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REPORT OF MANAGEMENT

We are responsible for the preparation and integrity of the consolidated financial statements appearing in our Annual Report. The consolidated financial statements were prepared in conformity with United States generally accepted accounting principles and include amounts based on our estimates and judgments. All other financial information in this report has been presented on a basis consistent with the information included in the financial statements.

We are also responsible for establishing and maintaining adequate internal control over financial reporting. We maintain a system of internal control that is designed to provide reasonable assurance as to the fair and reliable preparation and presentation of the consolidated financial statements, as well as to safeguard assets from unauthorized use or disposition.

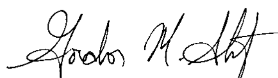
Our control environment is the foundation for our system of internal control over financial reporting and is embodied in our Business Ethics Policy. It sets the tone of our organization and includes factors such as integrity and ethical values. Our internal control over financial reporting is supported by formal policies and procedures which are reviewed, modified and improved as changes occur in business conditions and operations.

The Audit Committee of the Board of Directors, which is composed solely of independent directors, meets periodically with members of management, the internal auditors and the independent auditors to review and discuss internal control over financial reporting and accounting and financial reporting matters. The independent auditors and internal auditors report to the Audit Committee and accordingly have full and free access to the Audit Committee at any time.

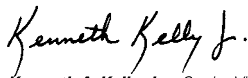
We conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Although there are inherent limitations in the effectiveness of any system of internal control over financial reporting, based on our evaluation, we have concluded with reasonable assurance that our internal control over financial reporting was effective as of November 30, 2009.

Our internal control over financial reporting as of November 30, 2009 has been audited by Ernst & Young LLP.

Alan D. Wilson *Chairman, President & Chief Executive Officer*



Gordon M. Stetz *Executive Vice President & Chief Financial Officer*



Kenneth A. Kelly, Jr. *Senior Vice President & Controller, Chief Accounting Officer*

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Internal Control Over Financial Reporting

The Board of Directors and Shareholders of
McCormick & Company, Incorporated

We have audited McCormick & Company, Incorporated's internal control over financial reporting as of November 30, 2009, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). McCormick & Company, Incorporated's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may

become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, McCormick & Company, Incorporated maintained, in all material respects, effective internal control over financial reporting as of November 30, 2009 based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of McCormick & Company, Incorporated as of November 30, 2009 and 2008 and the related consolidated income statements, statements of shareholders' equity and cash flow statements for each of the three years in the period ended November 30, 2009, and our report dated January 28, 2010 expressed an unqualified opinion thereon.

Ernst & Young LLP

Baltimore, Maryland
January 28, 2010

Consolidated Financial Statements

The Board of Directors and Shareholders of
McCormick & Company, Incorporated

We have audited the accompanying consolidated balance sheets of McCormick & Company, Incorporated as of November 30, 2009 and 2008, and the related consolidated income statements, statements of shareholders' equity, and cash flow statements for each of the three years in the period ended November 30, 2009. 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 audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of McCormick & Company, Incorporated at November 30, 2009 and 2008, and the consolidated results of their operations and their cash flows for each of the three years in the period ended November 30, 2009, in conformity with U.S. generally accepted accounting principles.

As discussed in note 12 of the notes to consolidated financial statements, the Company changed its method of accounting for uncertainty in income taxes on December 1, 2007.

As discussed in note 9 of the notes to consolidated financial statements, the Company changed its method of accounting for defined benefit post retirement plans on November 30, 2007 and effective December 1, 2008 changed the measurement date for pension and postretirement plan assets and liabilities to coincide with its year end.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), McCormick & Company, Incorporated's internal control over financial reporting as of November 30, 2009, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated January 28, 2010 expressed an unqualified opinion thereon.

Ernst & Young LLP

Baltimore, Maryland
January 28, 2010

CONSOLIDATED INCOME STATEMENT

for the year ended November 30 (millions except per share data)	2009	2008	2007
Net sales	$3,192.1	$3,176.6	$2,916.2
Cost of goods sold	1,864.9	1,888.4	1,724.4
Gross profit	1,327.2	1,288.2	1,191.8
Selling, general and administrative expense	846.6	870.6	806.9
Impairment charge	–	29.0	–
Restructuring charges	13.7	12.1	30.7
Operating income	466.9	376.5	354.2
Interest expense	52.8	56.7	60.6
Other income, net	2.4	18.0	8.8
Income from consolidated operations before income taxes	416.5	337.8	302.4
Income taxes	133.0	100.6	92.2
Net income from consolidated operations	283.5	237.2	210.2
Loss on sale of unconsolidated operations	–	–	(.8)
Income from unconsolidated operations	16.3	18.6	20.7
Net income	$ 299.8	$ 255.8	$ 230.1
Earnings per share – basic	$2.29	$1.98	$1.78
Earnings per share – diluted	$2.27	$1.94	$1.73

See Notes to Consolidated Financial Statements, pages 44-63.

CONSOLIDATED BALANCE SHEET

at November 30 (millions)	2009	2008
Assets		
Cash and cash equivalents	$ 39.5	$ 38.9
Trade accounts receivable, less allowances of $4.5 for 2009 and $4.6 for 2008	365.3	380.7
Inventories	445.9	439.0
Prepaid expenses and other current assets	119.8	109.7
Total current assets	970.5	968.3
Property, plant and equipment, net	489.8	461.1
Goodwill	1,479.7	1,230.2
Intangible assets, net	237.3	374.8
Prepaid allowances	26.6	32.9
Investments and other assets	183.9	153.0
Total assets	$3,387.8	$3,220.3

	2009	2008
Liabilities		
Short-term borrowings	$ 101.2	$ 303.1
Current portion of long-term debt	14.9	50.9
Trade accounts payable	283.6	266.1
Other accrued liabilities	418.5	414.0
Total current liabilities	818.2	1,034.1
Long-term debt	875.0	885.2
Other long-term liabilities	360.0	245.7
Total liabilities	2,053.2	2,165.0
Shareholders' equity		
Common stock, no par value; authorized 320.0 shares; issued and outstanding: 2009 – 12.3 shares, 2008 – 12.3 shares	235.1	223.1
Common stock non-voting, no par value; authorized 320.0 shares; issued and outstanding: 2009 – 119.5 shares, 2008 – 117.8 shares	398.9	358.7
Retained earnings	591.5	425.4
Accumulated other comprehensive income	109.1	48.1
Total shareholders' equity	1,334.6	1,055.3
Total liabilities and shareholders' equity	$3,387.8	$3,220.3

See Notes to Consolidated Financial Statements, pages 44-63.

CONSOLIDATED CASH FLOW STATEMENT

for the year ended November 30 (millions)	2009	2008	2007
Operating activities			
Net income	$299.8	$255.8	$230.1
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	94.3	85.6	82.6
Stock-based compensation	12.7	18.2	21.4
Loss (gain) on sale of assets	.3	(22.9)	.5
Impairment charge	–	29.0	–
Loss on sale of unconsolidated operations	–	–	.8
Deferred income taxes	24.0	(8.8)	(12.0)
Income from unconsolidated operations	(16.3)	(18.6)	(20.7)
Changes in operating assets and liabilities:			
Trade accounts receivable	45.8	(7.7)	(36.9)
Inventories	17.7	(27.4)	(7.9)
Trade accounts payable	4.8	42.6	8.9
Other assets and liabilities	(78.2)	(44.6)	(61.8)
Dividends received from unconsolidated affiliates	10.9	13.4	19.5
Net cash provided by operating activities	415.8	314.6	224.5
Investing activities			
Acquisitions of businesses	–	(693.3)	(15.9)
Capital expenditures	(82.4)	(85.8)	(78.5)
Proceeds from sale of business	–	14.0	–
Proceeds from sale of property, plant and equipment	.6	18.1	1.6
Net cash used in investing activities	(81.8)	(747.0)	(92.8)
Financing activities			
Short-term borrowings, net	(201.8)	156.5	66.0
Long-term debt borrowings	–	503.0	–
Long-term debt repayments	(50.4)	(150.4)	(.5)
Proceeds from exercised stock options	35.8	48.8	43.0
Common stock acquired by purchase	–	(11.0)	(157.0)
Dividends paid	(125.4)	(113.5)	(103.6)
Net cash (used in) provided by financing activities	(341.8)	433.4	(152.1)
Effect of exchange rate changes on cash and cash equivalents	8.4	(8.0)	17.3
Increase (decrease) in cash and cash equivalents	.6	(7.0)	(3.1)
Cash and cash equivalents at beginning of year	38.9	45.9	49.0
Cash and cash equivalents at end of year	$ 39.5	$ 38.9	$ 45.9

See Notes to Consolidated Financial Statements, pages 44-63.

CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

(millions)	Common Stock Shares	Common Stock Non-Voting Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, November 30, 2006	13.2	116.9	$444.3	$348.7	$140.3	$ 933.3
Comprehensive income:						
Net income				230.1		230.1
Currency translation adjustments					123.2	123.2
Change in derivative financial instruments, net of tax of $4.9					(8.5)	(8.5)
Minimum pension liability adjustment, net of tax of $30.3					54.6	54.6
Comprehensive income						399.4
Dividends				(105.6)		(105.6)
Adjustment for new pension accounting net of tax of $27.2					(49.3)	(49.3)
Stock-based compensation			21.4			21.4
Shares purchased and retired	(.6)	(3.9)	(18.7)	(149.4)		(168.1)
Shares issued, including tax benefit of $9.4	1.5	.7	54.0			54.0
Equal exchange	(1.3)	1.3				–
Balance, November 30, 2007	12.8	115.0	$501.0	$323.8	$260.3	$1,085.1
Comprehensive income:						
Net income				255.8		255.8
Currency translation adjustments					(240.4)	(240.4)
Change in derivative financial instruments, net of tax of $4.9					10.0	10.0
Unrealized components of pension plans, net of tax of $7.4					18.2	18.2
Comprehensive income						43.6
Dividends				(116.7)		(116.7)
Adjustment for new tax accounting				(12.8)		(12.8)
Stock-based compensation			18.2			18.2
Shares purchased and retired	(.7)	(.2)	(10.9)	(24.7)		(35.6)
Shares issued, including tax benefit of $14.4	2.4	.8	73.5			73.5
Equal exchange	(2.2)	2.2				–
Balance, November 30, 2008	12.3	117.8	$581.8	$425.4	$ 48.1	$1,055.3
Comprehensive income:						
Net income				**299.8**		**299.8**
Currency translation adjustments					**187.0**	**187.0**
Change in derivative financial instruments, net of tax of $1.8					**(4.6)**	**(4.6)**
Unrealized components of pension plans, net of tax of $55.8					**(121.4)**	**(121.4)**
Comprehensive income						**360.8**
Dividends				**(128.5)**		**(128.5)**
Adjustment for new pension accounting				**(1.5)**		**(1.5)**
Stock-based compensation			**12.7**			**12.7**
Shares retired	**(.1)**	**–**	**(3.1)**	**(3.7)**		**(6.8)**
Shares issued, including tax benefit of $7.2	**1.3**	**.5**	**42.6**			**42.6**
Equal exchange	**(1.2)**	**1.2**				**–**
Balance, November 30, 2009	**12.3**	**119.5**	**$634.0**	**$591.5**	**$109.1**	**$1,334.6**

See Notes to Consolidated Financial Statements, pages 44-63.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Consolidation

The financial statements include the accounts of our majority-owned or controlled subsidiaries and affiliates. Intercompany transactions have been eliminated. Investments in unconsolidated affiliates, over which we exercise significant influence, but not control, are accounted for by the equity method. Accordingly, our share of net income or loss of unconsolidated affiliates is included in net income.

Use of Estimates

Preparation of financial statements that follow accounting principles generally accepted in the U.S. requires us to make estimates and assumptions that affect the amounts reported in the financial statements and notes. Actual amounts could differ from these estimates.

Cash and Cash Equivalents

All highly liquid investments purchased with an original maturity of three months or less are classified as cash equivalents.

Inventories

Inventories are stated at the lower of cost or market. Cost is determined using standard or average costs which approximate the first-in, first-out costing method.

Property, Plant and Equipment

Property, plant and equipment is stated at historical cost and depreciated over its estimated useful life using the straight-line method for financial reporting and both accelerated and straight-line methods for tax reporting. The estimated useful lives range from 20 to 40 years for buildings and 3 to 12 years for machinery, equipment and computer software. Repairs and maintenance costs are expensed as incurred.

Capitalized Software Development Costs

We capitalize costs of software developed or obtained for internal use. Capitalized software development costs include only (1) direct costs paid to others for materials and services to develop or buy the software, (2) payroll and payroll-related costs for employees who work directly on the software development project and (3) interest costs while developing the software. Capitalization of these costs stops when the project is substantially complete and ready for use. Software is amortized using the straight-line method over a range of 3 to 8 years, but not exceeding the expected life of the product. We capitalized $20.1 million of software during the year ended November 30, 2009, $12.1 million during the year ended November 30, 2008 and $19.9 million during the year ended November 30, 2007.

Goodwill and Other Intangible Assets

We review the carrying value of goodwill and non-amortizable intangible assets and conduct tests of impairment on an annual basis as described below. We also test goodwill for impairment if events or circumstances indicate that it is more likely than not that the fair value of a reporting unit is below its carrying amount and test non-amortizing intangible assets for impairment if events or changes in circumstances indicate that the asset might be impaired. Separable intangible assets that have finite useful lives are amortized over those lives.

Determining the fair value of a reporting unit or an indefinite-lived purchased intangible asset is judgmental in nature and involves the use of significant estimates and assumptions. These estimates and assumptions include revenue growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates, assumed royalty rates, future economic and market conditions and determination of appropriate market comparables. We base our fair value estimates on assumptions we believe to be reasonable but that are unpredictable and inherently uncertain. Actual future results may differ from these estimates.

Goodwill Impairment

Our reporting units used to assess potential goodwill impairment are the same as our business segments. We calculate fair value of a reporting unit by using a discounted cash flow model and then compare that to the carrying amount of the reporting unit, including intangible assets and goodwill. If the carrying amount of the reporting unit exceeds the calculated fair value, then we would determine the implied fair value of the reporting unit's goodwill. An

impairment charge would be recognized to the extent the carrying amount of goodwill exceeds the implied fair value.

Non-Amortizable Intangible Asset Impairment

Our non-amortizable intangible assets consist of brand names and trademarks. We calculate fair value by using a discounted cash flow model or relief-from-royalty method and then compare that to the carrying amount of the non-amortizable intangible asset. If the carrying amount of the non-amortizable intangible asset exceeds its fair value, an impairment charge would be recorded to the extent the recorded non-amortizable intangible asset exceeds the fair value.

See note 4 for a discussion of the Silvo brand name impairment charge recorded in 2008.

Prepaid Allowances

Prepaid allowances arise when we prepay sales discounts and marketing allowances to certain customers on multi-year sales contracts. These costs are capitalized and amortized against net sales. The majority of our contracts are for a specific committed customer sales volume while others are for a specific time duration. Prepaid allowances on volume based contracts are amortized based on the actual volume of customer purchases, while prepaid allowances on time-based contracts are amortized on a straight-line basis over the life of the contract. The amounts reported in the balance sheet are stated at the lower of unamortized cost or our estimate of the net realizable value of these allowances.

Revenue Recognition

We recognize revenue when we have an agreement with the customer, the product has been delivered to the customer, the sales price is fixed and collectibility is reasonably assured. We reduce revenue for estimated product returns, allowances and price discounts based on historical experience and contractual terms.

Trade allowances, consisting primarily of customer pricing allowances, merchandising funds and consumer coupons, are offered through various programs to customers and consumers. Revenue is recorded net of trade allowances.

Trade accounts receivable are amounts billed and currently due from customers. We have an allowance for doubtful accounts to reduce our receivables to their net realizable value. We estimate the allowance for doubtful accounts based on our history of collections and the aging of our receivables.

Shipping and Handling

Shipping and handling costs on our products sold to customers are included in selling, general and administrative expense in the income statement. Shipping and handling expense was $73.2 million, $84.0 million and $81.9 million for 2009, 2008 and 2007, respectively.

Research and Development

Research and development costs are expensed as incurred and are included in selling, general and administrative expense in the income statement. Research and development expense was $48.9 million, $51.0 million and $49.3 million for 2009, 2008 and 2007, respectively.

Marketing Support

Total marketing support costs, which are included in selling, general and administrative expense in the income statement, were $146.5 million, $127.0 million and $112.3 million for 2009, 2008 and 2007, respectively. Marketing support costs include advertising, promotions and customer trade funds used for cooperative advertising. Promotion costs include consumer promotions, point of sale materials and sampling programs. Advertising costs include the development and production of ads and the communication of ads through print, television, radio and the Internet and in-store advertising expenses. These ads are expensed in the period in which they first run. Advertising expense was $63.8 million, $57.4 million and $54.7 million for 2009, 2008 and 2007, respectively.

Recently Issued Accounting Pronouncements

In May 2009, the Financial Accounting Standards Board (FASB) issued guidance regarding subsequent events (events or transactions occurring after the balance sheet

date but before issuance of our financial statements). This new accounting pronouncement was effective for our third quarter of 2009, and we have evaluated subsequent events through January 28, 2010, the date these financial statements were issued.

In December 2008, the FASB issued guidance on providing disclosures about plan assets of an employer's defined benefit pension plan. This will be effective for our year ending November 30, 2010.

In March 2008, the FASB issued a standard to improve financial reporting by requiring disclosures about the location and amounts of derivative instruments in an entity's financial statements; how derivative instruments and related hedged items are accounted for under current standards; and how derivative instruments and related hedged items affect its financial position, financial performance and cash flows. We began making these new disclosures in the first quarter of 2009 (see note 7 for further details).

In December 2007, the FASB issued a standard that outlines the accounting and reporting for ownership interest in a subsidiary held by parties other than the parent company (generally referred to as minority interests). This new accounting pronouncement is effective for our first quarter of 2010 and we do not expect any material impact on our financial statements from adoption.

In December 2007, the FASB issued a standard on business combinations. This standard establishes principles and requirements for how an acquirer recognizes and measures the identifiable assets acquired, the liabilities assumed, any minority interest in the acquiree and the goodwill acquired. This standard also establishes disclosure requirements which will enable users to evaluate the nature and financial effects of the business combination. It is effective for our acquisitions made after November 30, 2009, and its implementation may have a material impact on our financial statements for businesses we acquire post-adoption.

In September 2006, the FASB issued a standard that requires us to (a) record an asset or a liability on our balance sheet for our pension plans' overfunded or underfunded status (b) record any changes in the funded status of our pension and postretirement plans in the year in which the changes occur (reported in comprehensive income) and (c) measure our pension and postretirement assets and liabilities at November 30 versus our previous measurement date of September 30. We complied with the requirement to record the funded status and provided additional disclosures with our financial statements for our year ended November 30, 2007. Effective with our first quarter of 2009 financial statements, we complied with the portion of the standard to eliminate the difference between our plans' measurement date and our November 30 fiscal year-end. The standard provides two approaches to transition to a fiscal year-end measurement date, both of which are to be applied prospectively. We elected to apply the transition option under which a 14-month measurement period (from September 30, 2008 through November 30, 2009) was used to determine our 2009 fiscal year pension expense. Because of the 14-month measurement period, we recorded a $2.3 million ($1.5 million, net of tax) decrease to retained earnings with a corresponding increase to other long-term liabilities effective December 1, 2008.

In September 2006, the FASB issued a standard that defines fair value and provides guidance for measuring fair value and the necessary disclosures. This standard does not require any new fair value measurements but rather applies to all other accounting pronouncements that require or permit fair value measurements. In line with the requirements, we adopted this standard for financial assets and liabilities in the first quarter of 2008 and we adopted it for non-financial assets and liabilities in the first quarter of 2009 (see note 8 for further details). Additional pronouncements have been issued by the FASB providing guidance and clarification on measuring fair value. There were no material effects upon adoption of this new accounting pronouncement on our financial statements.

On December 1, 2007, we adopted the FASB guidance on accounting for uncertainty in income taxes. This guidance sets a threshold for financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. For each tax position, we must determine whether it is more likely than not that the position will be sustained on audit based on the technical merits of the position, including resolution of any related appeals or litigation. A tax position that meets the more likely than not recognition threshold is then measured to determine the amount of benefit to recognize in the financial statements. See note 12 for further details.

Reclassifications

Other receivables of $34.0 million have been reclassified from Trade accounts receivable to Prepaid expenses and other current assets on our November 30, 2008 consolidated balance sheet to conform to the current year presentation. The effect of this reclassification is not material to our financial statements.

2. ACQUISITIONS

Acquisitions of new brands are part of our strategy to improve margins and increase sales and profits.

In July 2008, we completed the purchase of the assets of the Lawry's business. Lawry's manufactures and sells a variety of marinades and seasoning blends under the well-known "Lawry's" brand in North America. The acquisition included the rights to the brands as well as related inventory and a small number of dedicated production lines. It did not include any manufacturing facilities or employees. The distribution of Lawry's sales was approximately 90% to our consumer segment and 10% to our industrial segment.

The purchase price was $603.5 million in cash, the assumption of certain liabilities relating to the purchased assets and transaction costs of $11.5 million. We used cash on hand and borrowings under our commercial paper program to initially fund the purchase price. In September 2008 we issued $250 million in medium-term debt ($248 million in net proceeds) to repay a portion of our outstanding commercial paper issued to fund the Lawry's acquisition (see note 6). The transaction underwent a regulatory review and the Federal Trade Commission issued its final order. In compliance with that order, we sold our Season-All business to Morton International, Inc. in July 2008. With annual sales of approximately $18 million, the Season-All business was sold for $15 million in cash (with net cash proceeds of $14 million). This resulted in a pre-tax gain of $12.9 million which was recorded as part of Other income in our income statement for 2008.

During 2009, we completed the final valuation of assets for Lawry's which resulted in $9.4 million being allocated to tangible net assets, $62.4 million allocated to other intangibles assets and $543.2 million allocated to goodwill. The final valuation utilized valuation methods that predominately use discounted cash flow models and reflects a $135.5 million transfer from brands and other intangible assets to goodwill from the preliminary valuation recorded in July 2008. The resulting change to amortization expense was not material. The value for brands and other intangible assets consists of $14.4 million which is amortizable and $48.0 million which is non-amortizable. The weighted average amortization period for the amortizable intangible assets is 23.8 years. For tax purposes, goodwill resulting from the acquisition is deductible.

In these financial statements we have not included proforma historical information, as if the results of Lawry's had been included from the beginning of the periods presented, since the use of forward-looking information would be necessary in order to meaningfully present the effects of the acquisition. Forward-looking information, rather than historical information, would be required as Lawry's was operated as a part of a larger business within Unilever N.V., and the expense structure and level of brand support would have been different under our ownership. Net sales for the years ended November 30, 2009 and November 30, 2008 from this acquisition were $98.7 million and $40.6 million, respectively.

In February 2008, we purchased Billy Bee Honey Products Ltd. (Billy Bee) for $76.4 million in cash, a business which operates in North America and is primarily included in our consumer segment from the date of acquisition. Billy Bee markets and sells under the "Billy Bee" brand. The annual sales of this business were approximately $35.0 million at the time of acquisition and include branded, private label and industrial products.

During 2009, we completed the final valuation of assets for Billy Bee which resulted in $5.7 million being allocated to tangible net assets, $12.0 million allocated to other intangibles assets and $58.7 million allocated to goodwill. This valuation was not significantly different than the preliminary valuation recorded in February 2008. The value for brands and other intangible assets consists of $4.1 million which is amortizable and $7.9 million which is non-amortizable.

In July 2007, we purchased Thai Kitchen SA for $12.8 million in cash, a business which operates the Thai Kitchen brand in Europe. This acquisition complements our U.S. purchase of Simply Asia Foods in 2006. The annual sales at the time of the acquisition were approximately $7 million.

3. GOODWILL AND INTANGIBLE ASSETS

The following table displays intangible assets as of November 30, 2009 and 2008:

(millions)	2009 Gross carrying amount	2009 Accumulated amortization	2008 Gross carrying amount	2008 Accumulated amortization
Amortizable intangible assets	$ 49.3	$14.4	$ 111.1	$11.6
Non-amortizable intangible assets:				
Goodwill	1,479.7	–	1,230.2	–
Brand names	192.4	–	268.1	–
Trademarks	10.0	–	7.2	–
	1,682.1	–	1,505.5	–
Total goodwill and intangible assets	$1,731.4	$14.4	$1,616.6	$11.6

Intangible asset amortization expense was $1.3 million, $5.9 million and $3.2 million for 2009, 2008 and 2007, respectively. At November 30, 2009, amortizable intangible assets had an average remaining life of approximately 15 years.

The changes in the carrying amount of goodwill by segment for the years ended November 30, 2009 and 2008 are as follows:

(millions)	2009 Consumer	2009 Industrial	2008 Consumer	2008 Industrial
Beginning of year	$1,110.0	$120.2	$ 822.5	$ 57.0
Purchase price allocation	122.5	19.9	–	–
Goodwill acquired	–	–	384.8	78.8
Foreign currency fluctuations	102.0	5.1	(97.3)	(15.6)
End of year	$1,334.5	$145.2	$1,110.0	$120.2

4. IMPAIRMENT CHARGE

During our annual impairment testing in the fourth quarter of 2008, we calculated the fair value of the Silvo brand in The Netherlands using the relief-from-royalty method and determined that it was lower than its carrying value. Consequently, we recorded a non-cash impairment charge of $29.0 million in our consumer business segment.

5. INVESTMENTS IN AFFILIATES

Summarized annual and year-end information from the financial statements of unconsolidated affiliates representing 100% of the businesses follows:

(millions)	2009	2008	2007
Net sales	$480.6	$483.8	$415.7
Gross profit	163.8	167.0	168.6
Net income	34.6	36.7	44.2
Current assets	$190.7	$178.7	$170.3
Noncurrent assets	54.1	54.1	54.0
Current liabilities	96.3	105.3	101.4
Noncurrent liabilities	9.6	9.3	9.9

Our share of undistributed earnings of unconsolidated affiliates was $59.3 million at November 30, 2009. Royalty income from unconsolidated affiliates was $12.8 million, $13.3 million and $11.4 million for 2009, 2008 and 2007, respectively.

Our principal investment in unconsolidated affiliates is a 50% interest in McCormick de Mexico, S.A. de C.V.

6. FINANCING ARRANGEMENTS

Our outstanding debt is as follows:

(millions)	2009	2008
Short-term borrowings		
Commercial paper	$100.0	$252.0
Other	1.2	51.1
	$101.2	$303.1
Weighted-average interest rate of short-term borrowings at year-end	.4%	2.1%
Long-term debt		
3.35% medium-term notes repaid 2009	–	$ 50.0
5.80% medium-term notes due 2011	$100.0	100.0
5.25% medium-term notes due 2013 (1)	250.0	250.0
5.20% medium-term notes due 2015 (2)	200.0	200.0
5.75% medium-term notes due 2017 (3)	250.0	250.0
7.63%-8.12% medium-term notes due 2024	55.0	55.0
Other	21.6	20.0
Unamortized discounts and fair value adjustments	13.3	11.1
	889.9	936.1
Less current portion	14.9	50.9
	$875.0	$885.2

(1) Interest rate swaps, settled upon the issuance of the medium-term notes, effectively fixed the interest rate on the $250 million notes at a weighted average fixed rate of 5.54%.
(2) The fixed interest rate on $100 million of the 5.20% medium-term notes due in 2015 is effectively converted to a variable rate by interest rate swaps through 2015. Net interest payments are based on 3 month LIBOR minus 0.05% during this period (our effective rate as of November 30, 2009 was 0.25%).
(3) Interest rate swaps, settled upon the issuance of the medium-term notes, effectively fixed the interest rate on the $250 million notes at a weighted average fixed rate of 6.25%.

Maturities of long-term debt during the years subsequent to November 30, 2010 are as follows (in millions):

2011 – $100.2
2012 – $.3
2013 – $251.3
2014 – $1.3
Thereafter – $508.5

In September 2008, we issued $250 million of 5.25% notes due 2013, with net cash proceeds received of $248.0 million. Interest is payable semiannually in arrears in March and September of each year. Of these notes, $100 million were subject to an interest rate hedge as further discussed in note 7. The net proceeds from this offering were used to pay down commercial paper which was issued for the purchase of the Lawry's business (see note 2).

In December 2007, we issued $250 million of 5.75% medium-term notes which are due in 2017, with net cash proceeds received of $248.3 million. These notes were also subject to an interest rate hedge as further discussed in note 7. The net proceeds were used to repay $150 million of debt which matured in 2008 with the remainder used to repay short-term debt.

We have available credit facilities with domestic and foreign banks for various purposes. Some of these lines are committed lines and others are uncommitted lines and could be withdrawn at various times. We have two major committed lines. In July 2007, we entered into a $500 million, five-year revolving credit agreement with various banks for general business purposes. Our current pricing under this credit agreement, on a fully drawn basis, is LIBOR plus 0.25%. Our second major facility is for $150 million as of November 30, 2009, but will be reduced to $100 million on December 31, 2009. This revolving credit facility is also with a syndicate of banks and expires in July 2010. Our current pricing under this facility, on a fully drawn basis, is based on LIBOR plus a credit default index. The index's lower limit is 1% and is capped at 2.5%. These two facilities support our commercial paper program and have $650 million of capacity at November 30, 2009, of which $100 million was used to support issued commercial paper. In addition to these two lines, we have several uncommitted lines which have a total unused capacity at November 30, 2009 of $109 million. These lines by their nature can be withdrawn based on the lenders' discretion. Committed credit facilities require a fee and annual commitment fees at November 30, 2009 and 2008 were $0.4 million and $0.3 million, respectively.

Rental expense under operating leases was $26.8 million in 2009, $27.5 million in 2008 and $27.0 million in 2007. Future annual fixed rental payments for the years ending November 30 are as follows (in millions):

2010 – $21.1
2011 – $16.6
2012 – $11.8
2013 – $ 8.6
2014 – $ 7.4
Thereafter – $11.0

At November 30, 2009, we had guarantees outstanding of $1.8 million with terms of one year or less. At November 30, 2009 and 2008, we had outstanding letters of credit of $30.0 million and $25.3 million, respectively. These letters of credit typically act as a guarantee of payment to certain third parties in accordance with specified terms and conditions. The unused portion of our letter of credit facility was $3.5 million at November 30, 2009.

7. FINANCIAL INSTRUMENTS

We use derivative financial instruments to enhance our ability to manage risk, including foreign currency and interest rate exposures, which exists as part of our ongoing business operations. We do not enter into contracts for trading purposes, nor are we a party to any leveraged derivative instrument and all derivatives are designated as hedges. The use of derivative financial instruments is monitored through regular communication with senior management and the use of written guidelines.

Foreign Currency

We are potentially exposed to foreign currency fluctuations affecting net investments, transactions and earnings denominated in foreign currencies. We selectively hedge the potential effect of these foreign currency fluctuations by entering into foreign currency exchange contracts with highly-rated financial institutions.

Contracts which are designated as hedges of anticipated purchases denominated in a foreign currency (generally purchases of raw materials in U.S. dollars by operating units outside the U.S.) are considered cash flow hedges. The gains and losses on these contracts are deferred in other comprehensive income until the hedged item is recognized in cost of goods sold, at which time the net amount deferred in other comprehensive income is also recognized in cost of goods sold. Gains and losses from hedges of assets, liabilities or firm commitments are recognized through income, offsetting the change in fair value of the hedged item.

At November 30, 2009, we had foreign currency exchange contracts maturing within one year to purchase or sell $307.8 million of foreign currencies versus $64.9 million at November 30, 2008. All of these contracts were designated as hedges of anticipated purchases denominated in a foreign currency to be completed within one year or hedges of foreign currency denominated assets or liabilities. Hedge ineffectiveness was not material.

Interest Rates

We finance a portion of our operations with both fixed and variable rate debt instruments, primarily commercial paper, notes and bank loans. We utilize interest rate swap agreements to minimize worldwide financing costs and to achieve a desired mix of variable and fixed rate debt.

We entered into three separate forward treasury lock agreements totaling $100 million in July and August of 2008. These forward treasury lock agreements were executed to manage the interest rate risk associated with the forecasted issuance of $250 million of fixed rate medium-term notes issued in September 2008. We cash settled these treasury lock agreements, which were designated as cash flow hedges, for a loss of $1.5 million simultaneous with the issuance of the notes and effectively fixed the interest rate on the $250 million notes at a weighted average fixed rate of 5.54%. The loss on these agreements was deferred in other comprehensive income and is being amortized over the five-year life of the medium-term notes as a component of interest expense. Hedge ineffectiveness of these agreements was not material.

In August 2007, we entered into $150 million of forward treasury lock agreements to manage the interest rate risk associated with the forecasted issuance of $250 million of fixed rate medium-term notes issued in December 2007. We cash settled these treasury lock agreements for a loss of $10.5 million simultaneous with the issuance of the medium-term notes and effectively fixed the interest rate on the $250 million notes at a weighted-average fixed rate of 6.25%. We had designated these forward treasury lock agreements as cash flow hedges. The loss on these agreements was deferred in other comprehensive income and is being amortized over the 10-year life of the medium-term notes as a component of interest expense. Hedge ineffectiveness of these agreements was not material.

In March 2006, we entered into interest rate swap contracts for a total notional amount of $100 million to receive interest at 5.20% and pay a variable rate of interest based on three-month LIBOR minus .05%. We designated these swaps, which expire in December 2015, as fair value hedges of the changes in fair value of $100 million of the $200 million 5.20% medium-term notes due 2015 that we issued in December 2005. Any unrealized gain or loss on these swaps will be offset by a corresponding increase or decrease in value of the hedged debt. No hedge ineffectiveness is recognized as the interest rate swaps qualify for "shortcut" treatment as defined under U.S. GAAP.

The following table discloses the derivative instruments on our balance sheet as of November 30, 2009, which are all recorded at fair value:

(millions)	Asset Derivatives			Liability Derivatives		
Derivatives	Balance sheet location	Notional amount	Fair value	Balance sheet location	Notional amount	Fair value
Interest rate contracts	Other current assets	$100.0	$17.0			
Foreign exchange forward contracts	Other current assets	36.3	1.4	Other accrued liabilities	$271.5	$3.5
Total		$136.3	$18.4		$271.5	$3.5

The following tables disclose the impact of derivative instruments on other comprehensive income (OCI), accumulated other comprehensive income (AOCI) and our income statement for the year ended November 30, 2009:

Fair value hedges *(millions)*

Derivative	Income statement location	Income (expense)
Interest rate contracts	Interest expense	$4.1

Cash flow hedges *(millions)*

Derivative	Gain (loss) recognized in OCI	Income statement location	Gain (loss) reclassified from AOCI
Terminated interest rate contracts	–	Interest expense	$(1.4)
Foreign exchange contracts	$(3.0)	Cost of goods sold	5.3
Total	$(3.0)		$3.9

The amount of gain or loss recognized in income on the ineffective portion of derivative instruments is not material. As of November 30, 2009, the maximum time frame for our foreign exchange contracts was 12 months. The net amount of other comprehensive income expected to be reclassified into income in the next 12 months was $2.1 million as a decrease to earnings.

Fair Value of Financial Instruments

The carrying amount and fair value of financial instruments at November 30, 2009 and 2008 were as follows:

	2009		2008	
(millions)	Carrying amount	Fair value	Carrying amount	Fair value
Long-term investments	$ 54.5	$ 54.5	$ 40.3	$ 40.3
Long-term debt	889.9	954.1	936.1	908.6
Derivatives related to:				
Interest rates	17.0	17.0	15.6	15.6
Foreign currency assets	1.4	1.4	7.4	7.4
Foreign currency liabilities	3.5	3.5	.3	.3

Because of their short-term nature, the amounts reported in the balance sheet for cash and cash equivalents, receivables, short-term borrowings and trade accounts payable approximate fair value.

Investments in affiliates are not readily marketable, and it is not practicable to estimate their fair value. Long-term investments are comprised of fixed income and equity securities held on behalf of employees in certain employee benefit plans and are stated at fair value on the balance sheet. The cost of these investments was $55.6 million and $51.7 million at November 30, 2009 and 2008, respectively.

Concentrations of Credit Risk

We are potentially exposed to concentrations of credit risk with trade accounts receivable, prepaid allowances and financial instruments. Because we have a large and diverse customer base with no single customer accounting for a significant percentage of trade accounts receivable and prepaid allowances, there was no material concentration of

credit risk in these accounts at November 30, 2009. Current credit markets are highly volatile and some of our customers and counterparties are highly leveraged. We continue to closely monitor the credit worthiness of our customers and counterparties. We feel that the allowance for doubtful accounts properly recognized trade receivables at realizable value. We consider nonperformance credit risk for other financial instruments to be insignificant.

8. FAIR VALUE MEASUREMENTS

Fair value can be measured using valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow), and the cost approach (cost to replace the service capacity of an asset or replacement cost). Accounting standards utilize a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

- *Level 1:* Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
- *Level 2:* Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- *Level 3:* Unobservable inputs that reflect the reporting entity's own assumptions.

Our population of assets and liabilities subject to fair value measurements on a recurring basis at November 30, 2009 are as follows:

		Fair value measurements using fair value hierarchy		
(millions)	Fair value	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$ 39.5	$39.5	–	–
Long-term investments	54.5	13.6	$ 40.9	–
Interest rate derivatives	17.0	–	17.0	–
Foreign currency derivatives	1.4	–	1.4	–
Total	$112.4	$53.1	$ 59.3	–
Liabilities				
Long-term debt	$954.1	–	$954.1	–
Foreign currency derivatives	3.5	–	3.5	–
Total	$957.6	–	$957.6	–

The fair values of long-term investments are based on quoted market prices from various stock and bond exchanges. The long-term debt fair values are based on quotes for like instruments with similar credit ratings and terms. The fair values for interest rate and foreign currency derivatives are based on quotations from various banks for similar instruments using models with market based inputs.

9. EMPLOYEE BENEFIT AND RETIREMENT PLANS

We sponsor defined benefit pension plans in the U.S. and certain foreign locations. In addition, we sponsor 401(k) retirement plans in the U.S. and contribute to government-sponsored retirement plans in locations outside the U.S. We also currently provide postretirement medical and life insurance benefits to certain U.S. employees.

We adopted new accounting for pension plans in 2008 and 2009 (see note 1 for further details).

Included in accumulated other comprehensive income at November 30, 2009 was $265.0 million ($177.6 million net of tax) related to net unrecognized actuarial losses and unrecognized prior service credit that have not yet been recognized in net periodic pension or postretirement benefit

cost. We expect to recognize $9.1 million ($6.2 million net of tax) of actuarial losses, net of prior service credit in net periodic pension and postretirement benefit expense during 2010.

Defined Benefit Pension Plans

The significant assumptions used to determine benefit obligations are as follows:

	United States		International	
	2009	2008	2009	2008
Discount rate – funded plan	6.3%	8.3%	5.9%	7.1%
Discount rate – unfunded plan	6.0%	8.4%	–	–
Salary scale	3.8%	4.0%	3.0-3.8%	3.5-4.7%
Expected return on plan assets	8.3%	8.3%	7.2%	7.1%

The expected long-term rate of return on assets assumption is based on weighted-average expected returns for each asset class. Expected returns reflect a combination of historical performance analysis and forward-looking views of the financial markets, and include input from actuaries, investment service firms and investment managers.

Our pension expense was as follows:

	United States			International		
(millions)	2009	2008	2007	2009	2008	2007
Service cost	$ 8.4	$10.6	$ 11.8	$ 4.7	$ 5.0	$ 7.8
Interest costs	27.9	26.1	24.5	10.3	9.9	11.3
Expected return on plan assets	(28.0)	(26.4)	(24.7)	(11.7)	(10.5)	(10.8)
Amortization of prior service costs	–	–	.1	.3	.3	.1
Curtailment loss	–	–	–	(.2)	–	–
Recognized net actuarial loss	1.0	4.8	10.0	–	1.5	3.3
Special termination benefits	–	–	–	.2	.1	.1
	$ 9.3	$ 15.1	$ 21.7	$ 3.6	$ 6.3	$11.8

The benefit obligation, fair value of plan assets and a reconciliation of the pension plans' funded status as of the measurement date follows:

	United States		International	
(millions)	2009	2008	2009	2008
Change in benefit obligation:				
Benefit obligation at beginning of year	$342.6	$391.6	$146.4	$217.8
Adjustments due to new measurement date:				
Service and interest cost	6.1	–	2.3	–
Benefit payments, employee contributions and expenses	(3.4)	–	–	–
Service cost	8.4	10.6	4.7	5.0
Interest costs	27.9	26.1	10.3	9.9
Employee contributions	–	–	1.8	1.7
Plan changes and other	–	–	.3	3.9
Actuarial loss (gain)	116.8	(65.9)	27.1	(36.8)
Benefits paid	(19.9)	(19.8)	(7.1)	(5.7)
Expenses paid	–	–	(1.8)	(.9)
Foreign currency impact	–	–	19.3	(48.5)
Benefit obligation at end of year	$ 478.5	$342.6	$203.3	$146.4
Change in fair value of plan assets:				
Fair value of plan assets at beginning of year	$281.3	$359.0	$138.6	$183.6
Adjustments due to new measurement date:				
Service and interest cost	4.3	–	1.8	–
Benefit payments, employee contributions and expenses	(3.3)	–	(1.4)	–
Actual return on plan assets	16.1	(61.5)	12.4	(16.0)
Employer contributions	57.0	3.6	15.3	15.6
Employee contributions	–	–	1.6	1.7
Benefits paid	(19.9)	(19.8)	(6.4)	(5.7)
Expenses paid	–	–	(.9)	(.9)
Net transfers in	–	–	–	1.3
Foreign currency impact	–	–	17.1	(41.0)
Fair value of plan assets at end of year	$ 335.5	$281.3	$178.1	$138.6
Funded status	$(143.0)	$ (61.3)	$ (25.2)	$ (7.8)
Employer contributions	–	–	–	2.4
Net amount recognized	$(143.0)	$ (61.3)	$ (25.2)	$ (5.4)
Pension plans in which accumulated benefit obligation exceeded plan assets				
Accumulated benefit obligation	$ 425.4	$ 40.4	$140.3	$ 17.2
Fair value of plan assets	335.5	–	119.3	11.9

Included in the United States in the preceding table is a benefit obligation of $57.9 million and $41.8 million for 2009

and 2008, respectively, related to a nonqualified defined benefit plan pursuant to which we will pay supplemental pension benefits to certain key employees upon retirement based upon employees' years of service and compensation. The accrued liability related to this plan was $54.6 million and $40.4 million as of November 30, 2009 and 2008, respectively. The assets related to this plan are held in a rabbi trust and accordingly have not been included in the preceding table. These assets were $40.9 million and $30.2 million as of November 30, 2009 and 2008, respectively.

Amounts recorded in the balance sheet consist of the following:

	United States		International	
(millions)	2009	2008	2009	2008
Prepaid pension cost	–	–	$ 3.4	$ 4.0
Accrued pension liability	$(143.0)	$(61.3)	(28.6)	(9.4)
Deferred income taxes	75.2	27.4	10.6	8.6
Accumulated other comprehensive income	125.8	46.1	47.2	17.6

The accumulated benefit obligation is the present value of pension benefits (whether vested or unvested) attributed to employee service rendered before the measurement date and based on employee service and compensation prior to that date. The accumulated benefit obligation differs from the projected benefit obligation in that it includes no assumption about future compensation levels. The accumulated benefit obligation for the U.S. pension plans was $425.4 million and $307.7 million as of November 30, 2009 and 2008, respectively. The accumulated benefit obligation for the international pension plans was $190.8 million and $133.7 million as of November 30, 2009 and 2008, respectively.

Our actual and target weighted-average asset allocations of U.S. pension plan assets as of November 30, 2009 and September 30, 2008, by asset category, were as follows:

Asset Category	2009	2008	Target
Equity securities	64.9%	62.1%	70%
Debt securities	24.3%	28.1%	20%
Other	10.8%	9.8%	10%
Total	100.0%	100.0%	100%

The average actual and target allocations of the international pension plans' assets as of November 30, 2009 and September 30, 2008, by asset category, were as follows:

Asset Category	2009	2008	Target
Equity securities	55.4%	52.5%	56%
Debt securities	41.5%	46.1%	44%
Other	3.1%	1.4%	–
Total	100.0%	100.0%	100%

The investment objectives of the pension benefit plans are to secure the benefit obligations to participants at a reasonable cost to us. The goal is to optimize the long-term return on plan assets at a moderate level of risk, by balancing higher-returning assets such as equity securities, with less volatile assets, such as fixed income securities. The assets are managed by professional investment firms and performance is evaluated quarterly against specific benchmarks.

Equity securities in the U.S. plan included McCormick stock with a fair value of $15.7 million (0.4 million shares and 4.7% of total U.S. pension plan assets) and $13.1 million (0.4 million shares and 5.9% of total U.S. pension plan assets) at November 30, 2009 and 2008, respectively. Dividends paid on these shares were $0.4 million in 2009 and in 2008.

Pension benefit payments in our major plans are made from assets of the pension plans. It is anticipated that future benefit payments for the U.S. plans for the next 10 fiscal years will be as follows:

(millions)	United States expected payments
2010	$ 19.3
2011	20.4
2012	21.8
2013	24.2
2014	25.9
2015-2019	159.5

It is anticipated that future benefit payments for the international plans for the next 10 fiscal years will be as follows:

(millions)	International expected payments
2010	$ 7.3
2011	7.9
2012	8.3
2013	8.7
2014	9.3
2015-2019	56.4

In 2010, we expect to contribute approximately $30 million to our U.S. pension plans and approximately $15 million to our international pension plans.

401(k) Retirement Plans

For the U.S. McCormick 401(k) Retirement Plan, we match 100% of a participant's contribution up to the first 3% of the participant's salary, and 50% of the next 2% of the participant's salary. Certain of our smaller U.S. subsidiaries sponsor separate 401(k) retirement plans. Our contributions charged to expense under all 401(k) retirement plans were $6.1 million, $5.7 million and $5.7 million in 2009, 2008 and 2007, respectively.

At the participant's election, 401(k) retirement plans held 2.8 million shares of McCormick stock, with a fair value of $100.8 million, at November 30, 2009. Dividends paid on these shares in 2009 were $2.8 million.

Postretirement Benefits Other Than Pensions

We currently provide postretirement medical and life insurance benefits to certain U.S. employees who were covered under the active employees' plan and retire after age 55 with at least 5 years of service. Employees hired after December 31, 2008 are not eligible for a company subsidy. They are eligible for coverage on an access only basis. The subsidy provided under these plans is based primarily on age at date of retirement. These benefits are not pre-funded but paid as incurred.

Our other postretirement benefit expense follows:

(millions)	2009	2008	2007
Service cost	$ 3.1	$ 3.5	$ 3.5
Interest costs	6.7	6.4	5.7
Amortization of prior service cost	(3.6)	(1.3)	(1.1)
Amortization of (gains)/losses	(.3)	.9	.8
Settlement/curtailment	(.3)	–	–
Postretirement benefit expense	$ 5.6	$ 9.5	$ 8.9

Rollforwards of the benefit obligation, fair value of plan assets and a reconciliation of the plans' funded status at November 30, the measurement date, follow:

(millions)	2009	2008
Change in benefit obligation		
Benefit obligation at beginning of year	$ 82.2	$102.6
Service cost	3.2	3.5
Interest costs	6.7	6.4
Employee contributions	3.0	2.9
Medicare prescription subsidy	.5	.6
Plan amendments	(8.0)	(6.4)
Other plan assumptions	1.0	–
Trend rate assumption change	2.2	–
Discount rate change	23.2	–
Actuarial (gain) loss	(2.2)	(17.3)
Benefits paid	(9.6)	(10.1)
Benefit obligation at end of year	$ 102.2	$ 82.2
Change in fair value of plan assets		
Fair value of plan assets at beginning of year	–	–
Employer contributions	$ 6.1	$ 6.6
Employee contributions	3.0	2.9
Medicare prescription subsidy	.5	.6
Benefits paid	(9.6)	(10.1)
Fair value of plan assets at end of year	–	–
Other postretirement benefit liability	$(102.2)	$ (82.2)

Estimated future benefit payments (net of employee contributions) for the next 10 fiscal years are as follows:

(millions)	Retiree medical	Retiree life insurance	Total
2010	$ 7.2	$1.1	$ 8.3
2011	7.6	1.1	8.7
2012	7.8	1.2	9.0
2013	8.1	1.2	9.3
2014	8.3	1.3	9.6
2015-2019	43.2	6.6	49.8

The assumed discount rate was 5.2% and 8.6% for 2009 and 2008, respectively.

For 2010, the assumed annual rate of increase in the cost of covered health care benefits is 9.0% (9.0% last year). It is assumed to decrease gradually to 5.0% in the year 2017 (5.0% by 2014 last year) and remain at that level thereafter. Changing the assumed health care cost trend would have the following effect:

(millions)	1-Percentage-point increase	1-Percentage-point decrease
Effect on total of service and interest cost components in 2009	$.4	$(.3)
Effect on benefit obligation as of November 30, 2009	.8	(.8)

10. STOCK-BASED COMPENSATION

We calculate and record compensation expense on the fair value of grants of various stock-based compensation programs over the vesting period of the awards. Awards are calculated at their fair value at date of grant. The resulting compensation expense is recorded in the income statement ratably over the shorter of the period until vesting or the employee's retirement eligibility date. For employees eligible for retirement on the date of grant, compensation expense is recorded immediately.

For all grants, the amount of compensation expense to be recorded is adjusted for an estimated forfeiture rate which is based on historical data.

Total stock-based compensation expense for 2009, 2008 and 2007 was $12.7 million, $18.2 million and $21.4 million, respectively. Total unrecognized stock-based compensation expense at November 30, 2009 was $8.7 million and the weighted-average period over which this will be recognized is 1.4 years.

We have two types of stock-based compensation awards; restricted stock units (RSUs) and stock options. Below, we have summarized the key terms and methods of valuation for our stock-based compensation awards.

RSUs

RSUs are valued at the market price of the underlying stock on the date of grant. Substantially all of the RSUs vest over a two-year term and are expensed ratably over that period, subject to the retirement eligibility rules discussed above.

A summary of our RSU activity for the years ended November 30 follows:

(shares in thousands)	2009		2008		2007	
	Shares	Weighted-average price	Shares	Weighted-average price	Shares	Weighted-average price
Beginning of year	370	$36.78	373	$36.47	280	$32.88
Granted	223	$29.89	279	$36.21	257	$38.28
Vested	(237)	$36.27	(277)	$35.77	(157)	$33.08
Forfeited	(3)	$32.67	(5)	$37.04	(7)	$35.17
Outstanding – end of year	353	$32.40	370	$36.78	373	$36.47

Stock Options

Stock options are granted with an exercise price equal to the market price of the stock at the date of grant. Substantially all of the options granted vest ratably over a four-year period and are exercisable over a ten-year period. Upon exercise of the option, shares would be issued from the authorized and unissued shares of the company.

The fair value of the options are estimated using a lattice option pricing model which uses the assumptions in the table below. We believe the lattice model provides a better estimated fair value of our options as it uses a range of possible outcomes over an option term and can be adjusted for changes in certain assumptions over time. Expected volatilities are based on the historical performance of our stock. We also use historical data to estimate the timing and amount of option exercises and forfeitures within the valuation model. The expected term of the options is an output of the option pricing model and estimates the period of time that options are expected to remain unexercised. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant.

The per share weighted-average fair value for all options granted was $5.04, $7.20 and $6.83 in 2009, 2008 and 2007, respectively. These fair values were computed using the following range of assumptions for our various stock compensation plans for the years ended November 30:

	2009	2008	2007
Risk-free interest rates	.2-2.7%	1.4-3.6%	4.5-5.1%
Dividend yield	3.2%	2.3%	2.0-2.1%
Expected volatility	24.9%	18.7-24.7%	13.4-24.9%
Expected lives	6.2 years	6.1 years	1.9-5.3 years

Under our stock option plans, we may issue shares on a net basis at the request of the option holder. This occurs by netting the option cost in shares from the shares exercised.

A summary of our stock option activity for the years ended November 30 follows:

(shares in millions)	2009		2008		2007	
	Shares	Weighted-average exercise price	Shares	Weighted-average exercise price	Shares	Weighted-average exercise price
Beginning of year	11.9	$28.33	14.2	$26.38	15.8	$25.31
Granted	1.2	$29.89	.6	$37.58	.8	$38.20
Exercised	(1.7)	$20.89	(2.8)	$20.50	(2.1)	$21.60
Forfeited	(.2)	$35.71	(.1)	$34.23	(.3)	$35.19
End of year	11.3	$29.45	11.9	$28.33	14.2	$26.38
Exercisable – end of year	9.5	$28.97	10.6	$27.23	11.6	$24.30

As of November 30, 2009, the intrinsic value (the difference between the exercise price and the market price) for the options outstanding was $78.0 million and for options exercisable was $70.7 million. The total intrinsic value of all options exercised during the years ended November 30, 2009, 2008 and 2007 was $21.9 million, $53.3 million and $33.2 million, respectively. A summary of our stock options outstanding and exercisable at November 30, 2009 follows:

(shares in millions)	Options outstanding			Options exercisable		
Range of exercise price	Shares	Weighted-average remaining life (yrs)	Weighted-average exercise price	Shares	Weighted-average remaining life (yrs)	Weighted-average exercise price
$12.00 - $19.00	.9	.9	$16.47	.9	.9	$16.47
$19.01 - $26.00	2.9	2.6	$21.89	2.9	2.6	$21.89
$26.01 - $33.00	4.3	5.6	$30.59	3.0	4.0	$30.83
$33.01 - $40.00	3.2	5.2	$38.12	2.7	4.5	$38.18
	11.3	4.3	$29.45	9.5	3.4	$28.97

11. RESTRUCTURING ACTIVITIES

In November 2005, the Board of Directors approved a restructuring plan to consolidate our global manufacturing, rationalize our distribution facilities, improve our go-to-market strategy, eliminate administrative redundancies and rationalize our joint venture partnerships. From 2005 through 2009, we have recorded total pre-tax charges of $128.7 million for this program. Of these charges, we recorded $99.2 million of severance and other personnel costs and $49.4 million for other exit costs. Asset write-offs were $13.8 million, exclusive of the $33.7 million pre-tax gain on the redemption of our Signature Brands, L.L.C. joint venture (Signature) recorded in 2006. The cash related portion of these charges were $91.3 million through November 30, 2009, including the $14.4 million cash received from the Salinas sale in 2008 and $9.2 million cash received on redemption of our Signature investment in 2006. Another $12.2 million is expected to be paid in 2010.

The actions taken pursuant to the restructuring plan have eliminated approximately 1,300 positions as of November 30, 2009. As of November 30, 2009 this restructuring program was completed.

The following is a summary of restructuring activities:

(millions)	2009	2008	2007
Pre-tax restructuring charges			
Other restructuring charges	$13.7	$12.1	$30.7
Recorded in cost of goods sold	2.5	4.5	3.3
Reduction in operating income	16.2	16.6	34.0
Income tax effect	(5.3)	(5.1)	(10.6)
Loss (gain) on sale of unconsolidated operations, net of tax	–	–	.8
Reduction in net income	$10.9	$11.5	$24.2

In 2009, we recorded $8.2 million of severance costs, primarily associated with the reduction of administrative personnel in Europe and to the planned closure of a manufacturing facility in The Netherlands. In addition, we recorded $2.5 million of other exit costs and $5.5 million for asset write-downs related to The Netherlands plant closure. The asset write-downs were for accelerated depreciation and inventory write-offs.

In 2008, we recorded $13.0 million of severance costs, primarily associated with the reduction of administrative

personnel in Europe, the U.S. and Canada. In addition, we recorded $9.1 million of other exit costs related to the consolidation of production facilities in Europe and the reorganization of distribution networks in the U.S. and U.K. These restructuring charges were offset by a $5.5 million credit related to the disposal of assets. This credit was primarily the result of a gain on the disposal of our Salinas, California manufacturing facility, which was consolidated with other manufacturing facilities in 2007.

In 2007, we recorded $14.9 million of severance costs, primarily associated with the reduction of administrative personnel in the U.S. and Europe. In addition, we recorded $16.7 million of other exit costs resulting from the closure of manufacturing facilities in Salinas, California and Hunt Valley, Maryland and the consolidation of production facilities in Europe. The remaining $2.4 million of asset write-downs is comprised of inventory write-offs as a result of the closure of the manufacturing facilities in Salinas, California and Hunt Valley, Maryland and accelerated depreciation of assets, mostly offset by the asset gain from the sale of our manufacturing facility in Paisley, Scotland.

The business segment components of the restructuring charges recorded in 2009, 2008 and 2007 are as follows :

(millions)	2009	2008	2007
Consumer	$12.3	$ 9.7	$23.8
Industrial	3.9	6.9	10.2
Total restructuring charges	$16.2	$16.6	$34.0

The restructuring charges recorded in the consumer business include severance costs and special early retirement benefits associated with our voluntary separation program in several functions in the U.S., Europe and Canada; consolidation of certain manufacturing facilities in Europe; the reorganization of distribution networks in the U.S. and the U.K.; and closure of manufacturing facilities in Salinas, California (offset by the asset gain); Sydney, Australia; Kerava, Finland and The Netherlands.

The restructuring charges recorded in the industrial business include severance costs and special early retirement benefits associated with our voluntary separation program in several functions in the U.S. and Europe; closures of manufacturing facilities in Hunt Valley, Maryland, and Paisley, Scotland (offset by the asset gain) including other exit and inventory write-off costs and accelerated depreciation of assets.

During 2009, 2008 and 2007, we spent $9.0 million, $0.8 million and $42.2 million, respectively, in cash on the restructuring plan.

The major components of the restructuring charges and the remaining accrual balance relating to the restructuring plan as of November 30, 2007, 2008 and 2009 follow:

(millions)	Severance and personnel costs	Asset write-downs	Other exit costs	Total
Balance at Nov. 30, 2006	$ 20.3	–	$ 3.1	$ 23.4
2007				
Restructuring charges	$ 14.9	$ 2.4	$ 16.7	$ 34.0
Amounts utilized	(28.1)	(2.4)	(19.4)	(49.9)
	$ 7.1	–	$ .4	$ 7.5
2008				
Restructuring charges	$ 13.0	$ (5.5)	$ 9.1	$ 16.6
Amounts utilized	(12.3)	5.5	(6.8)	(13.6)
	$ 7.8	–	$ 2.7	$ 10.5
2009				
Restructuring charges	**$ 8.2**	**$ 5.5**	**$ 2.5**	**$ 16.2**
Amounts utilized	**(5.6)**	**(5.5)**	**(3.4)**	**(14.5)**
	$ 10.4	**–**	**$ 1.8**	**$ 12.2**

12. INCOME TAXES

The provision for income taxes consists of the following:

(millions)	2009	2008	2007
Income taxes			
Current			
Federal	$ 83.4	$ 85.7	$ 80.6
State	10.9	7.7	9.3
International	14.7	16.0	14.3
	109.0	109.4	104.2
Deferred			
Federal	24.5	5.3	(11.8)
State	2.7	.2	(1.4)
International	(3.2)	(14.3)	1.2
	24.0	(8.8)	(12.0)
Total income taxes	$133.0	$100.6	$92.2

The components of income from consolidated operations before income taxes follow:

(millions)	2009	2008	2007
Pretax income			
United States	$338.3	$256.8	$212.4
International	78.2	81.0	90.0
	$416.5	$337.8	$302.4

A reconciliation of the U.S. federal statutory rate with the effective tax rate follows:

	2009	2008	2007
Federal statutory tax rate	35.0%	35.0%	35.0%
State income taxes, net of federal benefits	2.1	1.5	1.7
Tax effect of international operations	(3.0)	(7.4)	(4.2)
Tax credits	(.3)	(.3)	(.8)
U.S. manufacturing deduction	(.8)	(1.6)	(.9)
Retirement plans	(.8)	1.7	(.4)
Other, net	(.3)	.9	.1
Effective tax rate	31.9%	29.8%	30.5%

Deferred tax assets and liabilities are comprised of the following:

(millions)	2009	2008
Deferred tax assets		
Employee benefit liabilities	$131.1	$ 89.1
Other accrued liabilities	25.9	16.6
Inventory	9.3	6.4
Net operating and capital loss carryforwards	22.9	11.8
Other	12.8	14.0
Valuation allowance	(20.5)	(7.5)
	181.5	130.4
Deferred tax liabilities		
Depreciation	43.9	44.9
Intangible assets	98.3	77.6
Other	6.2	8.1
	148.4	130.6
Net deferred tax asset (liability)	$ 33.1	$ (.2)

At November 30, 2009, our non-U.S. subsidiaries have tax loss carryforwards of $121.1 million, of which $9.8 million are from the excess tax benefits related to stock based compensation deductions which will increase equity once the benefit is realized through a reduction of income taxes payable. Of these carryforwards, $48.1 million expire through 2015, $27.7 million from 2016 through 2024 and $45.3 million may be carried forward indefinitely.

At November 30, 2009, our non-U.S. subsidiaries have capital loss carryforwards of $6.2 million. All of these carry-forwards may be carried forward indefinitely.

A valuation allowance has been provided to record deferred tax assets at their net realizable value. The $13.0 million net increase in the valuation allowance was mainly due to an additional valuation allowance related to losses generated in 2009 which may not be realized in future periods.

U.S. income taxes are not provided for unremitted earnings of international subsidiaries and affiliates where our intention is to reinvest these earnings permanently. Unremitted earnings of such entities were $581.8 million at November 30, 2009.

On December 1, 2007, we adopted the new accounting for uncertainty in income taxes. Upon adoption, we recorded the cumulative effect of this change in accounting principle of $12.8 million as a reduction to the opening balance of retained earnings.

The total amount of unrecognized tax benefits as of November 30, 2009 and November 30, 2008 were $31.2 million and $28.6 million, respectively. This includes $30.9 million and $28.4 million, respectively, of tax benefits that, if recognized, would affect the effective tax rate.

The following table summarizes the activity related to our gross unrecognized tax benefits for the years ended November 30, 2009 and 2008:

(millions)	2009	2008
Balance at beginning of year	$28.6	$26.5
Additions for current year tax positions	3.7	4.5
Additions for prior year tax positions	1.7	4.8
Reductions for prior year tax positions	(3.6)	(2.0)
Settlements	–	(1.7)
Statute expirations	–	(2.4)
Foreign currency translation	.8	(1.1)
Balance at November 30,	$31.2	$28.6

We record interest and penalties on income taxes in income tax expense. We recognized interest and penalty expense of $0.7 million and $1.3 million for the years ended November 30, 2009 and 2008, respectively. As of November 30, 2009, we had accrued $3.9 million of interest and penalties related to unrecognized tax benefits.

We file income tax returns in the U.S. federal jurisdiction and various state and non-U.S. jurisdictions. The open years subject to tax audits varies depending on the tax jurisdictions. In major jurisdictions, we are no longer subject to income tax audits by taxing authorities for years before 2002. In the U.S., the Internal Revenue Service has audited our tax returns through 2005.

It is reasonably possible that the amount of the liability for unrecognized tax benefits could change significantly during the next 12 months as a result of the resolution of previously filed tax returns in various jurisdictions. An estimate of the possible change cannot be determined at this time.

13. EARNINGS PER SHARE

The reconciliation of shares outstanding used in the calculation of basic and diluted earnings per share for the years ended November 30, 2009, 2008 and 2007 follows:

(millions)	2009	2008	2007
Average shares outstanding – basic	130.8	129.0	129.3
Effect of dilutive securities:			
Stock options and ESPP	1.5	2.8	3.4
Average shares outstanding – diluted	132.3	131.8	132.7

The following table sets forth the stock options and RSUs for the years ended November 30, 2009, 2008 and 2007 which were not considered in our earnings per share calculation since they were antidilutive.

(millions)	2009	2008	2007
Antidilutive securities	4.4	3.4	2.9

14. CAPITAL STOCK

Holders of Common Stock have full voting rights except that (1) the voting rights of persons who are deemed to own beneficially 10% or more of the outstanding shares of Common Stock are limited to 10% of the votes entitled to be cast by all holders of shares of Common Stock regardless of how many shares in excess of 10% are held by such person; (2) we have the right to redeem any or all shares of stock owned by such person unless such person acquires more than 90% of the outstanding shares of each class of our common stock; and (3) at such time as such person controls more than 50% of the vote entitled to be cast by the holders of outstanding shares of Common Stock, automatically, on a share-for-share basis, all shares of Common Stock Non-Voting will convert into shares of Common Stock.

Holders of Common Stock Non-Voting will vote as a separate class on all matters on which they are entitled to vote. Holders of Common Stock Non-Voting are entitled to vote on reverse mergers and statutory share exchanges where our capital stock is converted into other securities or property, dissolution of the Company and the sale of substantially all of our assets, as well as forward mergers and consolidation of the Company.

15. COMMITMENTS AND CONTINGENCIES

During the normal course of our business, we are occasionally involved with various claims and litigation. Reserves are established in connection with such matters when a loss is probable and the amount of such loss can be reasonably estimated. At November 30, 2009 and 2008, no material reserves were recorded. No reserves are established for losses which are only reasonably possible. The determination of probability and the estimation of the actual amount of any such loss is inherently unpredictable, and it is therefore possible that the eventual outcome of such claims and litigation could exceed the estimated reserves, if any. However, we do not believe that any such excess will have a material adverse effect on our financial statements.

16. BUSINESS SEGMENTS AND GEOGRAPHIC AREAS

Business Segments

We operate in two business segments: consumer and industrial. The consumer and industrial segments manufacture, market and distribute spices, herbs, seasonings, specialty foods and flavors throughout the world. The consumer segment sells to retail outlets, including grocery, mass merchandise, warehouse clubs, discount and drug stores under the McCormick brand and a variety of brands around the world, including Lawry's, Zatarain's, Simply Asia, Thai Kitchen, Old Bay, Golden Dipt, El Guapo, Ducros, Schwartz, Vahiné, Silvo, Club House, Billy Bee and Aeroplane. The industrial segment sells to other food manufacturers and the foodservice industry both directly and indirectly through distributors.

In each of our segments, we produce and sell many individual products which are similar in composition and nature. It is impractical to segregate and identify profits for each of these individual product lines.

We measure segment performance based on operating income excluding restructuring charges from our restructuring programs as this activity is managed separately from the business segment. In 2008 we also measured our segments excluding the non-cash impairment charge to reduce the value of the Silvo brand. Although the segments are managed separately due to their distinct distribution channels and marketing strategies, manufacturing and warehousing are often integrated to maximize cost efficiencies. We do not segregate jointly utilized assets by individual segment for internal reporting, evaluating performance or allocating capital. Asset-related information has been disclosed in the aggregate.

We have a large number of customers for our products. Sales to one of our industrial business customers, PepsiCo, Inc., accounted for 11% of consolidated sales in 2009 and 10% of consolidated sales in 2008 and 2007. In 2009, sales to Wal-Mart Stores, Inc., a consumer business customer, accounted for 11% of consolidated sales.

Accounting policies for measuring segment operating income and assets are consistent with those described in note 1, "Summary of Significant Accounting Policies." Because of manufacturing integration for certain products within the segments, products are not sold from one segment to another but rather inventory is transferred at cost. Intersegment sales are not material. Corporate assets include cash, deferred taxes, certain investments and fixed assets.

A reconciliation of operating income excluding impairment and restructuring charges (which we use to measure segment profitability) to operating income is as follows:

(millions)	Total
2009	
Operating income, excluding restructuring charges	**$483.1**
Less: Restructuring charges	**16.2**
Operating income	**$466.9**
2008	
Operating income, excluding impairment and restructuring charges	$422.1
Less: Impairment charge	29.0
Less: Restructuring charges	16.6
Operating income	$376.5
2007	
Operating income, excluding restructuring charges	$388.2
Less: Restructuring charges	34.0
Operating income	$354.2

Geographic Areas

We have net sales and long-lived assets in the following geographic areas:

(millions)	United States	Europe	Other countries	Total
2009				
Net sales	**$1,981.5**	**$671.0**	**$539.6**	**$3,192.1**
Long-lived assets	**1,230.0**	**778.3**	**198.5**	**2,206.8**
2008				
Net sales	$1,846.5	$767.4	$562.7	$3,176.6
Long-lived assets	1,225.0	676.8	164.3	2,066.1
2007				
Net sales	$1,717.8	$736.5	$461.9	$2,916.2
Long-lived assets	633.1	829.0	112.5	1,574.6

Long-lived assets include property, plant and equipment, goodwill and intangible assets, net of accumulated depreciation and amortization.

BUSINESS SEGMENT RESULTS

(millions)	Consumer	Industrial	Total segments	Corporate & other	Total
2009					
Net sales	**$1,911.2**	**$1,280.9**	**$3,192.1**	**–**	**$3,192.1**
Operating income excluding restructuring charges	**397.9**	**85.2**	**483.1**	**–**	**483.1**
Income from unconsolidated operations	**12.1**	**4.2**	**16.3**	**–**	**16.3**
Goodwill	**1,334.5**	**145.2**	**1,479.7**	**–**	**1,479.7**
Assets	**–**	**–**	**3,207.4**	**$180.4**	**3,387.8**
Capital expenditures	**–**	**–**	**64.4**	**18.0**	**82.4**
Depreciation and amortization	**–**	**–**	**77.8**	**16.5**	**94.3**
2008					
Net sales	$1,850.8	$1,325.8	$3,176.6	–	$3,176.6
Operating income excluding impairment and restructuring charges	343.3	78.8	422.1	–	422.1
Income from unconsolidated operations	13.4	5.2	18.6	–	18.6
Goodwill	1,110.0	120.2	1,230.2	–	1,230.2
Assets	–	–	3,091.6	$128.7	3,220.3
Capital expenditures	–	–	77.1	8.7	85.8
Depreciation and amortization	–	–	66.2	19.4	85.6
2007					
Net sales	$1,671.3	$1,244.9	$2,916.2	–	$2,916.2
Operating income excluding restructuring charges	313.9	74.3	388.2	–	388.2
Income from unconsolidated operations	16.8	3.9	20.7	–	20.7
Goodwill	822.5	57.0	879.5	–	879.5
Assets	–	–	2,643.2	$144.3	2,787.5
Capital expenditures	–	–	63.8	14.7	78.5
Depreciation and amortization	–	–	65.6	17.0	82.6

17. SUPPLEMENTAL FINANCIAL STATEMENT DATA

Supplemental income statement, balance sheet and cash flow information follows:

(millions)	2009	2008
Inventories		
Finished products	$237.6	$230.7
Raw materials and work-in-process	208.3	208.3
	$445.9	$439.0
Prepaid expenses	$ 11.5	$ 10.1
Other current assets	108.3	99.6
	$119.8	$109.7
Property, plant and equipment		
Land and improvements	$ 29.7	$ 26.2
Buildings	290.1	263.8
Machinery and equipment	542.4	465.2
Software	231.6	213.8
Construction in progress	34.6	41.3
Accumulated depreciation	(638.6)	(549.2)
	$489.8	$461.1
Investments and other assets		
Investments in affiliates	$ 68.4	$ 58.3
Long-term investments	54.5	40.3
Other assets	61.0	54.4
	$183.9	$153.0
Other accrued liabilities		
Payroll and employee benefits	$122.1	$119.8
Sales allowances	126.0	140.9
Other	170.4	153.3
	$418.5	$414.0
Other long-term liabilities		
Pension	$171.9	$ 69.1
Postretirement benefits	93.9	74.8
Deferred taxes	32.8	47.7
Income taxes payable	34.9	31.4
Other	26.5	22.7
	$360.0	$245.7

(millions)	2009	2008	2007
Depreciation	$ 80.8	$ 67.6	$ 69.7
Interest paid	54.3	51.6	60.6
Income taxes paid	107.1	102.7	112.1
Interest capitalized	0.2	0.9	–

(millions)	2009	2008
Accumulated other comprehensive income, net of tax where applicable		
Foreign currency translation adjustment	$293.3	$106.2
Unrealized gain (loss) on foreign currency exchange contracts	(.5)	3.5
Unamortized value of settled interest rate swaps	(6.1)	(5.5)
Pension and other postretirement costs	(177.6)	(56.1)
	$109.1	$ 48.1

Dividends paid per share were $0.96 in 2009, $0.88 in 2008 and $0.80 in 2007.

18. SELECTED QUARTERLY DATA (UNAUDITED)

(millions except per share data)	First	Second	Third	Fourth
2009				
Net sales	**$718.5**	**$757.3**	**$791.7**	**$924.5**
Gross profit	**284.2**	**302.2**	**319.0**	**421.7**
Operating income	**89.8**	**82.5**	**116.6**	**178.0**
Net income	**57.7**	**50.7**	**75.1**	**116.4**
Basic earnings per share	**.44**	**.39**	**.57**	**.89**
Diluted earnings per share	**.44**	**.38**	**.57**	**.87**
Dividends paid per share – Common Stock and Common Stock Non-Voting	**.24**	**.24**	**.24**	**.24**
Market price – Common Stock				
High	**33.05**	**33.17**	**33.35**	**36.46**
Low	**28.57**	**28.32**	**30.64**	**32.40**
Market price – Common Stock Non-Voting				
High	**33.23**	**33.44**	**33.32**	**36.45**
Low	**28.82**	**28.53**	**30.49**	**32.42**
2008				
Net sales	$724.0	$764.1	$781.6	$906.9
Gross profit	285.8	297.9	308.4	396.1
Operating income	77.4	80.5	92.9	125.7
Net income	51.4	53.3	68.6	82.5
Basic earnings per share	.40	.41	.53	.63
Diluted earnings per share	.39	.41	.52	.62
Dividends paid per share – Common Stock and Common Stock Non-Voting	.22	.22	.22	.22
Market price – Common Stock				
High	38.93	38.30	41.80	41.35
Low	33.10	34.35	35.41	28.86
Market price – Common Stock Non-Voting				
High	38.99	38.08	41.97	41.57
Low	33.55	34.53	35.49	28.79

HISTORICAL FINANCIAL SUMMARY

(millions except per share and ratio data)	2009	2008	2007	2006	2005
For the Year					
Net sales	$3,192.1	$3,176.6	$2,916.2	$2,716.4	$2,592.0
Percent increase	.5%	8.9%	7.4%	4.8%	2.6%
Operating income	466.9	376.5	354.2	269.6	343.5
Income from unconsolidated operations	16.3	18.6	20.7	17.1	15.9
Net income	299.8	255.8	230.1	202.2	214.9
Per Common Share					
Earnings per share – diluted	$ 2.27	$ 1.94	$ 1.73	$ 1.50	$ 1.56
Earnings per share – basic	2.29	1.98	1.78	1.53	1.60
Common dividends declared	.98	.90	.82	.74	.66
Market Non-Voting closing price – end of year	35.68	29.77	38.21	38.72	31.22
Book value per share	10.12	8.11	8.51	7.17	6.03
At Year-End					
Total assets	$3,387.8	$3,220.3	$2,787.5	$2,568.0	$2,272.7
Current debt	116.1	354.0	149.6	81.4	106.1
Long-term debt	875.0	885.2	573.5	569.6	463.9
Shareholders' equity	1,334.6	1,055.3	1,085.1	933.3	799.9
Total capital	2,325.7	2,294.5	1,808.3	1,584.3	1,369.9
Other Financial Measures					
Percentage of net sales					
Gross profit	41.6%	40.6%	40.9%	41.0%	40.0%
Operating income	14.6%	11.9%	12.1%	9.9%	13.3%
Capital expenditures	$ 82.4	$ 85.8	$ 78.5	$ 84.8	$ 66.8
Depreciation and amortization	94.3	85.6	82.6	84.3	74.6
Common share repurchases	–	11.0	157.0	155.9	185.6
Debt-to-total-capital	42.6%	54.0%	40.0%	41.1%	41.6%
Average shares outstanding					
Basic	130.8	129.0	129.3	131.8	134.5
Diluted	132.3	131.8	132.7	135.0	138.1

The historical financial summary includes the impact of certain items that affect the comparability of financial results year to year. From 2005 to 2009, restructuring charges were recorded and are included in the table below. Also, in 2008 an impairment charge of $29.0 million was recorded to reduce the value of the Silvo brand. Related to the acquisition of Lawry's in 2008, we recorded a gain. The net impact of these items is reflected in the following table:

(millions except per share data)	2009	2008	2007	2006	2005
Operating income	$(16.2)	$(45.6)	$(34.0)	$(84.1)	$(11.2)
Net income	(10.9)	(26.2)	(24.2)	(30.3)	(7.5)
Earnings per share	(.08)	(.20)	(.18)	(.22)	(.05)

In 2006, we began to record stock-based compensation expense and prior years' results have not been adjusted. Stock-based compensation reduced operating income by $12.7 million, net income by $8.7 million and earnings per share by $0.07 in 2009. Stock-based compensation reduced operating income by $17.9 million, net income by $12.4 million and earnings per share by $0.10 in 2008. Stock-based compensation reduced operating income by $21.2 million, net income by $14.7 million and earnings per share by $0.11 in 2007. Stock-based compensation reduced operating income by $22.0 million, net income by $15.1 million and earnings per share by $0.11 in 2006.

Total capital includes debt and shareholders' equity.

An eleven-year financial summary is available at ir.mccormick.com, as well as a report on EVA (Economic Value Added) and return on invested capital.

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Stock Information

New York Stock Exchange
Symbol: MKC

Anticipated Dividend Dates – 2010

Record Date	Payment Date
4/12/10	4/26/10
7/6/10	7/20/10
10/11/10	10/25/10
12/31/101/14/11	

McCormick has paid dividends every year since 1925.

Independent Registered Public Accounting Firm

Ernst & Young LLP
621 East Pratt Street
Baltimore, MD 21202

Investor Inquiries

Our investor website, ir.mccormick.com, has our annual reports, Securities & Exchange Commission (SEC) filings, press releases, webcasts, corporate governance principles and other information.

To obtain **without cost** a copy of the annual report filed with the SEC on Form 10-K or for general questions about McCormick or the information in our annual or quarterly reports, contact Investor Relations at the world headquarters address, investor website or telephone:

Report ordering:
Proxy materials: (800) 579-1639
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or ir.mccormick.com

Investor and securities analysts' inquiries:
(410) 771-7244

Registered Shareholder Inquiries

For questions on your account, statements, dividend payments, reinvestment and direct deposit, and for address changes, lost certificates, stock transfers, ownership changes or other administrative matters, contact our transfer agent.

Transfer Agent and Registrar

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Shareowner Services
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(877) 778-6784 or (651) 450-4064
www.wellsfargo.com/shareownerservices

Annual Meeting

The annual meeting of shareholders will be held at 10 a.m., Wednesday, March 31, 2010, at Marriott's Hunt Valley Inn, 245 Shawan Road (Exit 20A off I-83 north of Baltimore), Hunt Valley, Maryland 21031.

Online Receipt of Annual Report and Proxy Statement

If you would like to access next year's proxy statement and annual report via the Internet, you may enroll on the website below:
enroll.icsdelivery.com/mkc

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