

## A TASTE FOR INNOVATION

Our worldwide team of 400 researchers and product developers use our proprietary CreateIT® process to accelerate our new-product development cycle.



With imagination and a bit of fun, our product development team in France (pictured below) helped extend our popular Vahiné brand of dessert items to a line of mixes to prepare delicious items like flans and cakes.

While consumers today increasingly want convenience, healthy solutions and good value, taste remains the ultimate factor when choosing food. As a result, bold flavors, authentic ethnic cuisine and unique combinations, along with traditional favorites, are top of mind when ordering out or dining in.

In either case, McCormick is at the heart of the flavor solution with tasteful innovations and ideas around the world. We maintain our industry leadership by consulting with culinary experts in various global markets to identify emerging trends in food and food preparation. Around the world, our team of 400 researchers and product developers translates this unique insight into new products for consumers and customers using our proprietary CreateIT process, which brings together flavor developers, culinary chefs, sensory experts and consumers to validate and accelerate our new-product development cycle.

In addition to continually creating new flavor solutions, we make sure our existing product line remains properly aligned with market needs. For example, to address consumers' changing dietary needs, we relaunched our dry seasoning

mixes in the U.S., reformulating many of these products to remove MSG, transfat and artificial flavors, and to feature our natural spices and herbs. As part of this relaunch, we updated packaging designs and improved in-store displays. This marketplace insight, coupled with focused marketing, led to a 6% unit increase in sales of these products. In addition, we introduced new versions of our Zatarain's® items featuring the taste of New Orleans, as well as Simply Asia® seasoning mixes, to help consumers re-create dishes they enjoy when dining out.

In France, Vahiné is a well-known brand with a reputation for quality ingredients and expertise in helping consumers prepare great desserts. We recently extended our product range with eight new varieties of cake mixes. These premium products deliver the superior flavor of French pâtisserie shops with easy, at-home preparation. Also in Europe, we introduced a line of Ducros® Selections for frequent users of herbs and spices, and additional blends of our Schwartz Flavourful™ recipe mixes in the U.K., which contain unique blends of slow-roasted whole spices and herbs.

Our product range in China includes not only spices and seasonings but condiments such as sauces and jams. New McCormick honey jams in this market contain honey as a natural sweetener and are being used as a spread or in tea. In Australia, where we have the number-one market share in



gelatin with our Aeroplane® “jelly” brand, we have now developed Create-a-Jelly™ – a gelatin prepared using any favorite beverage.

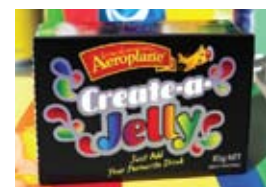
Looking ahead, we are particularly excited about two new product lines that performed well in 2009 test markets. Perfect Pinch® makes it easy to explore new flavors and create inspired meals. With 18 varieties, we have consolidated and simplified three different lines of seasoning blends. For consumers who prefer to measure their ingredients and follow a recipe, we developed Recipe Inspirations®. With six varieties such as garlic and lime fajitas and rosemary roasted chicken and potatoes, Recipe Inspirations are a twist on the familiar and introduce consumers to a spice or herb they may not have used before.

This tasteful innovation also takes place on the industrial side of our business, where foodservice customers and other food manufacturers turn to McCormick’s innovation team for rapid innovation that is on-trend and on-target with consumers. In fact, in each of the past five years, anywhere from 13% to 18% of annual sales have come from products introduced in the preceding three years. This further validates our CreateIT methodology, which allows us to gain market share through new product “win rates” of 35% for U.S. foodservice customers and 70% for U.S. food manufacturers. These rates are also high in international markets. In 2009, we worked with large, multinational quick service restaurants to develop and provide flavors for a number of new menu items.

Tasteful innovation has been – and will always be – a major component of our growth strategy.



Recipe Inspirations feature premeasured spices and a collectible recipe card that make it easy to create flavorful meals at home. Our marketing experts and sales team are launching these innovative products in 2010.



With new Create-a-Jelly, consumers in Australia can flavor gelatin with their favorite beverage. We grew sales of Aeroplane products 14% in 2009.

**13%–18%**

Every year since 2005, between 13% and 18% of our industrial business sales have come from new products launched in the preceding three years.

## A CONNECTION WITH CONSUMERS



Our global ads feature low-cost ways to add taste to potatoes and other daily staples, information about the high antioxidant level of spices and herbs, and how to “master the flame, master the flavor” when grilling.

McCormick’s products are typically less than 10% of the cost of the meal but 90% of the flavor.



Consumers around the world know us by many names – McCormick in the U.S., Australia, China and Latin America; Schwartz in the U.K.; Club House® in Canada; and Ducros in France. In addition to our broad lines of spices and seasonings, popular brands like Vahiné, Grill Mates®, Zatarain’s and Aeroplane have their own loyal following.

While the names may vary, the connection with consumers is consistent everywhere. Helping to reinforce that bond are our aggressive brand marketing efforts. Just as we don’t leave product innovation to chance, so too are we diligent in measuring the effectiveness of our promotion and advertising programs to ensure we remain properly aligned with market expectations and opportunities.

In 2009, a large portion of our U.S. marketing spend had returns that exceeded industry averages. We are achieving a lift in sales from engaging ads that are cost efficient and expertly placed using audience targeting. For example, we grew North American sales of Grill Mates in the U.S. and La Grille in Canada by 20%, thanks in large part to a comprehensive marketing campaign.

In recent years our ads have emphasized convenience, freshness and authentic flavors. In the current economic environment, much of our messaging has been centered on the

value of our brands. Of the total cost of a meal, our seasonings, sauces and marinades represent only pennies per serving. Or, to put it another way, McCormick is often less than 10% of the cost of the meal but 90% of the flavor. To deliver this value message, we increased our coupon activity and stepped up our promotions in 2009. A number of our print ads featured ways to prepare a low-cost meal with our products.

Similarly, we remain acutely aware of the in-store display and merchandising of our products and have made great improvements in recent years with the introduction of gravity-feed shelving for our core spice and seasoning products. In addition, secondary displays of our products are important particularly during holiday periods.

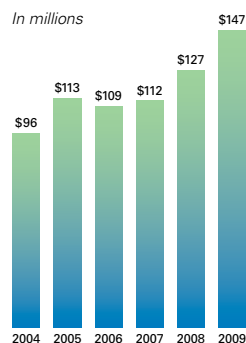
We are also taking advantage of opportunities on the Internet, which has become an increasingly important avenue to engage consumers globally. We are finding ways to drive traffic to our websites via creative online advertising and then retaining these consumers with fresh, relevant content. Our online advertising in the U.S. delivered more than 200 million visits to our sites last year and one of our recipes was viewed online every five seconds. This validates for us both the importance of the initiative and our effectiveness in leveraging the opportunity. Hit rates for our relaunched U.K. Schwartz website were up 100% toward the end of 2009.

Since 2004 we have increased our marketing spending by more than 50%. We have achieved a great return on this investment behind our brands and see further opportunities to connect with consumers in markets around the world.



Impressive store displays get consumer attention and incremental sales. In Australia, our selling team helped double sales of slow cooker seasonings in 2009 with high-impact product merchandising.

Our websites around the world engage consumers with information that includes low-cost recipes, as well as 30-minute meal ideas, information about product shelf-life and a "Flavor Forum" network.



We have increased marketing support behind our brands more than 50% since 2004.

## A DRIVE FOR EXPANSION



Expansion into new markets has led to a broad global footprint and the product portfolio we have today. Club House in Canada, Schwartz in the U.K. and Ducros in France are all number one brands added through acquisition. Across all of our brands we supply products to nearly 100 countries around the world.

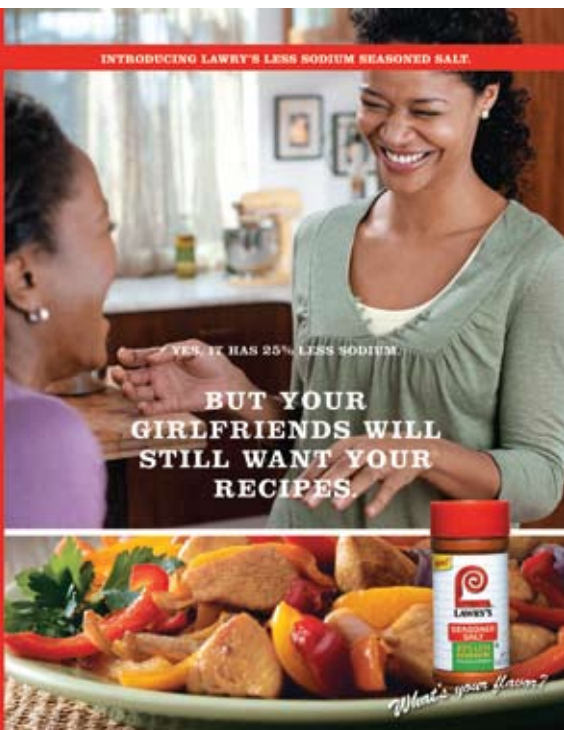
The acquisition of leading brands continues to be an integral part of our growth strategy. For the past five years, we have had average annual sales growth of 5%, and

Much of our business today was generated by the acquisition of leading brands around the world.

A fresh marketing campaign featured Lawry's new reduced sodium product.

acquisitions have accounted for one-third of this increase. In our developed markets we are seeking iconic brands like Lawry's seasonings and marinades or Billy Bee® honey products. Products with a distinct flavor profile such as Simply Asia and Zatarain's offer compelling growth opportunities. We have a particular interest in emerging markets such as China and India as we identify acquisition candidates.

Our integration effectiveness increases with each successive acquisition. After completing the transaction in July 2008, our teams worked to fold in the Lawry's business with few incremental costs, exceeding our projected earnings accretion for the first 12 months. We have reignited sales growth for the Lawry's brand. Early in 2009, we introduced a new reduced-sodium version of the iconic Lawry's seasoned salt and two new marinades. This was followed by a fresh marketing campaign, the launch of additional marinade



varieties and an appealing new bottle design. Lawry's has been our largest acquisition to date and one of our most successful.

For our U.S. foodservice customers, we recently launched our "McCormick for Chefs" campaign. This initiative moves us from a spice and herb expert to a flavor partner. As a key part of this master brand campaign, we are introducing the exciting flavors of Lawry's, Zatarain's and Thai Kitchen® products to restaurant chefs.

Beyond acquisitions, we have gained new distribution of our leading brands in North America and Europe with value-priced retailers in 2008 and 2009. In China, we have developed a strong foothold for the McCormick brand since its introduction in 1990. The opportunity for further expansion is significant. In just the past two years we doubled the number of major cities where consumers can purchase our products. Through our selling network we are gaining placement in both modern grocery stores and traditional street markets.

Over the past five years, sales growth for our industrial business in Asia has also been strong, as we support the expansion of multinational restaurants and food manufacturers. Production capacity of our plant in Thailand was recently doubled to accommodate this growth. We also added a condiment plant in South Africa due to increased demand.

Acquisitions will continue to be an important avenue for growth at McCormick. Along with new distribution, acquisitions will continue to expand our business into new regions and new product categories that bring flavor to consumers.



The introduction of acquired brands such as Lawry's is part of our "McCormick for Chefs" campaign.

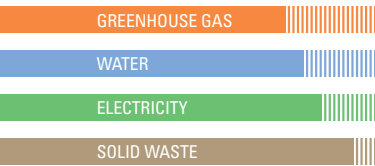


Over the past five years, sales growth for our industrial business in Asia has been strong, as we support the expansion of multinational restaurants and food manufacturers.



## A COMMITMENT TO SUSTAINABILITY

We view sustainability as an integral part of our business and essential to our success.



Since 2005 our global operations have reduced greenhouse gases by 24%, water usage by 19%, electricity usage by 14% and solid waste by 6%.

A new recycling unit in our Atlanta, Georgia manufacturing facility recycles excess product for use in animal feed, contributing to our 43% solid waste reduction in this facility.



**B**uilding on a cultural foundation of concern for others, we are committed to making a positive difference in the global communities where we live and work.

McCormick has a long history of sourcing pure, natural spices and herbs, and our attention to sustainability starts at the farms. Our global sourcing team travels the world to monitor growing activity and weather conditions on the farms with the goal of providing fully mature healthy crops. We have worked effectively with farmers to improve crop production, drying and storage methods. Our ongoing objective year to year is to buy the highest quality spices and herbs, yielding the best flavor.

As these raw materials arrive at our facilities for processing, we are committed to minimizing our own impact on the environment. Since 2005 our global operations have reduced greenhouse gases by 24%, water usage by 19%, electricity usage by 14% and solid waste by 6%.

Our focus on sustainability has resulted in many other accomplishments as well. Our manufacturing facility in Atlanta, for example, has reduced its solid waste by 43% since 2005. In our largest plant in the U.K., we recently achieved a 48% rise in recycling and reduced electricity usage by 14% and water usage by 13%. In recognition of these achievements, outstanding employee engagement in sustainability efforts and ISO 14001 certification, this facility was awarded "Sustainable Manufacturer of the Year" for 2009 by a leading U.K. manufacturers' publication. Sustainability extends to our packaging as well. In 2009, we eliminated 350,000 pounds of corrugated

shipping materials for our foodservice products in the U.S.

We are also focused on the impact of our products on consumers. In 2007, we founded the McCormick Science Institute to advance the health benefits of culinary spices and herbs. In the Americas, Europe and the Asia/Pacific region, our “Super Spices” advertising and website began educating consumers about the high levels of natural antioxidants in many of our products. We offer reduced-sodium versions of a number of our most popular U.S. items, including Zatarain’s Jambalaya rice mix, Grill Mates Montreal Steak seasoning and our latest addition, Lawry’s seasoned salt, as well as many favorites in international markets.

Our efforts extend from the health of our products to the health of the communities in which we operate. This begins at the growing regions around the world where McCormick has provided support. In 2009, we funded construction of two health clinics in Indonesia and provided donations during the devastating earthquakes in this region. Our corporate giving goes beyond health initiatives to education, environment and habitat, health and welfare, civic and culture, and diversity.

Concern for one another is one of our shared values, and our employees are generous in sharing with their communities. In the U.S. many employees work an additional eight hours each year and donate their earnings – which are matched by the Company – to local charities. Employees in other locations donate their time and energy to raise funds for their local community. The Company also recognizes leaders in community service with annual awards.

For 120 years, McCormick’s people have valued an enduring culture that still

thrives today. Our Multiple Management philosophy is the foundation of this culture and is based on the inclusion of all employees, encouraging their participation in every aspect of our business. We are emphasizing these values with the McCormick High Performance System, which motivates our employees and leads to better training, lower turnover and greater efficiency.

Our talented and motivated employees are the key ingredient of our success. We recognize this and continue to invest in development and a work environment where our talents can be applied and rewarded. In 2009, we added further resources behind our diversity and inclusion efforts, as well as employee communications, while continuing to monitor our progress with employee surveys. With the formation of two regional Multiple Management Boards, we are strengthening our leadership development initiatives around the world.

At McCormick, we care about our impact on the environment, our consumers, the communities in which we operate and the well-being and advancement of our employees. We view sustainability as an integral part of our business and essential to our success. It is truly our nature.



Our Multiple Management Board in Mexico donated to an organization that provides support for girls ages six to 13 who suffer from poverty and abuse.



#### OUR SHARED VALUES

The people of McCormick are our “key ingredient.”

- Ethical behavior
  - Teamwork
  - High performance
  - Innovation
  - Concern for one another
- = Success



## A FOCUS ON PERFORMANCE



McCormick's continuing businesses have reported sales growth for more than 50 years. Since 1999, sales have grown at a compound annual growth rate of 6%. During this same 10-year period, earnings per share, adjusted for a stock split, have grown at a 12% compound annual growth rate. For each of the past three years we have grown earnings per share at a double-digit pace. We are proud to have accomplished this level of increase during a period of volatility in both input costs and currency rates, as well as a difficult global economy.

While our strong brands, leading market position and motivated employees are important elements of this success, equally important is our effective and sustainable growth strategy – improve margins, invest in the business and grow sales and profit.

We are improving margins with a more favorable business mix and with aggressive cost reductions. In 2009 we completed a broad restructuring plan that has resulted in annual savings of \$61 million. Increased productivity allowed us to reduce the number of major manufacturing facilities by 26% and increase sales per facility by 66% since the program began in 2005.

Ongoing cost savings are being realized in each region and function

**At our largest manufacturing plant based in Maryland, this new high-capacity blending station does the work of six smaller blenders and was instrumental in the successful integration of the Lawry's business.**

under our Comprehensive Continuous Improvement effort. Our achievements in CCI are reflected in all aspects of our business, but most notably in our supply chain. Our 2009 CCI results include supply chain initiatives focused on supplier collaboration, manufacturing continuous improvement, packaging optimization and raw material origin and formulation conversions. In 2009, cost savings reached \$42 million, ahead of our initial goal of \$30 million. At our facility in Dallas, a “washout” that used to take 12 hours has been reduced to six hours. Productivity on product samples at our Technical Innovation Center has increased 46%. These and other cost reductions allow us to increase our brand marketing, develop new products and fund other initiatives. It is our fuel for growth.

We set objectives not only to increase profit, but to reduce working capital. This modified measurement, called McCormick Profit, has been in place for two years. In both years we reduced our cash conversion cycle by five days, and in 2009 we generated \$416 million of cash from operations. We are currently using cash to pay down debt from the Lawry’s acquisition, and through the end of 2009 have reduced our debt by \$252 million. We have maintained a strong balance sheet and investment-grade credit rating despite the difficult economy.

Cash is also funding dividends. McCormick shareholders have been paid a dividend every year since 1925. Your Board has increased the dividend on a per-share basis for 24 consecutive years. We recognize our dividends as one more way to build value for our shareholders.



Progress with CCI led to \$42 million of cost savings in 2009.



We removed five days from our cash conversion cycle in 2008, followed by another five day reduction in 2009.

In November 2009 the Board of Directors declared our 24th consecutive dividend increase.

