

Economic Value Added (EVA[®]) and Return on Invested Capital (ROIC)

We use EVA[®] as a comprehensive way to evaluate business decisions and as a tool to measure the Company's performance. EVA[®] was adopted in 1996 and since that time has had a strong correlation to the creation of long-term value for McCormick shareholders. As such, we use it to evaluate capital expenditures, acquisitions, divestitures and other key business decisions.

In addition, we believe that both EVA[®] and ROIC are performance measures that are used by industry analysts and investors to evaluate financial performance relative to peers and, therefore, when considered in conjunction with the financial statements, are informative. These measures are not defined by United States generally accepted accounting principles and may be calculated differently from similar measures used by other companies.

EVA Calculation

We define EVA[®] as net income from operations, excluding interest and amortization expense (NOPAT), in excess of a capital charge for average capital employed. EVA[®] is a registered trademark of Stern Stewart & Co.

The following table contains selected EVA[®] information for the fiscal years ended November 30.

(in millions)	2008	2007	2006	2005	2004
Net operating profit after taxes (NOPAT)	\$295.6	\$272.2	\$240.3	\$247.3	\$243.1
Capital charge	164.1	135.7	118.2	115.9	116.1
EVA[®]	\$131.5	\$136.5	\$122.1	\$131.4	\$127.0

A reconciliation of GAAP net income to NOPAT and the calculation of the EVA[®] capital charge follow:

(in millions)	2008	2007	2006	2005	2004
GAAP net income	\$255.8	\$230.1	\$202.2	\$214.9	\$214.5
Interest expense, net of taxes	39.8	42.1	38.1	32.4	28.6
Net operating profit after taxes (NOPAT)	\$295.6	\$272.2	\$240.3	\$247.3	\$243.1

EVA[®] and ROIC Calculation - Continued

(in millions)	2008	2007	2006	2005	2004
Current debt	\$ 354.0	\$ 149.6	\$ 81.4	\$ 106.1	\$ 173.2
Long-term debt	885.2	573.5	569.6	463.9	465.0
Shareholders' equity	1,055.3	1,085.1	933.3	799.9	889.7
Total capital	\$2,294.5	\$1,808.2	\$1,584.3	\$1,369.9	\$1,527.9
Average total capital	\$2,051.4	\$1,696.3	\$1,477.1	\$1,448.9	\$1,451.4
Weighted average cost of capital	8.0%	8.0%	8.0%	8.0%	8.0%
Capital charge	164.1	135.7	118.2	115.9	116.1

Average total capital is the average of the current and prior year total capital.

ROIC Calculation

We define ROIC as net income from operations, excluding interest and amortization expense (NOPAT), divided by the sum of debt and equity (average total capital).

The following table contains selected ROIC information for the fiscal years ended November 30.

(in millions)	2008	2007	2006	2005	2004
Net operating profit after taxes (NOPAT)	\$ 295.6	\$ 272.2	\$ 240.3	\$ 247.3	\$ 243.1
Average total capital	2,051.4	1,696.3	1,477.1	1,448.9	1,451.4
ROIC	14.4%	16.0%	16.3%	17.1%	16.7%

As noted in our 2008 annual report, financial results during this period include the impact of certain items that affect the comparability year to year. From 2005 to 2008 restructuring charges were recorded. In 2008 an impairment charge was recorded to reduce the value of the Silvo[®] brand. Related to the acquisition of Lawry's[®] in 2008, we recorded a net gain due primarily to the sale of Season-All[®]. In 2004, the net gain from a special credit was recorded. The net impact of these items on NOPAT is reflected in the following table:

2008	2007	2006	2005	2004
\$(26.2)	(24.2)	\$(30.3)	\$ (7.5)	\$ 1.2