McCormick Reports Record Sales and Net Income for Second Quarter

June 19, 2002
SPARKS, Md., Jun 19, 2002 -- McCormick & Company, Incorporated (NYSE: MKC), today reported record sales, net income and earnings per share for the second quarter ended May 31, 2002.

Sales for the quarter were $553 million, an increase of 4% versus the second quarter of 2001. The majority of the increase was due to higher volume for the quarter, achieved through strong sales of both core items and new products, and the positive impact of the timing of certain customer purchases. Gross profit margin for the second quarter was 34.9%, 0.9 percentage points above last year. This was due to higher volumes, continued success in shifting sales to higher-margin, more value-added products, as well as favorable raw material costs, global procurement initiatives and ongoing efforts to improve efficiencies.

Earnings per share reported for the second quarter were $0.24 versus $0.19 in 2001. Excluding goodwill amortization, earnings per share for the second quarter of 2001 were $0.21. On this comparable basis, earnings per share for the second quarter increased 14%. The drivers of the second quarter earnings increase were $0.02 from operations and $0.01 from interest expense. The $0.02 from operations includes:

-- a favorable $0.02-$0.03 from customer purchases in advance of the Company's implementation of new systems under its Beyond 2000 program in certain U.S. businesses at the end of the second quarter

-- an unfavorable $0.01-$0.02 from customer purchases in advance of a U.S. consumer price increase at the end of the first quarter

-- an unfavorable $0.02 from one-time charges and poor performance associated with the U.K. brokerage business

Special charges for the period were costs associated with previously announced streamlining actions that could not be accrued last year. They include costs of the consolidation of manufacturing in Canada and the closure of a U.S. distribution center.

Consumer Business (in thousands)	Three Months Ended		Six Months Ended	
	5/31/02	5/31/01	5/31/02	5/31/01
Net sales	$245,348	$231,957	$482,627	$460,144
Operating income	30,821	25,931	66,053	52,960
Operating income, excluding special charges and goodwill amortization	31,823	28,799	67,393	58,714

In the second quarter, sales for McCormick's consumer business rose 6% above 2001. Excluding a favorable impact from foreign exchange, sales rose 5%, with increases in both volume and price. The Company achieved higher sales of new products as well as core products. In local currency, consumer sales rose 8% in the Americas, 2% in Europe and 2% in the Asia/Pacific region. Sales in the Americas benefited from customer purchases in advance of the Company's U.S. implementation of new systems under its Beyond 2000 program, offset in part by lower second quarter sales resulting from higher customer purchases in advance of a U.S. price increase at the end of the first quarter. Operating income for the consumer business was $31 million in the second quarter. Excluding special charges and goodwill amortization for both years, operating income for 2002 was $32 million versus $29 million in 2001, an increase of 10%. Income from strong sales in the quarter was partially offset by poor performance and charges for inventory and receivables write-offs in the U.K. brokerage business.

Industrial Business (in thousands)	Three Months Ended		Six Months Ended	
	5/31/02	5/31/01	5/31/02	5/31/01
Net sales	$261,437	$249,893	$505,919	$476,127
Operating income	27,125	24,358	50,378	43,690
Operating income, excluding special charges and goodwill amortization	27,667	24,664	50,944	44,306

For the second quarter, industrial sales increased 5% versus last year. Higher volume drove this increase. In local currency, industrial sales increased 4% in the Americas, 3% in Europe and 9% in the Asia/Pacific region. In the U.S., customer purchases in advance of the implementation of Beyond 2000 had a positive impact on sales to food service customers. Second quarter seasonings and flavors sales were also strong in the U.S. Operating income for the quarter was $27 million. Excluding special charges and goodwill amortization for both years, operating income for 2002 was $28 million versus $25 million in 2001, an increase of 12%. The increase was due to higher volumes, a shift in sales to more higher-margin, value-added products, and effective cost reduction initiatives.

Packaging Business (in thousands)	Three Months Ended		Six Months Ended	
	5/31/02	5/31/01	5/31/02	5/31/01
Net sales	$45,835	$49,318	$82,980	$94,344
Operating income	4,855	6,105	7,744	11,447
Operating income, excluding special charges and goodwill amortization	4,970	6,150	7,864	11,537

As expected, difficult results from the packaging business continued through the first half of 2002. The packaging business reported third party sales for the quarter down 7% versus last year. Operating income (including intersegment business) for the second quarter of 2002 declined to $5 million from $6 million in 2001. Midway through 2001, the state of the economy caused a decline in demand for products supplied to the health and personal care industry. Actions have been taken to adjust production activities, including a reduction in our workforce. At the end of the second quarter, customer demand for packaging is beginning to show signs of recovery.

Chairman's Comments

Commented Robert J. Lawless, Chairman, President & CEO, "McCormick had good sales growth and margin improvement through the first half of our fiscal year. In our consumer business, we increased worldwide sales of core products, new products and increased our customer base. The growth in our industrial business came from several sectors including snack seasonings and sales to food service and restaurant customers. Customer purchases in advance of our first implementation of Beyond 2000 gave an additional lift to several of our businesses. We continue to grow our margin by improving our product mix and reducing costs.

"We faced two challenges this quarter. First, was the reduction in sales for our packaging business. This decline began one year ago and, as expected, impacted us through the second quarter of 2002. We are beginning to see some initial signs of recovery with a rebound in customer orders. The second challenge occurred in the U.K. with a brokerage business that we acquired in conjunction with the Schwartz spice and seasoning brand in 1984. This business had some one-time charges in the second quarter and a sales decline in the first half. The Company has taken immediate action by bringing customer service activity in-house, after outsourcing the activity in 2001. We are also changing to a new firm to handle the distribution function for this business and evaluating other options for this part of our operation.

"Based on our outlook for the next two quarters, our guidance for fiscal year 2002 is consistent with our original targets: 4-6% sales growth, 50-75 percentage points gross profit margin improvement, and 9-11% earnings per share increase. For the third quarter, sales will be slightly above last year for two reasons. First, the customer purchases in advance of our Beyond 2000 implementation at the end of the second quarter will cause lower third quarter sales. Second, sales from the U.K. brokerage business are expected to be weak as we change our customer service and distribution activities. The timing of customer purchases related to Beyond 2000 is expected to reduce earnings per share for the third quarter by up to $0.03. The third quarter will also be impacted by higher expenses related to Beyond 2000 implementation and continued weakness in the U.K. brokerage business. As a result of these factors, we expect that earnings per share for the third quarter will range from $0.24 to $0.25. Sales and earnings are expected to return to strong growth for the fourth quarter, with sales strength in our core consumer and industrial businesses, continued margin improvement, recovery in our packaging business and a more positive foreign exchange environment.

"Several recent accomplishments at McCormick this quarter are also noteworthy. On June 5, 2002, our first operating units converted, on schedule, to the new processes and systems of our Beyond 2000 (B2K) program. Many employees have been working intently over the past 18 months on this program with the aim of serving our customers more effectively, operating more efficiently and building knowledge. This conversion has occurred smoothly, and we continue to progress with our B2K efforts.

"Also this quarter, McCormick opened a new sensory facility in our Hunt Valley based Technical Innovation Center. This facility offers our industrial customers and our consumer business a superior capability for determining consumer preferences. In our Asia/Pacific region, responsibility for our industrial business across the entire region has recently been consolidated to better align McCormick with the key multi-national customers we serve.

"Our employees are pursuing sales and profit growth across all of our global businesses. To achieve this growth, the Company is making key investments in initiatives like Beyond 2000, product innovation, and organizational improvements. McCormick is committed to delivering shareholder value, and I am confident that we will achieve our goals for 2002."

Live Webcast

As previously announced, McCormick will hold a conference call with the analysts today at 10:00 a.m. EDT. The conference call will be webcast live via the McCormick corporate web site http://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.

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: actions of competitors, customer relationships, market acceptance of new products, actual amounts and timing of special charge items, removal and disposal costs, final negotiations of third-party contracts, the impact of the stock market conditions on its share repurchase program, fluctuations in the cost and availability of supply-chain resources and global economic conditions, including 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.

Second Quarter Report McCormick & Company, Incorporated

Consolidated Income Statement (Unaudited)
(In thousands except per-share data)

	Three Months Ended		Six Months Ended	
	05/31/2002	05/31/2001	05/31/2002	05/31/2001

Net sales	$552,620	$531,168	$1,071,526	$1,030,615
Cost of goods sold	359,925	350,484	693,580	680,302
Gross profit	192,695	180,684	377,946	350,313
Gross profit margin	34.9%	34.0%	35.3%	34.0%
Selling, general & administrative expense	135,534	131,114	268,320	255,804
Special charges	1,659	0	2,026	0
Operating income	55,502	49,570	107,600	94,509
Interest expense	11,118	13,458	22,181	27,745
Other (income)/expense	397	399	(650)	(574)
Income before income taxes	43,987	35,713	86,069	67,338
Income taxes	13,794	11,821	27,040	22,289
Net income from consolidated operations	30,193	23,892	59,029	45,049
Income from unconsolidated operations	4,141	3,181	9,819	9,260
Minority interest	(721)	(437)	(1,394)	(1,087)
Net income	$33,613	$26,636	$67,454	$53,222
Basic earnings-per-share:				
Net income	$0.24	$0.19	$0.48	$0.39
Net income excluding goodwill	$0.24	$0.22	$0.48	$0.43
Diluted earnings-per-share:				
Net income	$0.24	$0.19	$0.47	$0.38
Net income excluding goodwill	$0.24	$0.21	$0.47	$0.43
Average shares outstanding - basic	139,668	137,648	139,163	137,338
Average shares outstanding - assuming dilution	142,984	140,108	142,197	139,392

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 goodwill reflects what earnings per share would have been had the accounting principles been adopted at the beginning of 2001.

Condensed Consolidated Balance Sheet (Unaudited)
(In thousands)

	05/31/2002	05/31/2001
Assets		
Cash	$ 40,158	$ 47,484
Receivables	277,433	248,641
Inventories	289,727	285,170
Prepaid allowances	130,273	104,918
Property, plant and equipment, net	467,922	394,659
Other assets	644,791	570,270
Total assets	$ 1,850,304	$ 1,651,142
Liabilities and shareholders' equity		
Short-term borrowings	$ 271,773	$ 303,140
Other current liabilities	440,662	406,281
Long-term debt	453,989	454,298
Other liabilities	141,472	117,176
Shareholders' equity	542,408	370,247
Total liabilities and shareholders' equity	$ 1,850,304	$ 1,651,142

SOURCE McCormick & Company, Incorporated

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