de C.V.
Uniformes de San Luis S.A. de C.V.
RC Air, LLC

EXHIBIT 23.2

Information Regarding Consent of Arthur Andersen LLP

Section 11(a) of the Securities Act of 1933, as amended (the "Securities Act"), provides that if part of a registration statement at the time it becomes effective contains an untrue statement of a material fact, or omits a material fact required to be stated therein or necessary to make the statements therein not misleading, any person acquiring a security pursuant to such registration statement (unless it is proved that at the time of such acquisition such person knew of such untruth or omission) may assert a claim against, among others, an accountant who has consented to be named as having certified any part of the registration statement or as having prepared any report for use in connection with the registration statement.

The Company dismissed Arthur Andersen LLP ("Andersen") as its independent auditors, effective June 24, 2002. For additional information, see the Company's Current Report on Form 8-K dated June 27, 2002. After reasonable efforts, the Company has been unable to obtain Andersen's written consent to the incorporation by reference into the Company's registration statements (File Nos. 33-60781, 333-96097, and 333-82682 )(the "Registration Statements") of Andersen's audit reports with respect to the Company's consolidated financial statements and Schedule II - Valuation and Qualifying Accounts and Reserves as of August 25, 2001 and for each of the three years in the period then ended. Under these circumstances, Rule 437a under the Securities Act permits the Company to file this Annual Report on Form 10-K, which is incorporated by reference into the Registration Statements, without a written consent from Andersen. As a result, with respect to transactions in the Company's securities pursuant to the Registration Statements that occur subsequent to the date this Annual Report on Form 10-K is filed with the Securities and Exchange Commission, Andersen will not have any liability under Section 11(a) of the Securities Act for any untrue statements of a material fact contained in the financial statements audited by Andersen or any omissions of a material fact required to be stated therein. Accordingly, you would be unable to assert a claim against Andersen under Section 11(a) of the Securities Act.

Exhibit 31.1

I, Ronald D. Croatti, certify that:

1. I have reviewed this annual report on Form 10-K for the fiscal year ended August 30, 2003 of UniFirst Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant's, and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect the Registrant's internal control over financial reporting and;

5. The Registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 26, 2003

By: /s/ Ronald D. Croatti
Ronald D. Croatti, Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

I, John B. Bartlett, certify that:

1. I have reviewed this annual report on Form 10-K for the fiscal year ended August 30, 2003 of UniFirst Corporation;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statement made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the Registrant's, and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

(b) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

(c) Disclosed in this report any change the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fiscal fourth quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect the Registrant's internal control over financial reporting and;

5. Registrant's other certifying officers and I have disclosed, based our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: November 26, 2003

By: /s/ John B. Bartlett
John B. Bartlett, Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned officer of UniFirst Corporation (the "Company") hereby certifies that the Company's annual report on Form 10-K for the fiscal year ended August 30, 2003 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. This certification is provided solely pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed to be part of the Report or "filed" for any purpose whatsoever.

Date: November 26, 2003

By: /s/ Ronald D. Croatti
Ronald D. Croatti, Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

The undersigned officer of UniFirst Corporation (the "Company") hereby certifies that the Company's annual report on Form 10-K for the fiscal year ended August 30, 2003 (the "Report"), as filed with the Securities and Exchange Commission on the date hereof, fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended, and that the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company. This certification is provided solely pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and shall not be deemed to be part of the Report or "filed" for any purpose whatsoever.

Date: November 26, 2003

By: /s/ John B. Bartlett
John B. Bartlett, Chief Financial Officer
(Principal Financial Officer)

Exhibit 23.1

CONSENT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

We consent to the incorporation by reference in the Registration Statements of Form S-8 (File Nos. 33-60781, 333-96097, and 333-82682) of UniFirst Corporation of our reports dated November 4, 2003, with respect to the consolidated financial statements and schedule of UniFirst Corporation included in this Annual Report (Form 10-K) for the year ended August 30, 2003.

/s/ Ernst & Young LLP

Boston, Massachusetts
November 25, 2003

# Corporate Information

## CORPORATE OFFICERS

Ronald D. Croatti
*Chairman of the Board, President and Chief Executive Officer*

Cynthia Croatti
*Executive Vice President and Treasurer*

John B. Bartlett
*Senior Vice President and Chief Financial Officer*

Dennis G. Assad
*Senior Vice President, Sales and Marketing*

Bruce P. Boynton
*Senior Vice President, Operations*

David A. DiFillippo
*Senior Vice President, Operations*

Raymond C. Zemlin
*Secretary and Clerk*

## OPERATING AND SUBSIDIARY OFFICERS

John R. Badey
*Vice President, Distribution and Engineering*

George J. Bakevich
*Vice President, UniTech Services Group*

Joseph A. Boucher
*Vice President, Western Rental Group*

Stephen A. Gaykan
*Vice President, Manufacturing*

Robert A. Kuhn
*Vice President, Southeast Rental Group*

Todd T. Lewis
*Vice President, First Aid and Safety Group*

Robert E. Middleton
*Vice President, Southwest Rental Group*

Gary L. Rogers
*Vice President, Texas Rental Group*

William M. Ross
*Vice President, Northeast Rental Group*

Michael J. Szymanski
*Vice President, Canadian Rental Group*

## DIRECTORS

Ronald D. Croatti
*Chairman of the Board, President and Chief Executive Officer*

Cynthia Croatti
*Executive Vice President and Treasurer*

Donald J. Evans
*Retired Senior Partner of Goodwin Procter, LLP; Formerly General Counsel and First Deputy Commissioner, Massachusetts Department of Revenue*

Albert Cohen
*President, A.L.C. Corp., a consultancy*

Phillip L. Cohen
*Retired Partner of an international accounting firm; Certified Public Accountant*

Anthony F. DiFillippo
*Former President, UniFirst Corporation*

## CORPORATE INFORMATION

### FORM 10-K

Shareholders may obtain, without charge, additional copies of the Company's 2003 Form 10-K. Written requests should be addressed to John B. Bartlett, Senior Vice President.

### TRANSFER AGENT

EquiServe Trust Company, N.A.

### INDEPENDENT PUBLIC ACCOUNTANTS

Ernst & Young LLP

### LEGAL COUNSEL

Goodwin Procter LLP

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