McCormick Reports Record Sales and Earnings Per Share for Fiscal Year 2002

January 29, 2003

SPARKS, Md., Jan. 29 /PRNewswire-FirstCall/ -- McCormick & Company, Incorporated (NYSE: MKC), today reported record sales and earnings per share for the fiscal year ended November 30, 2002.

For the fiscal year, McCormick reported sales of $2.3 billion, an increase of 5% and within the 4-6% target range set early in 2002. For the fourth quarter, sales increased 8%, with good performance in each business - consumer, industrial and packaging. For both the year and quarter, the Company achieved most of the sales growth from higher volume of both existing and new products. Favorable foreign exchange contributed 1% of the sales increase for the year and 2% of the increase for the fourth quarter.

For fiscal year 2002, the Company reported a 36.9% gross profit margin, an increase of one percentage point above the year ago margin of 35.9%. This was ahead of our targeted increase of .5-.75 percentage points. For the fourth quarter, gross profit margin rose 1.5 percentage points to 41.1%. Driving gross profit margin improvement in 2002 were a favorable raw material environment, increased efficiencies in the supply chain, and a shift in sales to more value-added products.

For fiscal year 2002, McCormick reported $1.26 earnings per share, an increase of 20% above the 2001 result of $1.05. Of the 21 cents increase, 8 cents was due to a required change in accounting for goodwill amortization. The remaining 13 cents increase was driven by 11 cents of higher operating income resulting from volume gains, margin improvement and lower special charges, offset in part by increased costs from our Beyond 2000 (B2K) implementation and poor performance in the U.K. brokerage operation. Also impacting the 2002 earnings per share was favorable interest expense of 4 cents, partially offset by the effect of increased shares outstanding of 2 cents.

For 2002, a target was set to increase earnings per share 9-11%, when excluding goodwill amortization and special charges. On this comparable basis, earnings per share rose 9% to $1.30 from $1.19 in 2001.

For the fourth quarter, the Company reported earnings per share of 54 cents, an increase of 29% compared to 42 cents reported a year ago. Goodwill amortization accounted for 2 cents of the increase. The remaining increase of 10 cents was achieved through 9 cents of operating income, which includes volume gains, the favorable impact of special charges and margin improvement. Reduced interest expense accounted for an additional 1 cent in the quarter. Excluding goodwill amortization and special charges, earnings per share for the quarter increased 12% to 55 cents from 49 cents.

Consumer Business (in thousands)	Three Months Ended		Twelve Months Ended	
	11/30/02	11/30/01	11/30/02	11/30/01
Net sales	$378,802	$354,895	$1,094,871	$1,043,559
Operating income	86,715	82,154	180,179	162,499
Operating income, excluding special charges and goodwill amortization	87,851	90,243	182,846	179,091

For fiscal year 2002, sales for McCormick's consumer business rose 5% due primarily to volume gains with new and core products. Foreign exchange also had a favorable impact, contributing 1% of the increase. In local currency, consumer sales grew 4% in the Americas, 3% in Europe and 4% in the Asia/Pacific region. Operating income excluding goodwill amortization and special charges rose 2%. When the impact of the B2K implementation and poor performance associated with the U.K. brokerage operations are also excluded, 2002 operating income increased at a rate above the 5% sales gain, and operating margins exceeded 17%, which was achieved in 2001.

In the fourth quarter, sales for McCormick's consumer business rose 7% above 2001 due largely to volume. Foreign exchange also had a favorable impact, contributing 3% of the increase. In local currency, consumer sales grew 3% in the Americas, 6% in Europe and 5% in the Asia/Pacific region. Operating income excluding goodwill amortization and special charges declined 3%, or $2.4 million. Advertising and promotional spending increased more than 25% above 2001's fourth quarter, supporting core products with good growth potential and new item introductions. Income was also impacted by lower profits from the U.K. brokerage business and incremental costs associated with B2K. Excluding these factors, operating income rose in line with the sales increase for the quarter.

Industrial Business (in thousands)	Three Months Ended		Twelve Months Ended	
	11/30/02	11/30/01	11/30/02	11/30/01
Net sales	$281,076	$257,311	$1,054,510	$994,990
Operating income	30,371	14,596	112,543	89,144
Operating income, excluding special charges and goodwill amortization	31,007	20,830	114,340	96,296

For fiscal year 2002, sales for McCormick's industrial business rose 6% due primarily to volume gains for both new and existing products. In local currency, industrial sales grew 6% in the Americas, 1% in Europe and 11% in the Asia/Pacific region. Operating income excluding goodwill amortization and special charges rose 19%. In addition to higher volumes, operating income was impacted by a shift toward more value-added products and cost reduction efforts.

In the fourth quarter, sales for McCormick's industrial business rose 9% above 2001 due primarily to volume. Foreign exchange also had a favorable impact, contributing 1% of the increase. In local currency, industrial sales grew 8% in the Americas, 6% in Europe and 12% in the Asia/Pacific region. Operating income excluding goodwill amortization and special charges rose 49%. While income increased in a number of operations, areas of particular strength were the Company's business with U.S. food service and warehouse club customers, seasonings and flavors sold to U.S. food processors, and the European food service market.

Packaging Business (in thousands)	Three Months Ended		Twelve Months Ended	
	11/30/02	11/30/01	11/30/02	11/30/01
Net sales	$43,545	$39,810	$170,579	$179,983
Operating income	5,799	2,277	19,834	18,777
Operating income, excluding special charges and goodwill amortization	5,987	2,954	20,274	19,589

Since mid-2001, demand for tubed products supplied to the health and personal care industry caused sales for the packaging business to decline. While demand improved in the fourth quarter of 2002, sales for the full year declined 5%. Streamlining actions taken to adjust production activities, including a reduction in workforce, drove a better margin when compared to year ago results. Operating income excluding goodwill amortization and special charges rose 3% in 2002.

For the first quarter since mid-2001, demand for tubed products improved and packaging business sales rose, increasing 9% in the fourth quarter of 2002. Operating income (including intersegment business) excluding goodwill amortization and special charges increased 103% to $6.0 million from $3.0 million in 2001. The actions taken to adjust production activities drove a better margin when compared to year ago results.

Chairman's Comments

Commented Robert J. Lawless, Chairman, President & CEO, "McCormick met its key financial objectives for 2002. More importantly, we invested for the future of the Company in several key areas:

- Beyond 2000 (B2K) - Following 18 months of planning and development, we completed the backbone of B2K, our global initiative designed to significantly improve business processes through state-of-the-art technology. Through B2K we will expand our ability to share knowledge, standardize processes, enhance customer relationships and improve operations. We successfully moved several of our U.S. business units to the new platform in June 2002, including our largest operating unit. With these first businesses, we are optimizing our processes and anticipate benefits to begin in 2003. Our next conversion will occur in our U.S. industrial businesses, followed by international businesses, which we expect to be completed in 2005.
- Product support and innovation - Investment in product research and development rose for the fifth straight year, with a total increase of 95% since 1997. Following the opening of our culinary center in 2000, McCormick unveiled a state-of-the-art sensory center in 2002. We consider our sensory capabilities to be the best in the industry and a key to creating "consumer-preferred flavors" for our customers, particularly in our industrial business. We further supported industrial customers in 2002 with new supply sources in Uruguay and Thailand. Advertising behind our consumer brands rose 11% to $28 million. This advertising, together with promotional support, was aimed at existing items as well as several promising new products launched in the Americas, Europe and the Asia/Pacific region.
- Organizational strength - Early in 2002, we brought together responsibility for global restaurants and food service customers under Chuck Langmead. In Europe, we moved from a structure by country to a regional organization to improve customer relationships, brand support and internal efficiencies. Tapan Chakrabarty joined McCormick to lead our industrial business in the fast growing markets of the Asia/Pacific region. During the year, we established a shared services organization to identify synergies and best practices across our businesses under the leadership of Sharon Mirabelle. In the fourth quarter, we aligned the functions of operations, logistics and strategic sourcing with finance and global business solutions under Fran Contino. In December, Bob Schroeder announced that he will retire at the end of 2003, and we promoted Alan Wilson to President, U.S. Consumer Products Division. These and other changes in 2002 position us to sustain our momentum.

"The business of McCormick is straightforward: to bring flavor to food and beverages. Our strategy for growth is simple: improve margins, invest in the business, and increase sales and profits. Based on our business, our strategies and our outlook for the future, we confirm the long-term goals for the Company: grow sales 3-7%, increase earnings per share 10-12%, increase free cash flow annually, reaching $100 million in 2003. We define free cash flow as cash from operations less net capital expenditures and dividends.

"Sales growth for 2003 is expected to range 3-7% and free cash flow to reach $100 million. Our outlook for earnings is somewhat cautious. McCormick is faced with a number of challenges in 2003 as we were in 2002. Along with many other companies, we are experiencing expense increases in raw material, pensions and insurance. We will also incur expenses related to the next set of B2K implementations. For these reasons, we expect earnings per share in 2003 to increase 9-11%. With this performance in sales, earnings and cash flow, we expect to continue to be one of the top performing companies in our industry.

"Our debt-to-total-capital ratio returned to our target range of 45-55% in 2002 and ended the year at 49%. Free cash flow in 2002 was $61 million and is expected to reach $100 million in 2003. We used $19 million of cash in January to acquire the UniqSauces business, a condiment business based in Europe, which complements both our consumer and industrial businesses in that market. We are actively pursuing the purchase of additional consumer brands and value-added industrial businesses to broaden our portfolio. Cash available after acquisitions will be used for share repurchase. McCormick has $141 million remaining on a $250 million share repurchase program. We will begin to repurchase shares on this program, and if there are no significant acquisitions, expect to complete this current authorization by the end of 2004.

"McCormick has reported another year of strong sales and earnings growth. Our strategies are effective, and our employees have the skills and enthusiasm to succeed. The Company has a sound balance sheet and is generating significant cash flow to invest in the business. As we begin 2003, we are well positioned to continue our financial performance and add value for our shareholders."

Live Webcast

As previously announced, McCormick will hold a conference call with the analysts today at 11:30 a.m. EST. The conference call will be web cast live via the McCormick corporate web site www.mccormick.com. Click on "Company Information" then "Investor Services," and follow directions to listen to the call. At this same location, a replay of the call will be available for one week following the live call. Past press releases and additional information can be found at the Company's website.

Other Performance Measures

For 2002, performance targets were set by the Company excluding goodwill amortization and special charges. The Company believes that this performance measure is used by industry analysts and investors to evaluate the Company's performance relative to its peers and, therefore, when read in conjunction with the financial statements, is informative. Goodwill amortization changed due to a required change in accounting. It is included as an expense in 2001 and prior years but is not recorded in 2002 and future years. Special charges were excluded because while they are a charge to operations of the Company and controlled by management, they can be large and make it difficult to understand ongoing business operations. A reconciliation of diluted earnings per share to diluted earnings per share excluding amortization and special charges for 2002 and 2001 follows:

	Three Months Ended		Twelve Months Ended	
	11/30/02	11/30/01	11/30/02	11/30/01
Diluted earnings per share excluding amortization and special charges	$.55	$.49	$1.30	$1.19
Goodwill amortization	-	(.02)	-	(.08)

Special charges	(.01)	(.05)	(.04)	(.06)
Diluted earnings per share	$.54	$.42	$1.26	$1.05

Forward-Looking Statement

Certain information contained in this release, including expected trends in net sales and earnings performance, are "forward-looking statements" within the meaning of Section 21E of the Securities Exchange Act of 1934. Forward-looking statements are based on management's current views and assumptions and involve risks and uncertainties that could be materially affected by external factors such as: competitive conditions, customer relationships and financial condition, availability and cost of raw and packaging materials, governmental actions and political events, and general economic conditions, including interest rate and currency rate fluctuations. The Company undertakes no obligation to update or revise publicly, any forward-looking statements, whether as a result of new information, future events or otherwise.

About McCormick

McCormick & Company, Inc. is the global leader in the manufacture, marketing and distribution of spices, seasonings and flavors to the entire food industry - to foodservice and food processing businesses as well as to retail outlets. In addition, the packaging group manufactures and markets specialty plastic bottles and tubes for personal care and other industries. More information about McCormick can be found at the Company's web site: www.mccormick.com

Fourth Quarter Report McCormick & Company, Incorporated

Consolidated Income Statement (Unaudited)

(In thousands except per-share data)

	Three Months Ended		Year Ended	
	11/30/02	11/30/01	11/30/02	11/30/01
Net sales	$703,423	$652,016	$2,319,960	$2,218,532
Cost of goods sold	414,659	393,874	1,463,363	1,421,005
Gross profit	288,764	258,142	856,597	797,527
Gross profit margin	41.1%	39.6%	36.9%	35.9%
Selling, general & administrative expense	172,864	157,631	570,949	546,068
Special charges	3,041	10,848	7,985	10,848
Operating income	112,859	89,663	277,663	240,611
Interest expense	10,813	11,979	43,607	52,265
Other income/(expense)	(340)	310	694	2,096
Income from consolidated operations before income taxes	101,706	77,994	234,750	190,442
Income taxes	31,811	25,688	74,238	62,908
Net income from consolidated operations	69,895	52,306	160,512	127,534
Income from unconsolidated operations	8,226	7,565	22,421	21,464
Minority interest	903	771	3,084	2,364
Net income	$77,218	$59,100	$179,849	$146,634
Earnings per common share - basic				
Net income	$0.55	$0.43	$1.29	$1.06
Net income excluding amortization	$0.55	$0.45	$1.29	$1.15
Earnings per common share - assuming dilution				
Net income	$0.54	$0.42	$1.26	$1.05
Net income excluding amortization	$0.54	$0.44	$1.26	$1.13
Average shares outstanding - basic	139,962	138,352	139,525	137,789
Average shares outstanding - assuming dilution	142,543	141,258	142,313	140,212

Note 1: In connection with its adoption of EITF 01-09, the Company has reclassified certain 2001 marketing expenses as a reduction of sales. Concurrent with the adoption of EITF 01-09, the Company has also reclassified certain 2001 expenses from selling, general and administrative expense to cost of goods sold. Classification is consistent between 2001 and 2002.

Note 2: The Company adopted SFAS No. 141 and 142 as of December 1, 2001. The net income excluding amortization reflects what earnings per share would have been had the accounting principles been adopted at the beginning of 2001.

Fourth Quarter Report McCormick & Company, Incorporated

Consolidated Balance Sheet (Unaudited)

(In thousands)

	11/30/02	11/30/01
Assets		
Current assets		
Cash	$47,332	$31,331
Receivables	341,802	295,539
Inventories	306,329	278,073
Prepaid expense and other current assets	29,164	30,857
Total current assets	724,627	635,800
Property, plant and equipment, net	468,264	424,449
Intangible assets, net	505,954	464,642
Prepaid allowances	96,624	99,263
Investments and other assets	135,320	147,870
Total assets	$1,930,789	$1,772,024
Liabilities and shareholders' equity		
Current liabilities		
Short-term borrowings and current portion of long-term debt	$137,270	$210,879
Trade accounts payable	202,291	183,974
Other accrued liabilities	333,729	318,990
Total current liabilities	673,290	713,843
Long-term debt	453,921	454,068
Other long-term liabilities	211,277	141,098
Total liabilities	1,338,488	1,309,009
Shareholders' equity		
Common stock	230,656	202,886
Retained earnings	458,952	344,068
Accumulated other comprehensive income	(97,307)	(83,939)
Total shareholders' equity	592,301	463,015
Total liabilities and shareholders' equity	$1,930,789	$1,772,024

SOURCE McCormick & Company, Incorporated

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