

McCormick *World of Flavors*



Alan D. Wilson,
Chairman, President &
Chief Executive Officer,
visits McCormick's new
World of Flavors retail store.

Fellow Shareholders,

The world grows more connected each year, and at McCormick, we are aligning our organization with these global business opportunities. In 2012, employees throughout the company made great progress with our global growth initiatives and delivered strong financial results for our shareholders.

FLAVORED FOR GLOBAL GROWTH

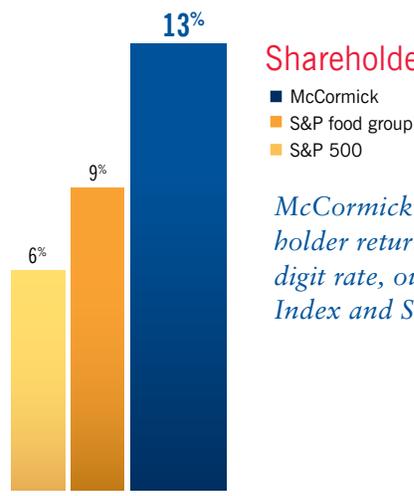
Consumers worldwide are interested in great tasting food, and as a leader in flavor we are increasingly well-positioned to meet this demand. In 2012, we organized global strategy councils to prioritize and coordinate growth opportunities for both our consumer and industrial businesses. This global view of our business is evident in everything we do: in our growth platforms, our brand initiatives, our innovation efforts, in our flavor forecast, customer relationships, supply chain and quality activities, and shared services. We have strengthened our position in developed markets while expanding our presence in high-growth emerging markets. At 14%, the percentage of sales in emerging markets is double that of five years ago, and we have set a goal to reach 20% in 2015. And while McCormick brings passion to flavor for consumers all around the world, in 2012 we celebrated this passion, by returning to our roots—opening the McCormick World of Flavors retail store in downtown Baltimore.

STRONG 2012 FINANCIAL RESULTS

During 2012, McCormick delivered high performance in an environment of material cost volatility and difficult economic conditions. We met or exceeded our sales and earnings per share objectives for the year.

We grew sales 9%, achieving a revenue milestone of \$4 billion. It was just 10 years ago in 2002 when we topped \$2 billion in sales. Acquisitions, pricing actions taken in response to higher costs, new products, additional brand marketing support and expanded distribution each contributed to this growth.

We achieved additional 2012 milestones as well. Net income surpassed \$400 million and earnings per share exceeded \$3.00 to end the year at \$3.04. Underpinning this performance was a 7% increase in operating income, driven by higher sales as well as \$56 million in cost savings from our Comprehensive Continuous Improvement program—CCI. Both operating income and



Shareholder Return

- McCormick
- S&P food group
- S&P 500

McCormick's 10-year total annual shareholder return has increased at a double-digit rate, outpacing the S&P 500 Stock Index and S&P 500 food group.

Delivering *High Performance*

We are committed to achieving a superior level of performance in everything we do. This is especially true in the financial realm where we have achieved compound annual growth rates of 9% for earnings per share and 10% for cash flow from operations during the past decade.

earnings per share met our objectives for the year, and our CCI result exceeded our initial goal of at least \$40 million in cost savings.

Net cash flow from operating activities was \$455 million in 2012, up from \$340 million in 2011. This increase reflected higher net income and a lower impact from inventory than in 2011 when inventory rose largely as a result of a steep increase in material costs. In 2012 we returned \$297 million to our shareholders in dividends and share repurchases, bringing the cumulative five-year total to nearly \$1 billion. The increased dividend along with a higher share price has led to a ten-year total shareholder return of 13%.

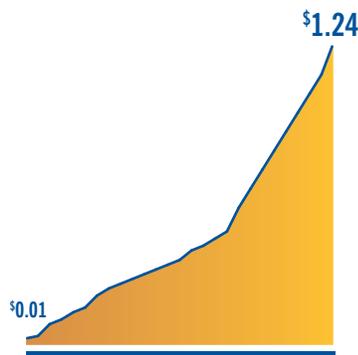
In November 2012, your Board approved a 10% increase in the quarterly dividend. This is the 27th consecutive annual increase, and we are proud to be one of approximately 60 companies in the S&P 500 with more than 25 years of uninterrupted dividend increases.

WORLDWIDE PROGRESS WITH GROWTH INITIATIVES

Our strategy for growth has proven effective even during periods of turmoil in the economy, financial markets and material costs. We are driving sales and profit by investing in our business and fueling this investment from CCI savings. On a ten-year compound annual rate, this strategy has enabled us to grow sales 7%, earnings per share 9% and cash from operations 10%.

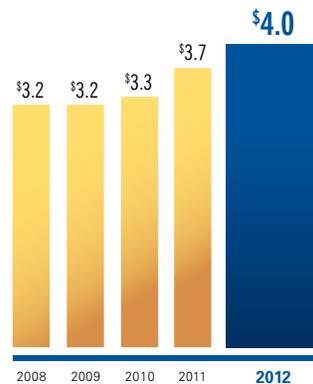
A strong increase in sales is a key element driving these results, and we are making great progress with our growth initiatives around the world. Today's eating trends favor our business, as consumers discover how to prepare restaurant-style meals at home, explore authentic ethnic cuisines and seek products that offer convenience and promote wellness. Our portfolio of products has broad appeal; we offer a complete range—from value priced items to premium gourmet products.

Dividends Paid Per Share
1986–2012



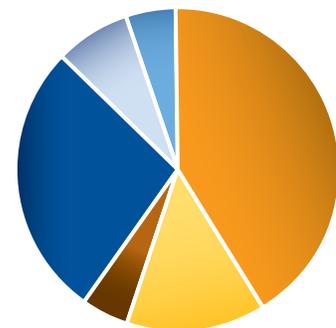
We have increased the dividend annually since 1986, reaching \$1.24 per share in 2012.

Sales
(dollars in billions)



We have grown sales at a 6% compound annual growth rate during the past five years and in 2012, reached \$4 billion in sales.

2012 Net Sales by Segment and Region



INDUSTRIAL BUSINESS

27.5% ■ Americas
7.5% ■ Europe, Middle East and Africa
4.8% ■ Asia/Pacific

CONSUMER BUSINESS

41.4% ■ Americas
13.9% ■ Europe, Middle East and Africa
4.9% ■ Asia/Pacific



1,000,000 HRS
WITHOUT LTA
mc
2008 - 2012

One of our 2012 Comprehensive Continuous Improvement projects was to transfer manufacturing of Lawry's marinades to our plant in South Bend, Indiana from a co-packer.



In 2012 we developed a new Technical Innovation Center in China, launched a new CreateIT[®] and sensory center in Mexico, and completed significant renovations of our flavor labs in the U.S. and U.K.

We are committed to making food taste great. Around the globe, home cooks and professional chefs alike turn to McCormick for flavor and culinary inspiration. We have substantial and sustained investment in the science and art of flavor.

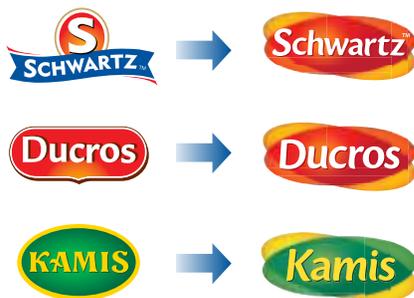
We are growing our base business through brand marketing support and customer intimacy.

In 2012, we defined three global growth platforms for our consumer business: 1) herbs, spices and seasonings; 2) recipe mixes; and 3) regional leaders—brands like Zatarain’s in North America, condiments in Latin America, or dessert gelatin in Australia. We are driving awareness, trial and use of our products through brand marketing and have increased this investment in each of the past 10 years. We invested a record \$198 million in 2012 brand marketing support.

We are not only increasing our brand marketing, we are increasingly adapting our marketing to today’s consumer. Many consumers now spend more time on the internet than watching television. In response, our digital marketing rose to 12% of total brand marketing support in 2012 compared to just 4% in 2010. Initiatives like interactive and digital shopper marketing yield exceptional returns on investment, and our plans call for digital marketing to increase more than 20% in 2013. In Europe, we are further improving the effectiveness of our brand marketing by establishing a masterbrand

architecture, redesigning our brand logos for a more uniform look while maintaining the distinct brands that are consumer favorites in the U.K., France and other countries.

We are also getting closer to our customers, many of whom are leaders in their industry, via our drive toward “customer intimacy.” In our consumer business, we supply our brands as well as private label products and provide tools to help food retailers optimize the product assortment and merchandising in a very profitable category. These capabilities apply not only to grocery customers, but in alternative channels such as warehouse clubs, drug stores and other retail formats where we have achieved new distribution. In our industrial business, customer intimacy is equally important. We supply eight of the top ten restaurant chains and nine of the top ten food companies, providing flavors for iconic menu items and for a number of leading products throughout the grocery store. As these leading industrial customers expand globally, we are supporting this growth regionally from our facilities around the world.



In Europe, we are leveraging our local strengths in a new pan-European design that improves our impact at retail, while driving economies of scale and speed to market.

Inspiring *Healthy Choices*

Our high quality products not only make food taste better, they often make food better for you. Whether funding research on the potential health benefits of herbs and spices or developing reduced-sodium and gluten-free products, we continue to explore new ways to provide healthy eating choices.

Product innovation is a second avenue of growth.

We are accelerating our innovation and have set a goal for new products launched in the past three years to exceed 10% of sales by 2015. This compares to a range of 8% to 10% since 2007.

In our consumer business, this stepped up activity is already underway with the launch of approximately 200 new products in 2011, followed by approximately 250 in 2012. Our global strategy team has identified local product successes that have global appeal such as Recipe Inspirations®, gourmet recipe mixes and grinders, as well as grilling marinades and seasoning blends. We are also innovating to drive sales of our regional leaders. Frozen Zatarain's® items, launched in 2011 and expanded in 2012, now account for nearly 25% of this brand's sales. In France, we expanded our Ducros® brand of spices, herbs and seasonings with 31 new items. Our line of authentic recipe mixes helped grow our 2012 sales of Hispanic products in the U.S. to nearly \$110 million.

Our industrial business has achieved new product results in line with our higher goal, and we have a robust pipeline of innovation. Increasingly,

industrial customers are turning to McCormick, with our foundation in spices and herbs and proprietary development processes, to improve the health profile of their products by using natural ingredients. As evidence of this, more than 30% of our 2012 new product briefs for industrial customers had some healthy attribute.

Acquisitions are a third initiative driving sales.

We are achieving about one third of our sales growth from acquisitions. We have established an enviable track record of acquiring profitable businesses in both developed and emerging markets. This success is based on our diligent assessment process, disciplined financial criteria, thorough integration planning and clear leadership responsibility. During 2012, we effectively integrated three acquisitions completed in 2011.

Also in 2012, we announced an agreement to acquire Wuhan Asia Pacific Condiment, which is a leader of bouillon products in the central region of China. This acquisition is complementary to the products we currently sell in China and our strong presence in the coastal regions of the country. Once



We offer hundreds of salt-free and reduced sodium items. Our great-tasting, lower-sodium versions of Lawry's® seasoning mixes are now part of the U.S. school lunch program, as these products meet the new dietary requirements set by the U.S. Department of Agriculture.

Through our consumer websites and communications, employee wellness programs and public education events, we are promoting healthy nutrition and lifestyles.



Our unrivaled focus on quality sets us apart. We are leaders in global sourcing and have years of experience impacting local growing practices to ensure the high quality of spices, herbs and other crops. These world-class standards extend throughout our global supply chain and across all of our internal processes.

completed, we expect this acquisition to increase our sales in China by more than 60%. We have a solid pipeline of other acquisition opportunities, many of which are located in emerging markets that offer strong growth opportunities.

FORWARD THINKING AND AN ENDURING CULTURE

While McCormick has a long history of success, we recognize the need to remain agile and anticipate the needs of our customers and consumers. As described earlier in this letter, we are adapting our products, geographic footprint and organization to address the needs of our leading customers and more globally connected consumers. In the realm of flavor, our thought-leadership is evident in our Flavor Forecast[®], which predicts areas of increased consumer interest—the connection of food and health, for example, or the pairing of global ingredients in new ways. Another example of forward thinking is the increased alignment between our sustainability strategy and our business objectives. Our work now centers on four priorities:

- Empowering people and improving communities
- Investing in quality, sustainable production
- Providing healthier flavor solutions
- Improving operational impact and efficiencies

From 2005 to 2009, we reduced water usage, electricity, solid waste and greenhouse gas emissions from 17% to 26% on a per unit basis. By 2015 we expect to achieve further reductions of at least 5%.



McCormick is partnering with the Help MADA organization in a vanilla growing area of Madagascar. The program provides free rice to families with children who attend school. We also funded the construction of a local medical clinic and the replanting of de-forested areas.



There is something inspiring about working at McCormick. Employee engagement and a high performance culture are rooted in an environment of respect, recognition, inclusion and collaboration. In addition, since the founding of the company, we have had a commitment to give back to the communities in which we operate.

I want to recognize the efforts of McCormick employees, who are the key ingredient in our success. Employees in locations around the world are united by a passion for flavor and driving our results. We are proud of our Multiple Management philosophy, established in 1932, which is the foundation of our culture. Our 13 local Multiple Management Boards, three regional Boards and global Board are the embodiment of this philosophy and demonstrate our spirit of inclusion. McCormick's global high performance organization further leverages the power of our people by recognizing the importance of teamwork and increased employee engagement and empowerment.

McCormick's Board of Directors and leadership team are directing our strategy and setting our course for growth. Retiring from our Board is Jim Brady, who has served as a director since 1998 and chaired our Audit Committee since 1999. We sincerely appreciate his contributions and service.

In 2012, we were pleased to have Jacques Tapiero, Senior Vice President and President, Emerging Markets for Eli Lilly and Company, join our Board of Directors.

Thanks to each of our shareholders for your support and trust. We appreciate your confidence in our continued ability to grow the value of your investment in McCormick.

Alan D. Wilson
Chairman, President & CEO



C.P. MCCORMICK AWARD WINNERS
A C.P. McCormick award is one way that we recognize the accomplishments of employees throughout the organization.

