Management's Discussion and Analysis

The purpose of Management's Discussion and Analysis (MD&A) is to provide an understanding of McCormick's business, financial results and financial condition. The MD&A is organized in the following sections:

Business Overview

Results of Operations

Non-GAAP Financial Measures

Liquidity and Financial Condition

Acquisitions

Other information, including critical accounting estimates and assumptions and forward-looking information

The information in the charts and tables in the MD&A are for the years ended November 30. All dollars and number of shares are in millions, except per share data. We analyze and measure the profitability of our two business segments and the total business excluding items impacting comparability. These items included the reversal of a significant tax accrual in 2010, charges related to our restructuring activities in 2009 and 2008, and an impairment charge that was recorded in 2008. While all consolidated financial results include the impact of these charges, certain results are also shown on a comparable basis, excluding the impact of these items.

Management's Discussion and Analysis

BUSINESS OVERVIEW

EXECUTIVE SUMMARY

McCormick is a global leader in flavor, with the manufacturing, marketing and distribution of spices, seasonings, specialty foods and flavorings to the entire food industry. Customers range from retail outlets and food manufacturers to foodservice businesses. The Company was founded in 1889 and built on a culture of Multiple Management which engages employees in problem-solving, high performance and professional development.

We have approximately 7,500 full-time employees in facilities located around the world. Our major sales, distribution and production facilities are located in North America and Europe. Additional facilities are based in Mexico, Central America, Australia, China, Singapore, Thailand and South Africa. In 2010, 39% of sales were outside the United States.

Listed below are significant highlights of the discussion and analysis that follows:

- Net sales were $3.3 billion in 2010 and up 5% primarily due to higher volume and product mix, which was driven by product innovation, increased brand marketing and expanded distribution.
- Earnings per share were $2.75 in 2010 compared to $2.27 in 2009. Earnings per share in 2010 included a $0.10 benefit of the reversal of a significant tax accrual. Earnings per share in 2009 included $0.08 of charges related to our restructuring program which was concluded that year. On a comparable basis, excluding these impacts, we grew adjusted earnings per share 13% in 2010.
- With productivity improvement throughout the business, we achieved $54 million in cost savings related to our Comprehensive Continuous Improvement (CCI) program.
- Cash generation remained strong with cash from operations of $388 million in 2010. We used part of this cash to complete our pay down of the debt related to the Lawry's acquisition and to fund $138 million of dividend payments and $47 million of joint ventures and acquisitions. We resumed our share repurchase activity, completing a $400 million authorization from 2005 and beginning a new $400 million authorization approved by our Board of Directors mid-year in 2010.
- In November 2010, our Board of Directors approved our 25th consecutive annual dividend increase and the annualized dividend as we began our 2011 fiscal year was $1.12 per share.

BUSINESS SEGMENTS

We operate in two business segments, consumer and industrial. Consistent with market conditions in each segment, our consumer business has a higher overall profit margin than our industrial business. In 2010, the consumer business contributed 60% of sales and 79% of operating income and the industrial business contributed 40% of sales and 21% of operating income.

Across both segments, we have the customer base and product breadth to participate in all types of eating occasions, whether it is cooking at home, dining out, purchasing a quick service meal or enjoying a snack. We offer our retailers and consumers a range of products from premium to value-priced.

Consumer Business

From locations around the world, our brands reach consumers in more than 100 countries. Our leading brands in the Americas are McCormick®, Lawry's® and Club House®. We also market authentic ethnic brands such as Zatarain's, El Guapo®, Thai Kitchen® and Simply Asia®, and specialty items such as Billy Bee® honey products. In Europe, the Middle East and Africa (EMEA) we sell the Ducros®, Schwartz, McCormick and Silvo® brands of spices, herbs and seasonings and an extensive line of Vahiné® brand dessert items. In the Asia/Pacific region our primary brand is McCormick, and we also own the Aeroplane® brand which is a leader in gelatins in Australia.

Our customers span a variety of retail outlets that include grocery, mass merchandise, warehouse clubs, discount and drug stores, served directly and indirectly through distributors or wholesalers. In addition to marketing our branded products to these customers, we are also a leading supplier of private label items, also known as store brands.

The largest portion of our consumer business is spices, herbs and seasonings. For these products, we are the category leader in our primary markets with a 40 to 60% share of sales. There are a number of competitors in the spices, herbs and seasoning category. More than 250 other brands are sold in the U.S. with additional brands in international markets. Some are owned by large food manufacturers, while others are supplied by small privately owned companies. Our leadership position allows us to efficiently innovate, merchandise and market our brands.

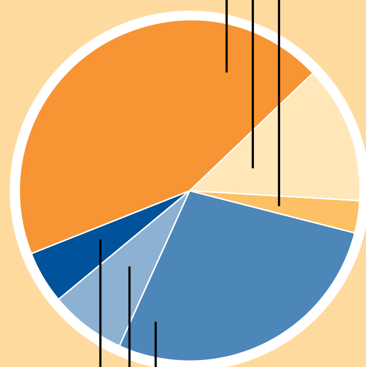
Industrial Business

In our industrial business, we provide a wide range of products to multinational food manufacturers and foodservice customers. The foodservice customers are supplied both directly and indirectly through distributors. Among food manufacturers and foodservice customers, many of our relationships have been established for decades. We focus our resources on our strategic partners that offer the greatest prospects for growth. Our range of products remains one of the broadest in the industry and includes seasoning blends, natural spices and herbs, wet flavors, coating systems and compound flavors. In addition to a broad range of flavor solutions, our customers benefit from our expertise in sensory testing, culinary research, food safety, flavor application and other areas.

Our industrial business has a number of competitors. Some tend to specialize in a particular range of products and have a limited geographic reach. Other competitors include larger publicly-held flavor companies that are more global in nature, but which also tend to specialize in a limited range of flavor solutions.

We have been increasing the profitability of the industrial business through productivity improvements, and a shift in our sales mix to more higher margin, value-added products.

2010 Net Sales by Business and Region



OUR STRATEGY

Our strategy is straightforward—to increase sales and profits by investing in the business and to fund these investments with improved margins. This simple strategy has been driving our success for more than a decade and is our plan for growth in the future.

Product innovation is one of the leading investments to grow our business. New products launched in the past three years accounted for nearly 10% of net sales in 2010. We continue to invest in research and development and recently expanded and enhanced these facilities in the U.K., Turkey and South Africa, with plans for an R&D center of excellence in Asia underway. Product marketing is driving growth of our brands, and we have increased spending by 70% since 2005. Through acquisitions and joint ventures we seek to add leading brands to extend our reach into new regions with a particular interest in emerging markets. In our developed markets, we are adding brands that have a niche position and meet a growing consumer trend.

We have fueled our investments with improved margins. In 2010, gross profit margin rose to a record 42.5% from 41.6% in the prior year. This increase was driven by cost savings from our CCI program and a more favorable mix of products, particularly in the industrial business. Over time, our acquisition of consumer brands has also raised gross profit margin for the total business. Long-term we expect to achieve mid-single digit sales growth with one-third from category growth, share gains and new distribution, one-third from product innovation and one-third from acquisitions.

In some years, pricing and foreign currency exchange rates may also impact sales. In 2010, our pricing actions had a minor impact on sales, while the impact of currency rates was favorable.

Our business generates strong cash flow. Actions to grow net income and improve working capital are designed to lead to higher levels of cash generation. In 2010, we used $221 million of cash to repurchase shares and to fund dividends for our shareholders.

Our strategy, our execution and our success have led to higher shareholder value. We expect to be equally effective in building future value for our shareholders.

RESULTS OF OPERATIONS—2010 COMPARED TO 2009

	2010	2009
Net sales	$3,336.8	$3,192.1
Percent growth	4.5%	

Sales for the fiscal year rose 4.5% from 2009 with strong growth in both the consumer and industrial businesses. New product introductions, brand marketing support and expanded distribution led to favorable volume and product mix, which combined, added 3.2% to sales. The impact of pricing was minimal in 2010, reducing sales 0.3%, while favorable foreign exchange rates increased sales 1.6%.

	2010	2009
Gross profit	$1,417.7	$1,327.2
Gross profit margin	42.5%	41.6%

In 2010, gross profit increased 6.8% and gross profit margin rose 90 basis points. A significant part of this improvement was due to our CCI program which lowered costs $54 million in 2010 of which $45 million improved gross profit. In addition, the industrial business continued to shift its mix of business toward more higher margin, value-added products.

Most raw and packaging material costs did not change significantly from 2009 through the first half of 2010. One exception was the lower cost of dairy ingredients which was passed through in lower pricing to industrial customers. In the second half of 2010, input costs began to increase and unfavorably impacted gross profit margin in the fourth quarter. Pricing actions were taken toward the end of the year and continued in 2011 to offset a portion of these increases.

	2010	2009
Selling, general & administrative expense (SG&A)	$907.9	$846.6
Percent of net sales	27.2%	26.6%

Selling, general and administrative expenses in total dollars and as a percentage of net sales increased in 2010 compared to 2009. The increases were mainly driven by incremental brand marketing support to invest in the growth of our leading brands, as well as higher retirement benefit costs. SG&A in 2009 included $7.5 million of expenses related to the bankruptcy of a U.K. foodservice distributor.

During 2010 we increased brand marketing support costs by $20.7 million or 14%. The increased funding supported the launch of Recipe Inspirations, Perfect Pinch and other new products. We also drove sales with incremental spending behind our holiday cooking and baking advertising, support for the Zatarain's brand and information regarding the antioxidant levels in many spices and herbs. The increase in retirement benefit costs was primarily due to changes in actuarial assumptions.

The following is a summary of restructuring activities for 2009:

	2009
Pre-tax restructuring charges:	
Recorded in cost of goods sold	$ 2.5
Other restructuring charges	13.7
Reduction in operating income	16.2
Income tax effect	(5.3)
Reduction in net income	$10.9
Reduction in earnings per share—diluted	$0.08

As of November 30, 2009, this restructuring program was completed. Pre-tax restructuring charges related to actions under our restructuring program to consolidate our global manufacturing, rationalize our distribution facilities, improve our go-to-market strategy and eliminate administrative redundancies. More details of the restructuring charges are discussed later in MD&A and in note 11 of the financial statements.

	2010	2009
Interest expense	$49.3	$52.8
Other income, net	2.2	2.4

Lower total average debt outstanding, coupled with lower short-term interest rates, led to a favorable variance in interest expense in 2010 when compared to 2009. In 2010, we completed the pay down of debt from the 2008 Lawry's acquisition, primarily with cash generated from operations.

	2010	2009
Income from consolidated operations before income taxes	$462.7	$416.5
Income taxes	118.0	133.0
Effective tax rate	25.5%	31.9%

The decrease in the tax rate in 2010 was due to a higher level of net discrete tax benefits, increased U.S. foreign tax credits and a favorable mix of earnings among our different foreign tax jurisdictions.

Discrete tax benefits in 2010 were $20.1 million compared to $3.6 million in 2009. The $20.1 million in 2010 is mainly due to a $13.9 million reversal of a tax accrual for a closed tax year. This tax accrual was recorded in a prior period based on uncertainties about the tax aspects of transactions related to the reorganization of our European operations and divestment of certain of our joint ventures.

U.S. foreign tax credits increased as a result of a $108.5 million repatriation of cash from foreign subsidiaries in the fourth quarter of 2010. Due to the mix of foreign earnings related to this cash, the repatriation generated these tax credits.

In addition, see note 12 of the financial statements for a reconciliation of the U.S. federal statutory tax rate with the effective tax rate.

	2010	2009
Income from unconsolidated operations	$25.5	$16.3

Income from unconsolidated operations increased $9.2 million in 2010 compared to 2009. This increase was mainly due to the performance of our McCormick de Mexico joint venture, which experienced a double-digit sales increase over the prior year. Also, this joint venture benefited from lower soybean oil costs and favorable foreign currency exchange rates for 2010 compared to 2009. Soybean oil is a main ingredient for mayonnaise, which is the leading product for this joint venture. In addition, our other smaller joint ventures experienced good growth in both sales and income in 2010.

On average, in 2009 and 2010 we owned 50% of our unconsolidated joint ventures. These joint ventures had 2010 annual sales of $538 million (at 100% of these businesses) with many products marketed under the McCormick name. In 2010, sales by these joint ventures increased 12% and net income increased 49%.

Our McCormick de Mexico joint venture represents over 60% of the sales and 75% of the net income of our unconsolidated joint ventures.

The following table outlines the major components of the change in diluted earnings per share from 2009 to 2010:

2009 Earnings per share—diluted	$ 2.27
Increased operating income exclusive of restructuring charges	0.14
Decrease in tax rate	0.12
Reversal of significant tax accrual	0.10
Lower restructuring charges	0.08
Higher income from unconsolidated operations	0.07
Lower interest expense	0.02
Effect of higher shares outstanding	(0.05)
2010 Earnings per share—diluted	$ 2.75

Consumer Business

	2010	2009
Net sales	$1,999.0	$1,911.2
Percent growth	4.6%	
Operating income, excluding restructuring charges	402.4	397.9
Operating income margin, excluding restructuring charges	20.1%	20.8%

In our consumer business higher volume and product mix added 3.1% to sales, favorable foreign exchange rates increased sales 1.1% and higher pricing added 0.4% when compared to 2009.

In the Americas, consumer business sales rose 5.9%, primarily as a result of higher volume and product mix which rose 4.1%. Foreign exchange rates in this region increased sales 1.1% and pricing added 0.7%. Recipe Inspirations, Perfect Pinch and other new product introductions contributed to this sales growth. We also increased brand marketing support to build consumer awareness and trial of these new products, as well as to support our broader line of spices and seasonings and specialty foods. As a result, sales of gourmet items, grilling items, extracts, Lawry's products and Zatarain's products were particularly strong in 2010. Distribution gains added to sales including new placement in a warehouse club retail channel in the U.S. and new distribution of Billy Bee honey products in Canada. In the fourth quarter of 2010, sales growth of our products in the U.S. exceeded the increase in consumer purchases at retail by approximately 2%. We believe that customer purchases in advance of a late 2010 price increase contributed to this difference. As a result, we estimate that $10 million of sales may have shifted from the first quarter of 2011 into the fourth quarter of 2010.

In Europe, the Middle East and Africa (EMEA), consumer business sales declined 1.8%. Pricing decreased 1.0%, unfavorable foreign exchange rates reduced sales 0.5%, and unfavorable volume and product lowered sales 0.3%. Our largest markets, the U.K. and France, achieved an increase in volume and product mix with new products and marketing programs which supported products like Schwartz Flavourful seasoning mixes and Vahiné homemade dessert products. This growth was offset by declines in smaller markets, including Spain, Portugal, Italy, The Netherlands and Belgium, due in part to poor economies and competitive conditions in 2010. Consumer demand in these markets was weak and retail customers lowered their inventory levels. In total, these smaller markets account for about 20% of EMEA sales.

Consumer business sales in the Asia/Pacific region rose 17.2%. Foreign exchange rates were favorable, adding 9.0% to sales. Favorable volume and product mix grew sales 7.9% and pricing added 0.3%. In China, we grew sales at a double-digit pace with the introduction of new products such as Thai Chili Sauce which takes advantage of our leadership position in bottled condiments. Sales also rose as we expanded distribution of our products beyond modern grocery stores and into wet markets, also known as "street" markets, which are frequently shopped by many Chinese consumers. Sales in Australia also rose at a double-digit rate, but in local currency were close to 2009's result.

Consumer business operating income excluding restructuring charges increased 1.1% from 2009. The profit impact of higher sales and CCI cost savings, were largely offset by a $19 million increase in brand marketing support, as well as higher retirement benefit costs. Operating income margin was 20.1% in 2010, which compares to our target of 20% for our consumer business. In the fourth quarter of 2010 there was a decline of operating income when compared to the fourth quarter of 2009, which was partially due to increasing commodity costs. We took pricing actions in late 2010 and early in fiscal year 2011 in response to these cost increases.

Industrial Business

	2010	2009
Net sales	$1,337.8	$1,280.9
Percent growth	4.4%	
Operating income, excluding restructuring charges	107.4	85.2
Operating income margin, excluding restructuring charges	8.0%	6.7%

Sales for the industrial business grew 4.4% from 2009 with higher volume and product mix adding 3.3% to sales. Favorable foreign exchange rates increased sales 2.5% and lower pricing reduced sales 1.4%.

In the Americas, industrial business sales rose 1.8% with a 2.2% increase from favorable volume and product mix. This increase was primarily driven by increased demand by food manufacturers for new products in both the U.S. and Mexico. These customers were particularly interested in seasonings and other products with lower sodium, reduced fat content and simple ingredients. During 2010, sales to foodservice distributors, quick service restaurants and other foodservice customers were comparable to the prior year. Sales to quick service customers are expected to increase in 2011 as the result of new products and new distribution. The 2.2% increase in volume and product mix in 2010 was largely offset by the impact of reduced pricing as we passed through to our customers the lower cost of dairy ingredients. Foreign exchange rates in this region added 1.7% to sales. In 2011 we expect to raise prices as we pass through rising commodity costs such as wheat and soybean oil.

In EMEA, industrial business sales rose 7.9%, led by a 4.4% increase from favorable volume and product mix. Higher demand from quick service restaurants reflected increased consumer traffic and new product wins. Sales of branded foodservice products were higher compared to a weak performance in 2009 when sales were disrupted by the bankruptcy of a major foodservice distributor in the U.K. Favorable foreign exchange rates increased sales 3.0% and pricing added 0.5%.

Industrial business sales in the Asia/Pacific region rose 16.2%. Favorable volume and product mix grew sales 9.3%. Quick service restaurants led the increase in this region driven by new store openings in China and new product introductions including beverage flavors and chicken marinades. Foreign exchange rates added 6.9% to the sales increase.

Industrial business operating income, excluding restructuring charges increased 26.1% from 2009. Higher sales and a shift to more higher margin, value-added products increased profit, as well as the impact of CCI cost savings. Also, in 2009 we recorded $7.5 million of costs related to the foodservice distributor bankruptcy in the U.K. These increases more than offset the higher retirement benefit costs in 2010. Industrial business operating income margin excluding restructuring charges rose 130 basis points to 8.0%. This was strong progress toward our long-term goal of 9 to 10% operating income margin for this business.

RESULTS OF OPERATIONS—2009 COMPARED TO 2008

	2009	2008
Net sales	$3,192.1	$3,176.6
Percent growth	0.5%	

Sales for the fiscal year rose slightly from 2008. Pricing actions taken to offset higher costs added 3.8% to sales, while unfavorable foreign exchange rates reduced sales 5.0% for the year. Favorable volume and product mix, combined, added 1.7% to sales. This impact includes the acquisition of Lawry's (less the reduction in sales from the disposition of Season-All), which increased sales by 3.1%. The Lawry's acquisition and disposal of Season-All took place in July 2008.

	2009	2008
Gross profit	$1,327.2	$1,288.2
Gross profit margin	41.6%	40.6%

In 2009, gross profit increased 3.0% and gross profit margin rose 100 basis points. The increase in gross profit margin was due equally to a more favorable mix of business and cost savings initiatives.

In 2009 sales in our consumer segment, which carries a higher gross profit margin, grew 3.3% while sales in our industrial segment declined 3.4%. The increase in consumer sales was driven by the Lawry's acquisition.

Our CCI program also boosted margins. Total savings in 2009 were $37 million, of which $31 million improved gross profit.

Improvements due to business mix and cost reductions were partially offset by cost increases.

	2009	2008
SG&A	$846.6	$870.6
Percent of net sales	26.6%	27.4%

Selling, general and administrative expenses in total dollars and as a percentage of net sales declined in 2009 compared to 2008. The underlying decrease in SG&A reflects our efforts to manage expenses, improve productivity and integrate the Lawry's business with minimal incremental operating expenses. More specifically, lower expense levels were due to decreases in distribution costs, certain benefit expenses and other cost savings, partially offset by higher brand marketing support costs.

Lower distribution costs were driven by CCI initiatives and leveraging our existing distribution channels with the new Lawry's business. Retirement plan expenses were lower due to changes in actuarial assumptions and higher income on marketable securities.

During 2009 we increased marketing support costs $19.5 million or 15%. A large portion of the increase funded a new marketing campaign for Lawry's. Other products featured with incremental marketing support included our revitalized dry seasoning mixes, Grill Mates®, new Vahiné cake mixes, and in China, honey jams.

	2009	2008
Impairment charge	—	$29.0

In 2008 we recorded a non-cash impairment charge to lower the value of our Silvo brand intangible asset in The Netherlands. More details of the impairment charge are discussed in note 4 of the financial statements.

The following is a summary of restructuring activities:

	2009	2008
Pre-tax restructuring charges:		
Recorded in cost of goods sold	$ 2.5	$ 4.5
Other restructuring charges	13.7	12.1
Reduction in operating income	16.2	16.6
Income tax effect	(5.3)	(5.1)
Reduction in net income	$10.9	$11.5
Reduction in earnings per share—diluted	$0.08	$0.09

As of November 30, 2009, this restructuring program was completed. Pre-tax restructuring charges for both 2009 and 2008 related to actions under our restructuring program to consolidate our global manufacturing, rationalize our distribution facilities, improve our go-to-market strategy and eliminate administrative redundancies. More details of the restructuring charges are discussed later in MD&A and in note 11 of the financial statements.

	2009	2008
Interest expense	$52.8	$56.7
Other income, net	2.4	18.0

The decrease in interest expense was due to lower interest rates, offsetting an increase in total average debt outstanding in 2009 when compared to 2008. The decrease in other income was due to the $12.9 million pre-tax gain recorded in 2008 on the sale of our Season-All business, sold in connection with the acquisition of Lawry's (see note 2 of the financial statements) and reduced interest income.

	2009	2008
Income from consolidated operations before income taxes	$416.5	$337.8
Income taxes	133.0	100.6
Effective tax rate	31.9%	29.8%

The increase in the effective tax rate was due to our mix of income by taxing jurisdictions. Income taxes in 2009 and 2008 included $3.6 million and $2.9 million, respectively, of net discrete tax benefits. These tax benefits related to the settlement of tax audits and adjustments to prior tax provisions once actual tax returns were prepared and filed.

	2009	2008
Income from unconsolidated operations	$16.3	$18.6

Income from unconsolidated operations decreased $2.3 million in 2009 compared to 2008. This decrease was primarily driven by our joint venture in Mexico, as well as some smaller joint ventures. Our joint venture in Mexico had a strong performance with sales in local currency up 19%. However, income from this business was unfavorably impacted by the stronger U.S. dollar during most of 2009 and to a lesser degree, higher soybean oil costs. Soybean oil is the primary ingredient in mayonnaise, which is the leading product for this joint venture.

On average in 2009 and 2008, we owned 50% of our unconsolidated joint ventures. For 2009, these joint ventures had 2009 annual sales of $481 million (at 100% of these businesses) with many products marketed under the McCormick name. In 2009, sales by these joint ventures decreased 1% and net income decreased 6%.

The following table outlines the major components of the change in diluted earnings per share from 2008 to 2009:

2008 Earnings per share—diluted	$ 1.94
Increased operating income exclusive of restructuring and impairment charges	0.33
Impairment charge recorded in 2008	0.15
Lower restructuring charges	0.01
Lower interest expense	0.02
Decrease in other income	(0.08)
Increase in tax rate	(0.07)
Lower income from unconsolidated operations	(0.02)
Effect of higher shares outstanding	(0.01)
2009 Earnings per share—diluted	$ 2.27

Consumer Business

	2009	2008
Net sales	$1,911.2	$1,850.8
Percent growth	3.3%	
Operating income, excluding restructuring and impairment charges	397.9	343.3
Operating income margin, excluding restructuring and impairment charges	20.8%	18.5%

Higher volume and product mix added 3.6% to sales, including the net impact of the Lawry's acquisition, which accounted for 4.6%. Pricing actions taken to offset higher costs added another 3.5% to sales, while unfavorable foreign exchange rates reduced consumer sales by 3.8% in 2009 compared to 2008.

In the Americas, consumer business sales increased 9.1%, including a 1.3% decrease due to unfavorable foreign exchange rates. Higher volume and product mix added 6.4% to sales, which included a 6.7% increase from the net impact of the Lawry's acquisition. Sales volume increases included grilling products and dry seasoning mixes, while sales volumes of gourmet items declined. During 2009 a number of retailers reduced their inventory levels which impacted our sales growth. Higher pricing taken early in the year added 4.0% to consumer sales in the Americas.

In EMEA, consumer sales decreased 11.3%, which includes 9.8% from unfavorable foreign exchange rates. Pricing actions added 2.5% to sales and unfavorable volume and product mix reduced sales by 4.0%. The 2009 retail environment in the U.K. was difficult and caused weak sales of our Schwartz brand. Our business in France was strong, particularly with our Vahiné dessert items, and helped to offset some of the decline in the U.K.

Sales in the Asia/Pacific region decreased 0.4%, with 6.4% due to unfavorable foreign exchange rates. Sales volume and product mix grew by 6.1%, with China increasing at a double-digit pace and Australia growing at a low single-digit rate. Our growth in China was due to the launch of several new products and expanded distribution of our brands.

The increase in operating income excluding restructuring and impairment charges for the consumer business was driven by increased sales, improved margins from cost reductions and the integration of Lawry's with minimal incremental expense, offset in part by higher brand marketing support.

Industrial Business

	2009	2008
Net sales	$1,280.9	$1,325.8
Percent decrease	(3.4)%	
Operating income, excluding restructuring charges	85.2	78.8
Operating income margin, excluding restructuring charges	6.7%	5.9%

The industrial business sales decrease was driven largely by unfavorable foreign exchange rates, which reduced sales 6.7%. Pricing actions, which offset increased costs of certain commodities, added 4.4% to sales. Volume and product mix lowered sales 1.1% due to a slower pace of new product introductions by industrial customers. This reduction included the Lawry's acquisition, which added 1.0% to sales.

Sales in the Americas rose 0.2%, including a 3.3% decrease due to unfavorable foreign exchange rates. In this region, pricing actions increased sales by 4.1%. Lower volume and product mix reduced sales by 0.6% with less product innovation by our customers. The Americas volume and product mix impact included the Lawry's acquisition, which added 1.4% to sales.

In EMEA, a 14.8% sales decrease was the result of a 19.3% unfavorable foreign exchange rate impact and a 2.9% decline from lower volume and product mix. Sales to the foodservice channel were affected by the bankruptcy of a major customer in 2009. Partially offsetting these declines was higher pricing, which added 7.4%.

In the Asia/Pacific region, sales decreased 3.9% due to unfavorable foreign exchange rates. Pricing had minimal impact in this region and volume and product mix were flat. During 2009, we experienced a slowdown in demand from the restaurant customers that we serve in China.

Despite the decrease in industrial sales, operating income excluding restructuring activities increased which was evidence of the effectiveness of our CCI program and progress toward a more favorable product mix. As a group, the new products that we layered into our portfolio during 2009 were accretive to the overall margins. Operating income in 2009 included $7.5 million of costs related to a foodservice customer bankruptcy in the U.K.

NON-GAAP FINANCIAL MEASURES

The tables below include financial measures of operating income and diluted earnings per share excluding restructuring charges in 2009 and 2008 and the benefit of a significant tax accrual in 2010. Also we are excluding unusual items that we recorded in 2008 for a non-cash impairment charge to reduce the value of the Silvo brand and amounts related to the acquisition of Lawry's, including the gain on the sale of Season-All. These are all non-GAAP financial measures which are prepared as a complement to the results provided in accordance with United States generally accepted accounting principles. We believe this non-GAAP information is important for purposes of comparison to prior periods and development of future projections and earnings growth prospects. This information is also used by management to measure the profitability of our ongoing operations and analyze our business performance and trends. As of November 30, 2009 our restructuring program was completed.

In 2010 our discrete tax benefits included a $13.9 million reversal of a tax accrual for a closed tax year. This tax accrual was recorded in a prior period based on uncertainties about the tax aspects of transactions related to the reorganization of our European operations and divestment of certain of our joint ventures. We are treating this $13.9 million discrete tax benefit as a non-GAAP adjustment to our diluted earnings per share. We are providing non-GAAP results that exclude the impact of this reversal as the item to which it relates was recorded as a restructuring charge, and it allows for a better comparison of 2010 financial results to the prior year and a more appropriate base for 2011 projections.

These non-GAAP measures may be considered in addition to results prepared in accordance with GAAP, but they should not be considered a substitute for, or superior to, GAAP results. We intend to continue to provide these non-GAAP financial measures as part of our future earnings discussions and, therefore, the inclusion of these non-GAAP financial measures will provide consistency in our financial reporting. A reconciliation of these non-GAAP measures to GAAP financial results is provided below.

	2010	2009	2008
Operating income	$509.8	$466.9	$376.5
Impact of restructuring charges	—	16.2	16.6
Impact of impairment charge	—	—	29.0
Adjusted operating income	$509.8	$483.1	$422.1
% increase versus prior year	5.5%	14.5%	

	2010	2009	2008
Net income	$370.2	$299.8	$255.8
Reversal of significant tax accrual	(13.9)	—	—
Impact of restructuring charges	—	10.9	11.5
Impact of impairment charge	—	—	20.1
Net gain related to Lawry's acquisition	—	—	(5.5)
Adjusted net income	$356.3	$310.7	$282.0
% increase versus prior year	14.7%	10.2%	

	2010	2009	2008
Earnings per share—diluted	$ 2.75	$2.27	$ 1.94
Reversal of significant tax accrual	(0.10)	—	—
Impact of restructuring charges	—	0.08	0.09
Impact of impairment charge	—	—	0.15
Net gain related to Lawry's acquisition	—	—	(0.04)
Adjusted earnings per share—diluted	$2.65	$2.35	$ 2.14
% increase versus prior year	12.8%	9.8%	

LIQUIDITY AND FINANCIAL CONDITION

	2010	2009	2008
Net cash provided by operating activities	$ 387.5	$ 415.8	$ 314.6
Net cash used in investing activities	(129.7)	(81.8)	(747.0)
Net cash (used in) provided by financing activities	(261.1)	(341.8)	433.4

We generate strong cash flow from operations which enables us to fund operating projects and investments that are designed to meet our growth objectives, make share repurchases when appropriate, increase our dividend and fund capital projects.

In the cash flow statement, the changes in operating assets and liabilities are presented excluding the effects of changes in foreign currency exchange rates, as these do not reflect actual cash flows. Accordingly, the amounts in the cash flow statement do not agree with changes in the operating assets and liabilities that are presented in the balance sheet.

The reported values of our assets and liabilities held in our non-U.S. subsidiaries and affiliates have been significantly affected by fluctuations in foreign exchange rates between periods. At November 30, 2010, the exchange rates for the Euro and British pound sterling were lower versus the U.S. dollar compared to 2009. Exchange rate fluctuations resulted in decreases to trade accounts receivable of $15 million, inventory of $8 million, goodwill of $72 million and other comprehensive income of $109 million since November 30, 2009.

Operating Cash Flow—When 2010 is compared to 2009, the decrease in operating cash flow was driven by increases in inventory and trade accounts receivable. These were partially offset by a higher level of cash generated from improved net income and lower pension contributions in 2010. Our total pension contributions were $49.5 million in 2010 as compared to $72.3 million in 2009. When 2009 is compared to 2008, most of the increase in operating cash flow was driven by more effective management of working capital items, such as inventory and receivables, and a higher level of cash generated from improved net income. Also, payments for income taxes were less in 2009 as compared to those made in the prior year. These increases were partially offset by $52.2 million in contributions made to our major U.S. pension plan in 2009. We did not make any contribution to our major U.S. pension plan in 2008 as the plan was overfunded as of November 30, 2007.

In addition to operating cash flow, we also use cash conversion cycle (CCC) to measure our progress in working capital management. This metric is different than operating cash flow in that it uses average balances instead of specific point in time measures. CCC is a calculation of the number of days, on average, that it takes us to convert a cash outlay for resources, such as raw materials, to a cash inflow from collection of receivables. Our goal is to lower our CCC over time. We calculate CCC as follows:

Days sales outstanding (average trade accounts receivable divided by average daily net sales) plus days in inventory (average inventory divided by average daily cost of goods sold) less days payable outstanding (average trade accounts payable divided by average daily cost of goods sold plus the average daily change in inventory).

The following table outlines our cash conversion cycle (in days) over the last three years:

	2010	2009	2008
Cash Conversion Cycle	77.3	80.1	83.6

The decreases in CCC in 2009 and 2010 when compared to the previous periods were mainly due to lower days sales outstanding. In the future we expect to reduce CCC by decreasing our days in inventory.

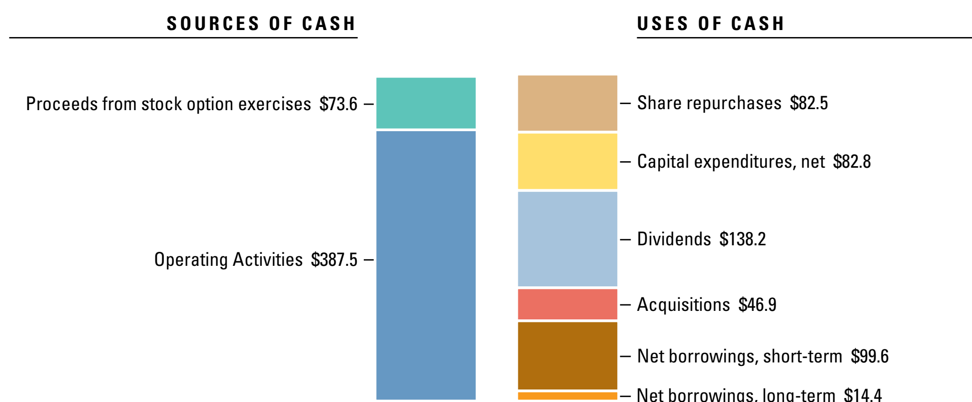
Investing Cash Flow—The changes in cash used in investing activities from 2008 to 2010 were primarily due to fluctuations in cash used for acquisition of businesses and joint venture interests in 2008 and 2010 with no acquisitions in 2009. We invested $46.9 million in acquisitions and joint venture interests in 2010 and we purchased Lawry's and Billy Bee in 2008. The 2008 cash used in investing activities was offset by $14.0 million in net proceeds from the sale of our Season-All business and $18.1 million in proceeds from the disposal of various assets as a part of our restructuring plan. Capital expenditures were $89.0 million in 2010, $82.4 million in 2009 and $85.8 million in 2008. We expect 2011 capital expenditures to be in line with depreciation and amortization expense.

Financing Cash Flow—In 2010 and 2009, we repaid borrowings of $114.0 million and $252.2 million, respectively. This compares to increases in borrowings of $509.1 million in 2008. In 2010, we repaid short-term borrowings of $99.6 million and repaid $14.4 million in long-term debt. In 2009, we repaid $50.4 million of long-term debt as it became due and repaid short-term borrowings of $201.8 million. In 2008, our increase in total borrowings, along with internally generated cash flow, were used to fund $693.3 million for the purchases of the Lawry's and Billy Bee businesses. In September 2008, we issued $250 million of 5.25% notes due 2013, with net cash proceeds received of $248.0 million. The net proceeds from this offering were used to pay down commercial paper which was issued for the purchase of the Lawry's business. In December 2007, we issued $250 million of 5.75% medium-term notes which are due in 2017. The net proceeds of $248.3 million were used to repay $150 million of debt maturing in 2008 with the remainder used to repay short-term debt.

The following table outlines the activity in our share repurchase programs:

	2010	2009	2008
Number of shares of common stock	2.0	—	0.3
Dollar amount	$82.5	—	$11.0

In June 2010, our Board of Directors authorized a new share repurchase program to purchase up to $400 million of our outstanding shares. In September 2010, we completed a $400 million share repurchase program authorized by the Board in June 2005. As of November 30, 2010, $358.9 million remained of the new share repurchase program. There were no shares repurchased during 2009 and the amount of share repurchases in 2008 was less than prior years



Cash for capital expenditures is net of proceeds from the sale of property, plant and equipment

due to the funding required for the Lawry's and Billy Bee acquisitions. Our priorities for cash continue to be our dividend payments, the acquisition of strong brands and, through the end of fiscal year 2010, debt reduction. In the absence of significant acquisition activity, we will use a portion of cash to repurchase shares. The common stock issued in 2010, 2009 and 2008 relates to our stock compensation plans.

Our dividend history over the past three years is as follows:

	2010	2009	2008
Total dividends paid	$138.2	$125.4	$113.5
Dividends paid per share	1.04	0.96	0.88
Percentage increase per share	8.3%	9.1%	10.0%

In November 2010, the Board of Directors approved a 7.7% increase in the quarterly dividend from $0.26 to $0.28 per share. During the past five years, dividends per share have risen at a compound annual rate of 9.2%.

	2010	2009	2008
Debt-to-total-capital ratio	37.6%	42.5%	53.8%

The decrease in the debt-to-capital ratio from 2008 to 2010 is mainly due to our decrease in debt after the Lawry's and Billy Bee acquisitions in 2008.

Most of our cash is denominated in foreign currencies. We manage our worldwide cash requirements by considering available funds among the many subsidiaries through which we conduct our business and the cost effectiveness with which those funds can be accessed. The permanent repatriation of cash balances from certain of our subsidiaries could have adverse tax consequences; however, those balances are generally available without legal restrictions to fund ordinary business operations, capital projects and future acquisitions. At year-end, we temporarily used $194.2 million of cash from our foreign subsidiaries to pay down short-term debt. The average short-term borrowings outstanding for the years ended November 30, 2010 and 2009 were $376.3 million and $503.9 million, respectively. The total average debt outstanding for the years ended November 30, 2010 and 2009 was $1,237.2 million and $1,390.0 million, respectively.

During 2008, we entered into three separate forward treasury lock agreements totaling $100 million to manage the interest rate risk associated with the issuance of $250 million of fixed rate medium-term notes in September 2008. We also issued $250 million of fixed rate medium-term notes in December 2007 with an associated $150 million of forward treasury lock agreements to manage the interest rate risk. See notes 6 and 7 of the financial statements for further details of these transactions.

Credit and Capital Markets—Credit market conditions were volatile during 2008 and 2009 but have recently improved. The following summarizes the more significant impacts on our business:

CREDIT FACILITIES—Cash flows from operating activities are our primary source of liquidity for funding growth, dividends and capital expenditures. In the second half of 2010, we also used this cash to make share repurchases. In the second half of 2008, all of 2009 and the first half of 2010, we used operating cash flow to pay down debt incurred in the Lawry's acquisition and did not repurchase shares. We also rely on our revolving credit facility, or borrowings backed by this facility, to fund seasonal working capital needs and other general corporate requirements. Our major revolving credit facility has a total committed capacity of $500 million, which expires in 2012. We generally use this facility to support our issuance of commercial paper. If the commercial paper market is not available or viable we could borrow directly under our revolving credit facility. The facility is made available by a syndicate of banks, with various commitments per bank. If any of the banks in this syndicate are unable to perform on their commitments, our liquidity could be impacted, which could reduce our ability to grow through funding of seasonal working capital. In addition to our committed revolving credit facility, we have uncommitted credit facilities for $91.4 million as of November 30, 2010. We engage in regular communication with all of the banks participating in our credit facility. During these communications none of the banks has indicated that they may be unable to perform on their commitments. In addition, we periodically review our banking and financing relationships, considering the stability of the institutions and other aspects of the relationships. Based on these communications and our monitoring activities, we believe our banks will perform on their commitments. See also note 6 of the financial statements for more details on our financing arrangements. We believe that our internally generated funds and the existing sources of liquidity under our credit facilities are sufficient to fund ongoing operations.

PENSION ASSETS—We hold investments in equity and debt securities in both our qualified defined benefit pension plans and through a rabbi trust for our nonqualified defined benefit pension plan. Cash payments to pension plans, including unfunded plans, were $49.5 million in 2010, $72.3 million in 2009 and $19.2 million in 2008. It is expected that the 2011 total pension plan contributions will be approximately $40 million. Future increases or decreases in pension liabilities and required cash contributions are highly dependent on changes in interest rates and the actual return on plan assets. We base our investment of plan assets, in part, on the duration of each plan's liabilities. Across all plans, approximately 67% of assets are invested in equities, 29% in fixed income investments and 4% in other investments. See also note 9 of the financial statements which details more on our pension funding.

CUSTOMERS AND COUNTERPARTIES—See the subsequent section of this MD&A under Market Risk Sensitivity—Credit Risk.

ACQUISITIONS

Acquisitions are part of our strategy to increase sales and profits and to improve margins. We have a particular interest in emerging markets.

In 2010, we purchased a 26% non-controlling interest in Eastern Condiments Private Limited (Eastern), based in India, for $37.7 million in cash. We also purchased the assets of a consumer business in North America that sells Mexican specialty food items for $11.5 million in cash.

Also in 2010, our EMEA region completed a joint venture agreement with Yildiz Holding, a leading food manufacturer in Turkey. This joint venture will be a consumer business. The goal of the partnership is to launch a leading brand of spices, herbs and seasoning products in Turkey. This is a start-up operation and, accordingly, there was no current investment or revenues in 2010.

In 2008, we purchased the assets of the Lawry's business for $603.5 million in cash, the assumption of certain liabilities relating to the purchased assets and transaction costs of $11.5 million. Lawry's manufactures and sells a variety of marinades and seasoning blends under the well-known Lawry's brand in North America. During 2009, we completed the final valuation of assets for Lawry's.

Also in 2008, we purchased Billy Bee for $76.4 million in cash. Billy Bee markets and sells under the Billy Bee brand in North America. During 2009, we completed the final valuation of assets for Billy Bee.

These businesses have been successfully integrated into our existing business platform and are now part of the many product lines that we market.

See note 2 of the financial statements for further details of these acquisitions.

RESTRUCTURING ACTIVITIES

As part of our plan to improve margins, we announced in September 2005 significant actions to improve the effectiveness of our supply chain and reduce costs. This restructuring plan was approved by the Board of Directors in November 2005. As part of this plan, we consolidated our global manufacturing, rationalized our distribution facilities, improved our go-to-market strategy, eliminated administrative redundancies and rationalized our joint venture partnerships. As of November 30, 2009 this restructuring program was completed.

The restructuring plan reduced complexity and increased the organizational focus on growth opportunities in both the consumer and industrial businesses. We realized $66 million of annual cost savings by the end of 2010. This has improved margins, offset higher costs and increased earnings per share. We invested a portion of these savings in sales growth drivers such as marketing support for our brands. These savings are reflected in both cost of goods sold and selling, general and administrative expenses in the income statement.

In 2009, we recorded restructuring charges of $16.2 million. These charges were for the closure of our manufacturing plant in The Netherlands and the reduction of administrative personnel in Europe.

In 2008, we recorded restructuring charges of $16.6 million. These charges were primarily associated with the reduction of administrative personnel in Europe, the U.S. and Canada and the consolidation of production facilities in Europe and the reorganization of distribution networks in the U.S. and U.K.

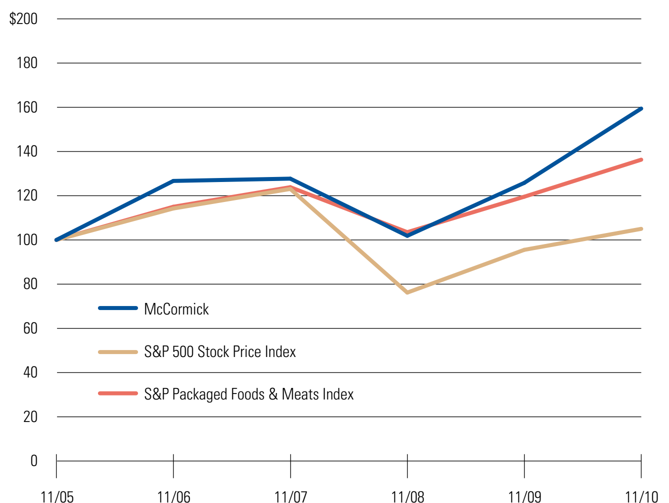
See note 11 of the financial statements for further details of these restructuring charges.

PERFORMANCE GRAPH—SHAREHOLDER RETURN

Below is a line graph comparing the yearly change in McCormick's cumulative total shareholder return (stock price appreciation plus reinvestment of dividends) on McCormick's Non-Voting Common Stock with (1) the cumulative total return of the Standard & Poor's 500 Stock Price Index, assuming reinvestment of dividends, and (2) the cumulative total return of the Standard & Poor's Packaged Foods & Meats Index, assuming reinvestment of dividends.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN

Among McCormick, the S&P 500 Stock Price Index and the S&P Packaged Foods & Meats Index



The graph assumes that $100 was invested on November 30, 2005 in McCormick Non-Voting Common Stock, the Standard & Poor's 500 Stock Price Index and the Standard & Poor's Packaged Foods & Meats Index, and that all dividends were reinvested through November 30, 2010.

MARKET RISK SENSITIVITY

We utilize derivative financial instruments to enhance our ability to manage risk, including foreign exchange and interest rate exposures, which exist 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. The use of derivative financial instruments is monitored through regular communication with senior management and the utilization of written guidelines. The information presented below should be read in conjunction with notes 6 and 7 of the financial statements.

Foreign Exchange Risk—We are exposed to fluctuations in foreign currency in the following main areas: cash flows related to raw material purchases; the translation of foreign currency earnings to U.S. dollars; the value of foreign currency investments in subsidiaries and unconsolidated affiliates and cash flows related to repatriation of these investments. Primary exposures include the British pound sterling versus the Euro, and the U.S. dollar versus the Euro, British pound sterling, Canadian dollar, Australian dollar, Mexican peso, Chinese renminbi, Swiss franc and Thai baht. We routinely enter into foreign currency exchange contracts to manage certain of these foreign currency risks.

During 2010, the foreign currency translation component in other comprehensive income was principally related to the impact of exchange rate fluctuations on our net investments in France, the U.K., Canada and Australia. We did not hedge our net investments in subsidiaries and unconsolidated affiliates.

The following table summarizes the foreign currency exchange contracts held at November 30, 2010. All contracts are valued in U.S. dollars using year-end 2010 exchange rates and have been designated as hedges of foreign currency transactional exposures, firm commitments or anticipated transactions.

FOREIGN CURRENCY EXCHANGE CONTRACTS AT NOVEMBER 30, 2010

Currency sold	Currency received	Notional value	Average contractual exchange rate	Fair value
Euro	U.S. dollar	$15.1	1.26	$(0.4)
British pound sterling	U.S. dollar	10.2	1.49	(0.4)
Canadian dollar	U.S. dollar	20.5	0.96	(0.2)
Australian dollar	U.S. dollar	5.0	0.90	(0.2)
U.S. dollar	Thai baht	3.7	31.8	0.2
U.S. dollar	Euro	92.5	1.32	(1.1)
U.S. dollar	British pound sterling	40.5	1.56	(0.2)
British pound sterling	Euro	16.5	0.85	(0.2)

We have a number of smaller contracts with an aggregate notional value of $4.2 million to purchase or sell other currencies, such as the Swiss franc and the Singapore dollar as of November 30, 2010. The aggregate fair value of these contracts was $(0.1) million at November 30, 2010.

Included in the table above are $133.0 million notional value of contracts that have durations of less than 15 days that are used to hedge short-term cash flow funding. Remaining contracts have durations of one to thirteen months.

At November 30, 2009, we had foreign currency exchange contracts for the Euro, British pound sterling, Canadian dollar, Australian dollar and Thai baht with a notional value of $159.7 million, all of which matured in 2010. The aggregate fair value of these contracts was $(0.8) million at November 30, 2009.

Interest Rate Risk—Our policy is to manage interest rate risk by entering into both fixed and variable rate debt arrangements. We also use interest rate swaps to minimize worldwide financing costs and to achieve a desired mix of fixed and variable rate debt. The table that follows provides principal cash flows and related interest rates, excluding the effect of interest rate swaps and the amortization of any discounts or fees, by fiscal year of maturity at November 30, 2010 and 2009. For foreign currency-denominated debt, the information is presented in U.S. dollar equivalents. Variable interest rates are based on the weighted-average rates of the portfolio at the end of the year presented.

YEAR OF MATURITY AT NOVEMBER 30, 2010

	2011	2012	2013	2014	Thereafter	Total	Fair value
Debt							
Fixed rate	$100.0	—	$250.0	—	$505.0	$855.0	$950.5
Average interest rate	5.80%	—	5.25%	—	5.77%	—	—
Variable rate	$ 0.4	$0.3	$ 0.3	$0.4	$ 7.7	$ 9.1	$ 9.1
Average interest rate	8.69%	8.62%	8.62%	8.62%	8.62%	—	—

YEAR OF MATURITY AT NOVEMBER 30, 2009

	2010	2011	2012	2013	Thereafter	Total	Fair value
Debt							
Fixed rate	$ 0.4	$100.0	—	$250.0	$505.0	$855.4	$933.0
Average interest rate	0.00%	5.80%	—	5.25%	5.77%	—	—
Variable rate	$115.7	$ 0.2	$0.3	$ 1.3	$ 4.8	$122.3	$122.3
Average interest rate	0.49%	9.58%	9.58%	9.58%	9.58%	—	—

The table above displays the debt by the terms of the original debt instrument without consideration of fair value, interest rate swaps and any loan discounts or origination fees. Interest rate swaps have the following effects. The fixed interest rate on $100 million of the 5.20% medium-term note 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. We issued $250 million of 5.75% medium-term notes due in 2017 in December 2007. Forward treasury lock agreements of $150 million were settled upon the issuance of these medium-term notes and effectively fixed the interest rate on the full $250 million of notes at a weighted-average fixed rate of 6.25%. We issued $250 million of 5.25% medium-term notes due in 2013 in September 2008. Forward treasury lock agreements of $100 million were settled upon the issuance of these medium-term notes and effectively fixed the interest rate on the full $250 million of notes at a weighted-average fixed rate of 5.54%.

Commodity Risk—We purchase certain raw materials which are subject to price volatility caused by weather, market conditions, growing and harvesting conditions, governmental actions and other factors beyond our control. Our most significant raw materials are dairy products, pepper, capsicums (red peppers and paprika), onion, wheat, soybean oil and garlic. While future movements of raw material costs are uncertain, we respond to this volatility in a number of ways, including strategic raw material purchases, purchases of raw material for future delivery and customer price adjustments. We have not used derivatives to manage the volatility related to this risk.

Credit Risk—The customers of our consumer business are predominantly food retailers and food wholesalers. Consolidations in these industries have created larger customers. In addition, competition has increased with the growth in alternative channels including mass merchandisers, dollar stores, warehouse clubs and discount chains. This has caused some customers to be less profitable and increased our exposure to credit risk. 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 recognizes trade receivables at realizable value. We consider nonperformance credit risk for other financial instruments to be insignificant.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

The following table reflects a summary of our contractual obligations and commercial commitments as of November 30, 2010:

CONTRACTUAL CASH OBLIGATIONS DUE BY YEAR

	Total	Less than 1 year	1–3 years	3–5 years	More than 5 years
Short-term borrowings	$ 0.2	$ 0.2	—	—	—
Long-term debt	863.9	100.2	$250.6	$201.0	$312.1
Operating leases	81.4	20.4	27.2	17.5	16.3
Interest payments	259.3	45.3	79.0	52.6	82.3
Raw material purchase obligations[(a)]	276.5	276.5	—	—	—
Electricity contracts	10.5	4.5	6.0	—	—
Other purchase obligations[(b)]	13.7	13.3	.4	—	—
Total contractual cash obligations	$1,505.5	$460.4	$363.2	$271.1	$410.7

(a) Raw material purchase obligations outstanding as of year-end may not be indicative of outstanding obligations throughout the year due to our response to varying raw material cycles.

(b) Other purchase obligations primarily consist of advertising media commitments.

In 2011, our pension and postretirement contributions are expected to be approximately $40 million. Pension and postretirement funding can vary significantly each year due to changes in legislation, our significant assumptions and investment return on plan assets. As a result, we have not presented pension and postretirement funding in the table above.

COMMERCIAL COMMITMENTS EXPIRATION BY YEAR

	Total	Less than 1 year	1–3 years	3–5 years	More than 5 years
Guarantees	$ 0.6	$ 0.6	—	—	—
Standby and trade letters of credit	28.7	28.7	—	—	—
Total commercial commitments	$29.3	$29.3	—	—	—

OFF-BALANCE SHEET ARRANGEMENTS

We had no off-balance sheet arrangements as of November 30, 2010 and 2009.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

New accounting pronouncements are issued periodically that affect our current and future operations. See note 1 of the financial statements for further details of these impacts.

CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

In preparing the financial statements, we are required to make estimates and assumptions that have an impact on the assets, liabilities, revenue and expense amounts reported. These estimates can also affect supplemental information disclosed by us, including information about contingencies, risk and financial condition. We believe, given current facts and circumstances, our estimates and assumptions are reasonable, adhere to U.S. GAAP and are consistently applied. Inherent in the nature of an estimate or assumption is the fact that actual results may differ from estimates, and estimates may vary as new facts and circumstances arise. In preparing the financial statements, we make routine estimates and judgments in determining the net realizable value of accounts receivable, inventory, fixed assets and prepaid allowances. Our most critical accounting estimates and assumptions are in the following areas:

Customer Contracts

In several of our major geographic markets, the consumer business sells our products by entering into annual or multi-year customer contracts. These contracts include provisions for items such as sales discounts, marketing allowances and performance incentives. These items are expensed based on certain estimated criteria such as sales volume of indirect customers, customers reaching anticipated volume thresholds and marketing spending. We routinely review these criteria and make adjustments as facts and circumstances change.

Goodwill and Intangible Asset Valuation

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 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. We test non-amortizing

intangible assets for impairment if events or changes in circumstances indicate that the asset might be impaired.

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 inherently uncertain. Actual future results may differ from those estimates.

Goodwill Impairment

Our reporting units are the same as our business segments. We calculate fair value of a reporting unit by using a discounted cash flow model. Our discounted cash flow model calculates fair value by present valuing future expected cash flows of our reporting units using our internal cost of capital as the discount rate. We then compare this fair value 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. As of November 30, 2010, we had $1,417.4 million of goodwill recorded in our balance sheet ($1,273.2 million in the consumer segment and $144.2 million in the industrial segment). Our testing indicates that the current fair values of our reporting units are significantly in excess of carrying values. Accordingly we believe that only significant changes in the cash flow assumptions would result in an impairment of goodwill.

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. As of November 30, 2010, we had $199.4 million of brand name assets and trademarks recorded in our balance sheet and none of the balances exceed their estimated fair values. We intend to continue to support our brand names. Below is a table which outlines the book value of our major brand names and trademarks as of November 30, 2010:

Zatarain's	$106.4
Lawry's	48.0
Simply Asia/Thai Kitchen	18.5
Other	26.5
Total	$199.4

The majority of products marketed under our brand name intangible assets which have a value on the balance sheet are sold in the United States.

Income Taxes

We estimate income taxes and file tax returns in each of the taxing jurisdictions in which we operate and are required to file a tax return. At the end of each year, an estimate for income taxes is recorded in the financial statements. Tax returns are generally filed in the third or fourth quarter of the subsequent year. A reconciliation of the estimate to the final tax return is done at that time which will result in changes to the original estimate. Income tax expense for 2010 includes $1.6 million of adjustments from the reconciliation of prior year tax estimates to actual tax filings. We believe that our tax return positions are fully supported, but tax authorities are likely to challenge certain positions. We evaluate our uncertain tax positions in accordance with the U.S. GAAP guidance for uncertainty in income taxes. We believe that our reserve for uncertain tax positions, including related interest, is adequate. The amounts ultimately paid upon resolution of audits could be materially different from the amounts previously included in our income tax expense and therefore could have a material impact on our tax provision, net income and cash flows. Also, management has recorded valuation allowances to reduce our deferred tax assets to the amount that is more likely than not to be realized. In doing so, management has considered future taxable income and tax planning strategies in assessing the need for a valuation allowance. Both future taxable income and tax planning strategies include a number of estimates.

Pension and Postretirement Benefits

Pension and other postretirement plans' costs require the use of assumptions for discount rates, investment returns, projected salary increases, mortality rates and health care cost trend rates. The actuarial assumptions used in our pension and postretirement benefit reporting are reviewed annually and compared with external benchmarks to ensure that they appropriately account for our future pension and postretirement benefit obligations. While we believe that the assumptions used are appropriate, differences between assumed and actual experience may affect our operating results. A 1% increase or decrease in the actuarial assumption for the discount rate would impact 2011 pension and postretirement benefit expense by approximately $13 million. A 1% increase or decrease in the expected return on plan assets would impact 2011 pension expense by approximately $6 million. In addition, see the preceding sections of MD&A and note 9 of the financial statements for a discussion of these assumptions and the effects on the financial statements.

Stock-Based Compensation

We estimate the fair value of our stock-based compensation using fair value pricing models which require the use of significant assumptions for expected volatility of stock, dividend yield and risk-free interest rate. Our valuation methodology and significant assumptions used are disclosed in note 10 of the financial statements.

FORWARD-LOOKING INFORMATION

Certain statements contained in this report are "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934, including those related to: the expected results of operations of businesses acquired by us, the expected impact of raw materials costs and our pricing actions on our results of operations and gross margins, the expected productivity and working capital improvements, expected trends in net sales and earnings performance and other financial measures, the expectations of pension and postretirement plan contributions, the holding period and market risks associated with financial instruments, the impact of foreign exchange fluctuations, the adequacy of internally generated funds and existing sources of liquidity, such as the availability of bank financing, our ability to issue additional debt or equity securities, and our expectations regarding purchasing shares of our common stock under the existing authorizations.

Forward-looking statements are based on management's current views and assumptions and involve risks and uncertainties that could significantly affect expected results. Results may be materially affected by external factors such as: damage to our reputation or brand name, business interruptions due to natural disasters or similar unexpected events, actions of competitors, customer relationships and financial condition, the ability to achieve expected cost savings and margin improvements, the successful acquisition and integration of new businesses, fluctuations in the cost and availability of raw and packaging materials, changes in regulatory requirements, and global economic conditions generally which would include the availability of financing, interest and inflation rates as well as foreign currency fluctuations, fluctuations in the market value of pension plan assets and other risks described in our Form 10-K for the fiscal year ended November 30, 2010.

Actual results could differ materially from those projected in the forward-looking statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.