

Fellow Shareholders,



Alan D. Wilson, Chairman, President & Chief Executive Officer (r), meets with Dr. Hamed Faridi, Chief Science Officer (l) in one of McCormick's state-of-the-art flavor innovation centers.

McCormick celebrates our 125th anniversary in 2014. This is a great time to reflect on what elements have contributed to our success, as well as look ahead to future growth opportunities. Our theme for this anniversary year is the Flavor of Together. As people around the world explore new tastes, new dining experiences and new ways to make healthy choices, we see the important role flavor—and McCormick as a global flavor leader—plays in bringing people together around food. We are honored to be part of these moments. And, we are proud of our people throughout the company who are committed to continuing our great heritage of innovation, collaboration and trust as we forge ahead for the next 125 years of success...together.

In 2013, McCormick people around the world made significant progress with our initiatives to grow sales and to improve productivity through our Comprehensive Continuous Improvement program—CCI. This progress was made despite a slow recovery from the recession in most of our developed markets and a slowdown in economic growth in many emerging markets. McCormick is succeeding in this environment through our increased connectedness to our consumers, which allows us to better align our innovation pipeline and marketing efforts with what consumers want today and beyond. In addition, through these insights, we are pursuing the most promising growth opportunities across our broad range of products, customers and geographic regions.

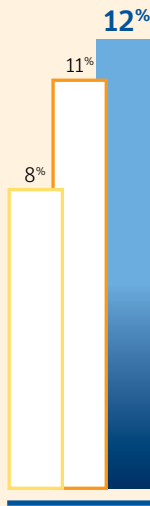
**Performance.** In 2013, McCormick delivered higher sales and record cash flow, demonstrating the resiliency of our business. Additionally, we managed through a period of weaker demand for industrial products in certain markets and effectively navigated some significant headwinds.

We grew net sales 3%. This result was led by a 5% increase in sales of our consumer business. We grew sales of our leading brands through pricing actions, the development and introduction of new products and effective brand marketing. In addition, we significantly expanded our consumer business in China with an acquisition. Sales declined 1% for our industrial business. While we had strong results in several developed markets and expanded our business in emerging markets, our growth was limited by lower demand this period from quick-service restaurants in the United States and China.

We reported operating income of \$551 million, which included 2013 charges related to reorganization activities in our Europe, Middle East and Africa region (EMEA) and a voluntary pension settlement. Excluding these items, adjusted operating income rose to \$591 million with higher sales and \$63 million of CCI cost savings, well ahead of our initial goal of at least \$45 million for 2013. As a result of these savings, we were able to increase our investment in brand marketing support by \$10 million and more than offset headwinds from higher material costs and a \$20 million increase in retirement benefit expenses.

## Shareholder Return

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



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

In 2013, our earnings per share was \$2.91. Excluding the 2013 charges, adjusted earnings per share rose to \$3.13 from \$3.04 in 2012, despite the significant increase in retirement benefit expense. We generated \$465 million of cash flow and returned a record \$357 million of cash to our shareholders through dividends and share repurchases. We also funded the \$142 million acquisition of Wuhan Asia Pacific Condiments and other strategic capital expenditures, such as the expansion of our manufacturing capacity in Eastern Europe and China.

## Growth.

McCormick is uniquely positioned to meet the growing demand for more flavorful foods in markets around the world.

Globally, sales of packaged herbs and spices are a \$10 billion retail category and are projected to increase another \$1 billion by 2017. In a recent U.S. survey, more than half the consumers said that cooking with spices is quick and easy. Another survey underscored the importance of taste, as taste continues to be the top reason why people choose a particular food, ranking ahead of convenience and price.

Across our consumer and industrial businesses, McCormick provides the flavor for meals prepared at home, served in restaurants or intended as a satisfying quick snack. Within our product portfolio, we provide everything from value-priced store brands to gourmet items, such as the line of 23 new premium spices and seasonings launched this year in France under our market-leading Ducros brand. Given the breadth of our company's products and innovations, we believe that each day you are likely to enjoy food flavored by McCormick.

At McCormick, we are at the leading edge of food trends and are investing in product development capabilities connected to our flavor, sensory and culinary knowledge leadership. In addition, we share our expertise with our customers and consumers around the world through our Flavor Forecast, which highlights food trends we expect to see in the near future.

With the growing demand for flavor throughout the world, McCormick is well positioned for growth, especially given our breadth of products and category leadership. In the past five years, we have increased sales at a 5% compound annual growth rate, which is in line with our long-term goal to achieve 4% to 6% annual sales growth. We expect to achieve this long-term goal through a continued focus on our base business, innovation and acquisitions.

McCormick will drive growth and win category share in our **base business** through our role as the category leader in spices, herbs and seasonings. As a category leader, we are working with our retail customers to optimize the product assortment, placement, pricing and profitability of spices, herbs and seasonings, while at the same time reducing the emphasis on some lower margin products. Our investment in brand marketing exceeded \$200 million in 2013, and, based on recent data, we are achieving returns on this spending in the United States that are above food industry averages. Our latest efforts in the United States include themed mega-events that bring multiple brands together around key celebrations, such as the successful "Big Game" football campaign featuring McCormick®, Lawry's® and Zatarain's®. Across our developed markets, we are directing a greater portion of brand support to digital marketing. In 2013, our digital marketing was more than double the amount spent two years ago in 2011. Among our achievements this year were a 94% increase in recipe views on our U.S. website and a 24% increase in website traffic in Europe. In

addition to category growth, improved merchandising and increased brand marketing investment, we are making steady progress with new distribution gains, which led to higher 2013 sales in both China and Russia.

McCormick **innovation** gives shoppers a reason to walk down not only the seasoning aisle, but just about every grocery store aisle, to see what new, flavorful products are available from our industrial customers. Our industrial customers also include restaurants, and innovation creates traffic for these customers too as people explore new tastes and seek healthier, flavorful options. We are pleased to share that sales from new products launched in the past three years accounted for 9% of total company sales in 2013. In our consumer business, new product introductions for the Americas region included new varieties of Grill Mates®, Perfect Pinch® and Recipe Inspirations™. Premium recipe mixes in the United States brought in new users, a third of whom were new to the category. In Canada, we developed gluten-free gravy mixes and introduced Philippine and Chinese recipe mixes. In EMEA, in addition to the premium range of spices and seasonings in France, we launched grilling seasonings and entered the recipe mix category in Poland and France. Toward the end of 2013, we introduced Flavour Shots in the United Kingdom, a unique and convenient blend of cooking oil and seasonings. In the Asia/Pacific region, our teams in China, India and Australia drove sales with the launch of approximately 50 new products. For our industrial customers, we had particular success with innovation to snack seasonings in the United States and Mexico, and with quick-service restaurant items supplied from our facilities in Australia, United Kingdom, Turkey and South Africa. In 2013, we also supported industrial customers with new products as they expanded into India and Brazil.



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**Acquisitions** is our third area of focus for growth and in 2013 we acquired Wuhan Asia-Pacific Condiments (WAPC), a business that increases our sales in China by more than 60%. WAPC has a leading position with bouillon products in central China, and the business complements our other flavor products that have strong category share in China's coastal region. In addition to a smooth integration process, early financial results for this business have exceeded our expectations.

We are fueling our company's growth with savings from CCI, McCormick's ongoing program to improve productivity across the organization. This program includes environmental projects, and we are making impressive progress such as our reduction of solid waste by nearly 40% since 2009 on a per unit basis. Across all CCI projects, cost savings are expected to exceed \$45 million annually. We will continue to invest CCI funds for additional brand marketing support and product development activity to grow sales and profit.

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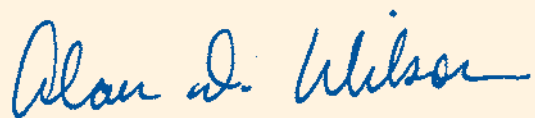
**People.** Our success starts with the people of McCormick. McCormick people from all over the world working together with a focus on growth and efficiency, truly is the key ingredient of our success. We thank them for their efforts and contributions to the long-term success of our company.

As I shared earlier, the theme for our 125th anniversary year is the Flavor of Together. At our company, this spirit of “together” has its foundation in McCormick’s Multiple Management, a philosophy that dates back to 1932, which is based on participation and inclusion. We are proud of our pioneering Multiple Management philosophy and that it continues to be a driving force in our global industry leadership, solving business challenges and creating growth opportunities.

The McCormick spirit of “together” can be found in everything we do: from working together to contribute to the communities in which we live and work, to ensuring a responsible supply chain, to sharing advancements in health and wellness through the McCormick Science Institute. And, together, this year we published a corporate social responsibility review, which covers these topics in a more in-depth manner and shares some ambitious goals we set to mark our further improvements.

McCormick’s Board of Directors and company leaders are shaping our strategy and direction toward continued growth. Departing from the Board is George Roche, who has served as a director and Compensation Committee member since 2007. We sincerely appreciate his contributions and service. Retiring from the company after a distinguished career and strong leadership are Mark Timbie, President—Consumer Foods Americas & Chief Administrative Officer and Ken Kelly, Senior Vice President & Controller. As part of our move toward a more global organization, Lawrence Kurzius was named President Global Consumer Business & Chief Administrative Officer and Chuck Langmead President Global Industrial Business. Also, Paul Beard was named Senior Vice President, Finance.

In closing, we want to thank our shareholders. We are proud of our 125 years of bringing flavor to people around the world and, more importantly, we are glad you have joined us as we head into the next 125 years at McCormick. We appreciate your support and are committed to increasing the value of your investment in our business.



**Alan D. Wilson**  
*Chairman, President & CEO*