

A WORLD OF FLAVOR

Global Industrial Business

Chuck Langmead

President – Industrial Foods Americas

Lawrence Kurzius

President – International Business

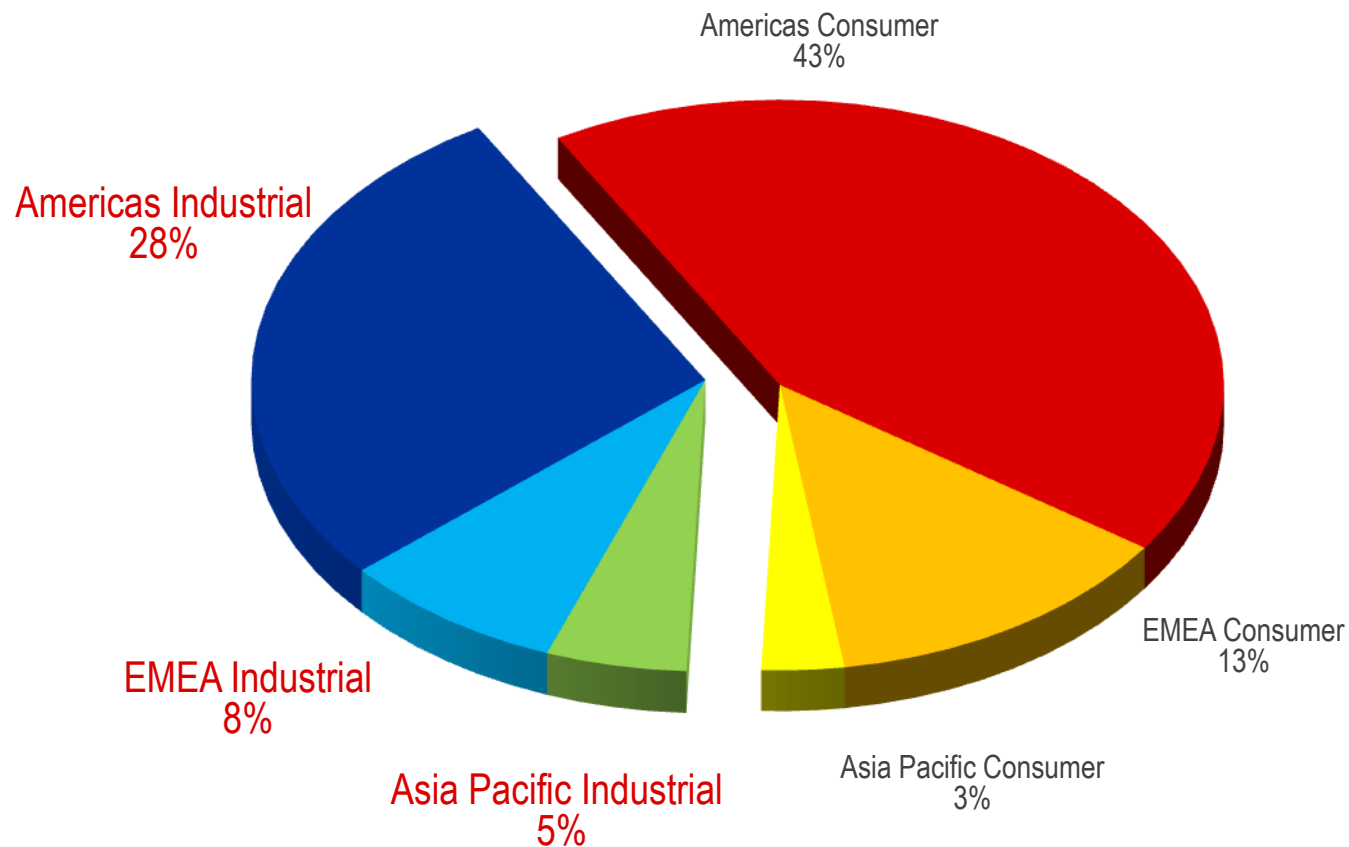


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Global Industrial Business

\$1.5 billion sales in 2011



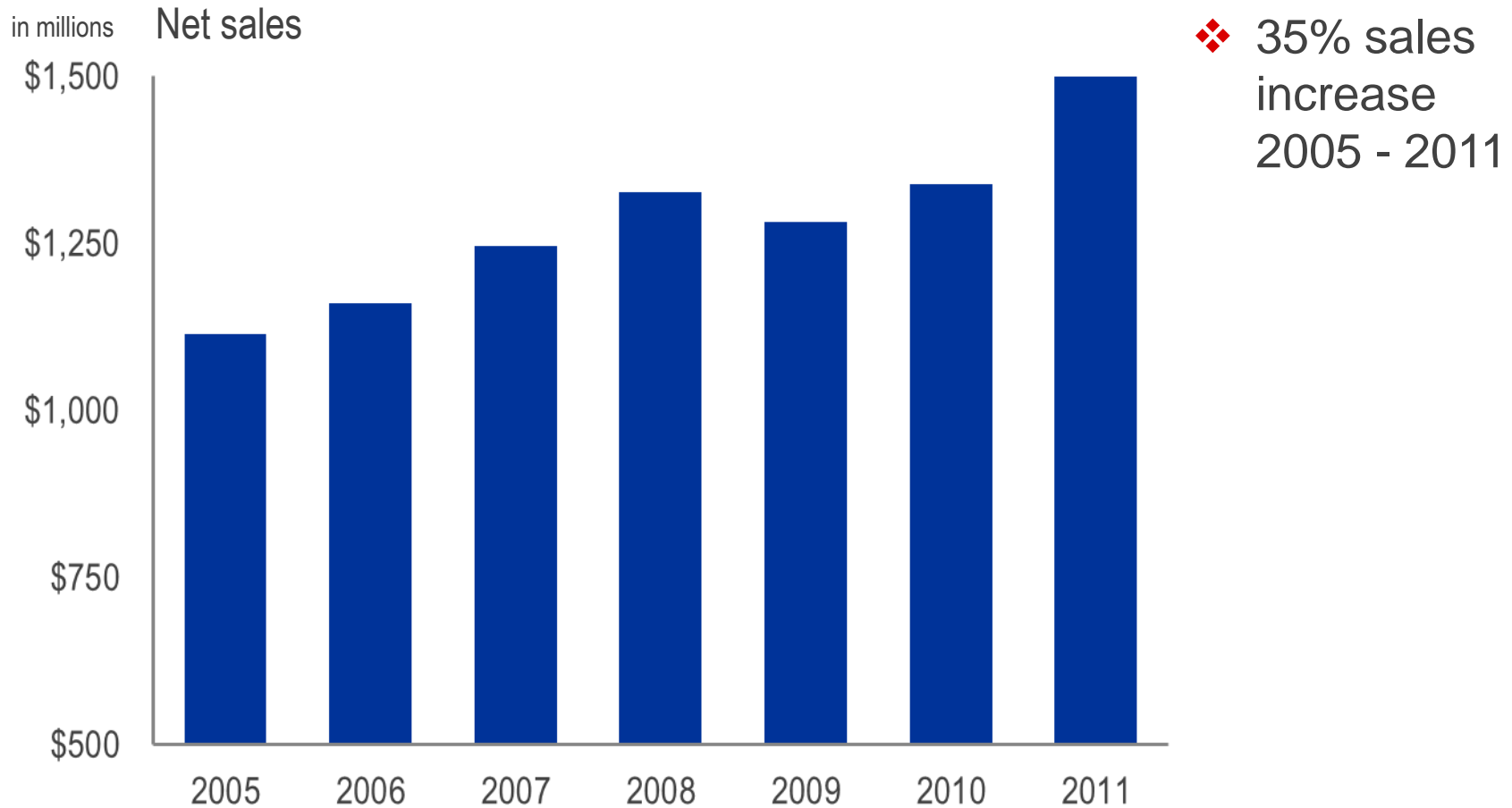
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Steps to Position Industrial Business for Growth

- ❖ Streamlined products and customers
- ❖ Lowered cost base, consolidated asset base, creating centers of excellence for manufacturing and supply chain
- ❖ Aligned resources and developed capabilities to support customer growth

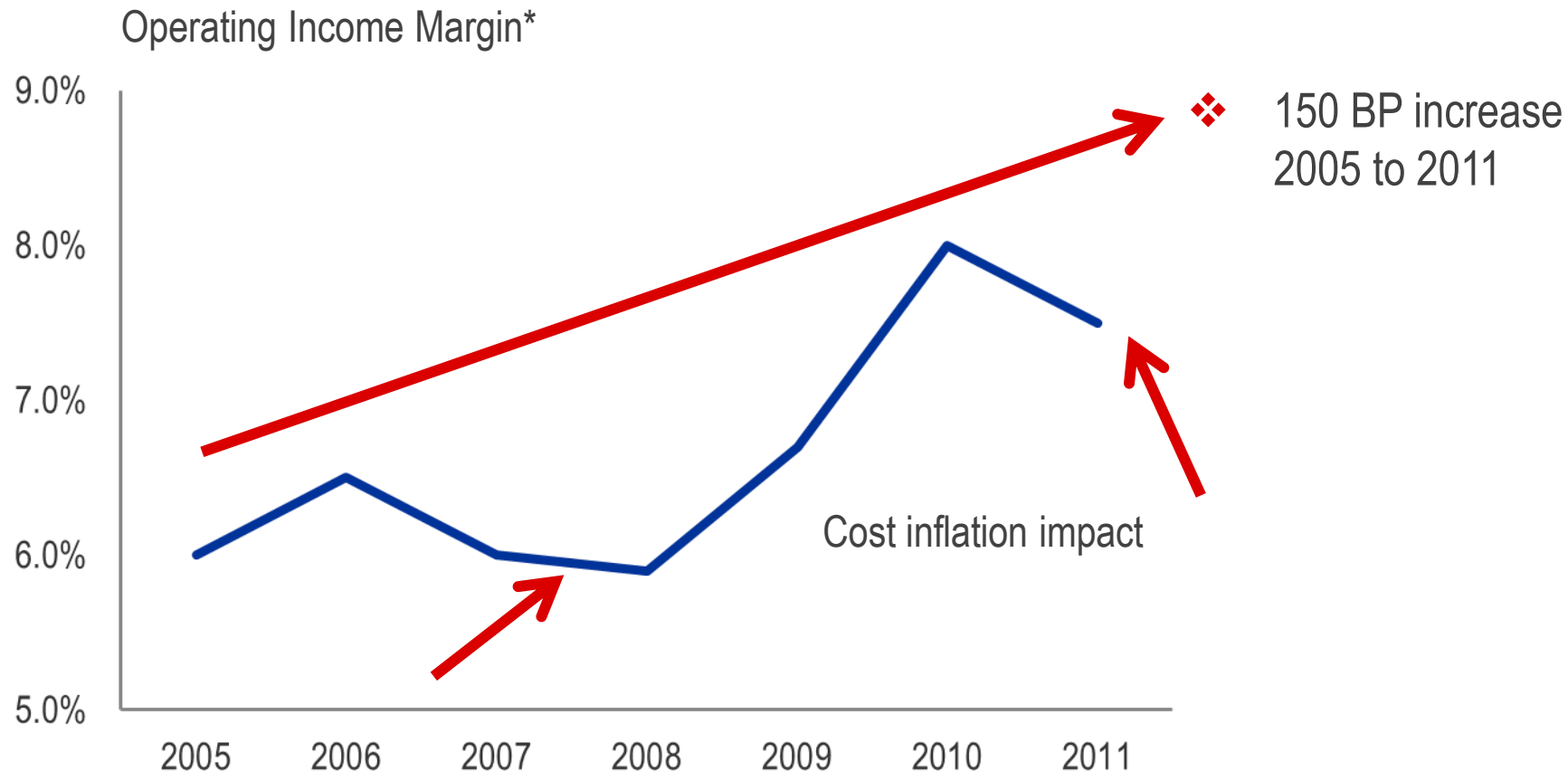
Industrial Business Net Sales Increased 5% CAGR



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Improving Operating Income Margin Over Time

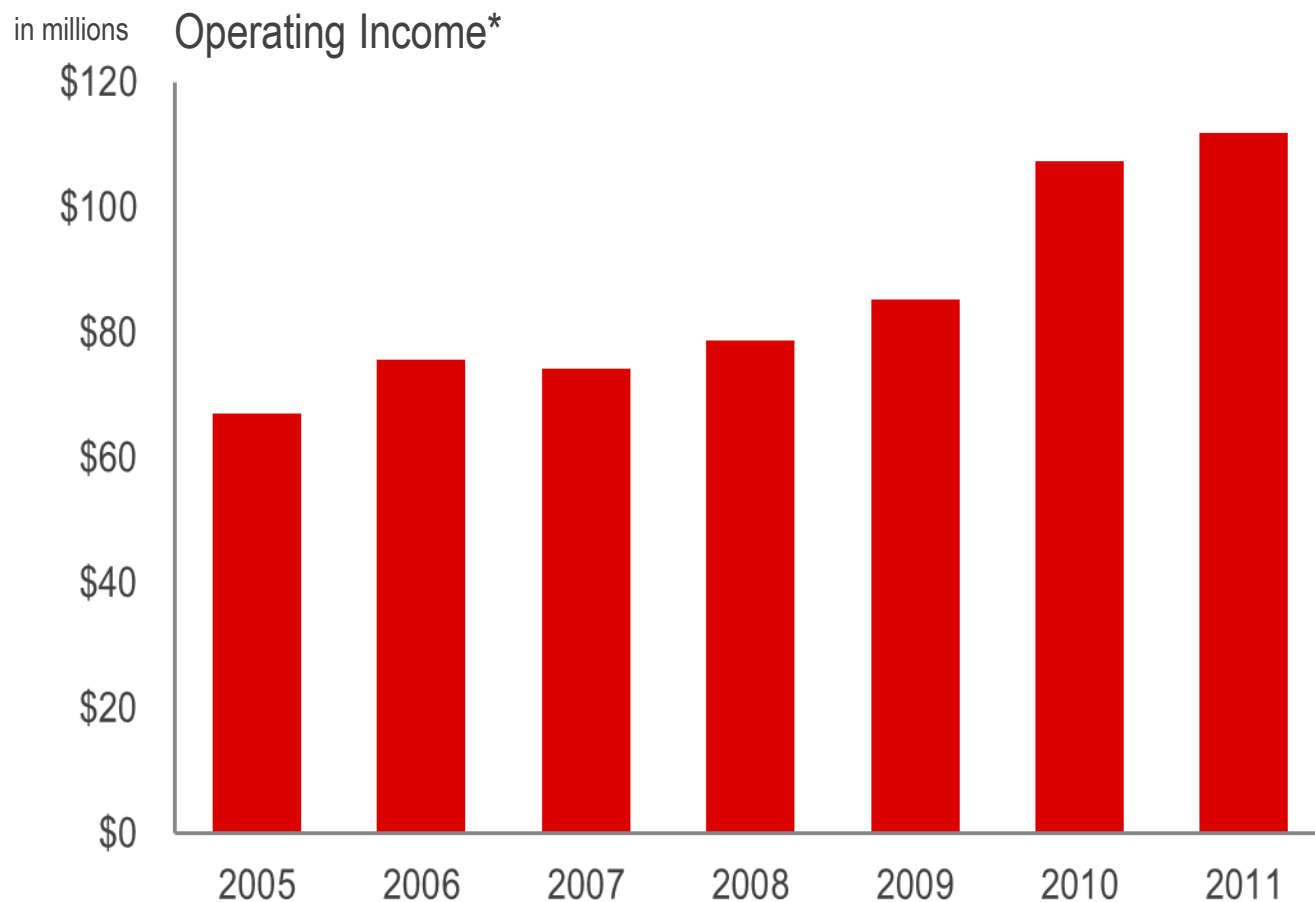


* Excluding restructuring charges

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Industrial Business Operating Income Up 9% CAGR

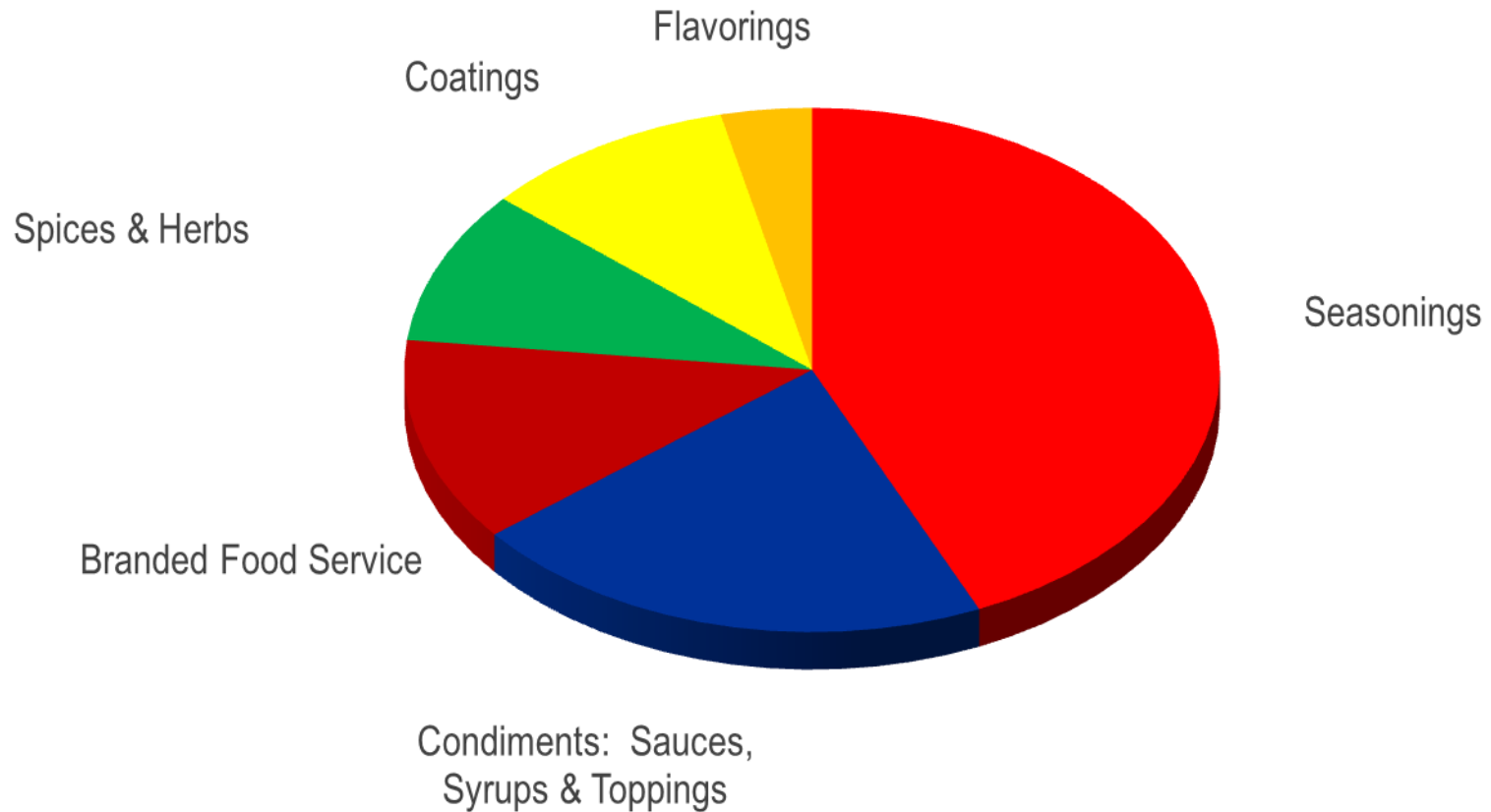


* Excluding restructuring charges

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One of Broadest Range of Customized Flavor Solutions



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Our Customers Are Global Industry Leaders

Customers include

- ❖ 8 of top 10 food service restaurant companies
- ❖ 9 of top 10 leading branded food companies

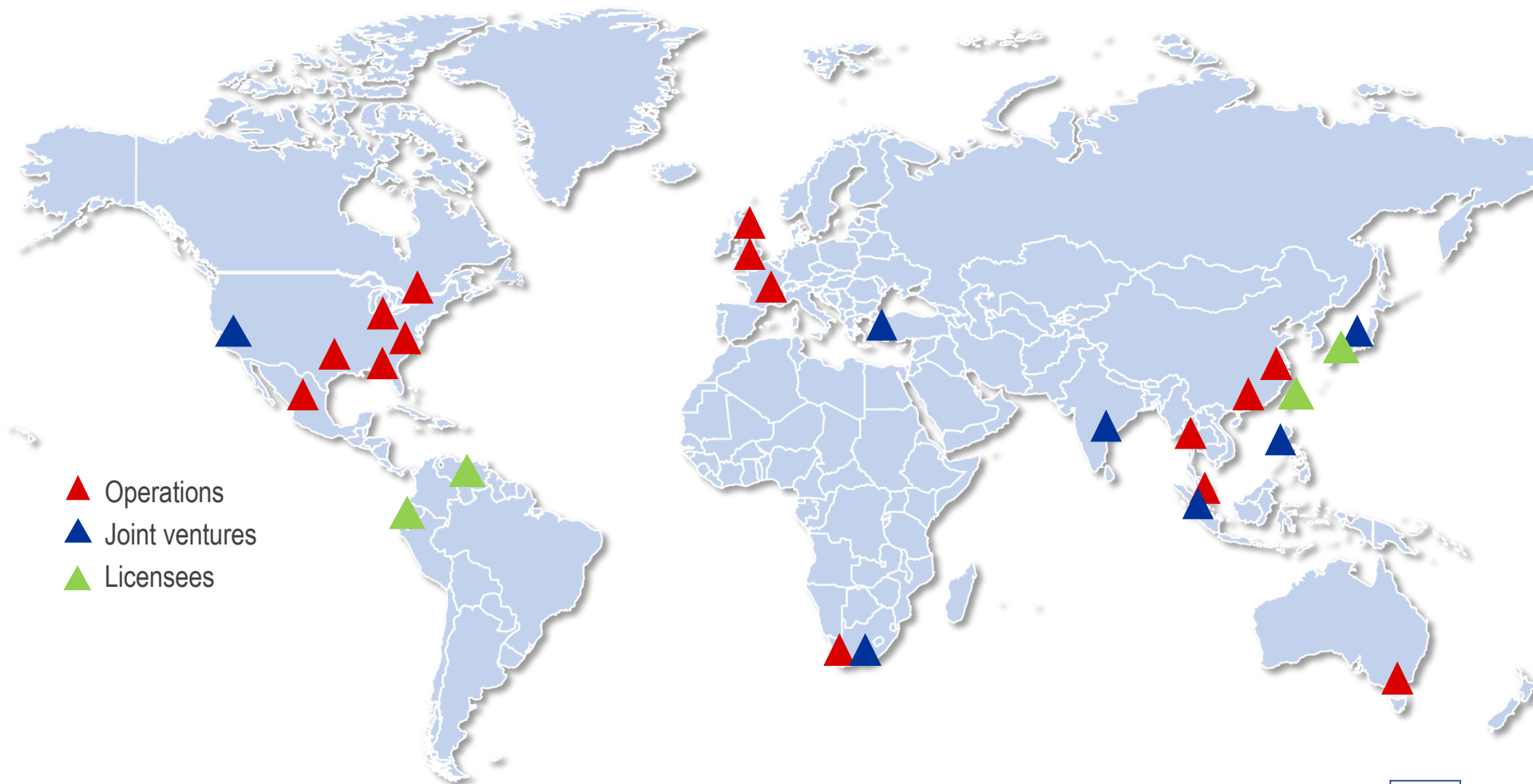


Source: Global Food Markets

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Supplying Customers Locally to Support Their Global Growth



- ▲ Operations
- ▲ Joint ventures
- ▲ Licensees

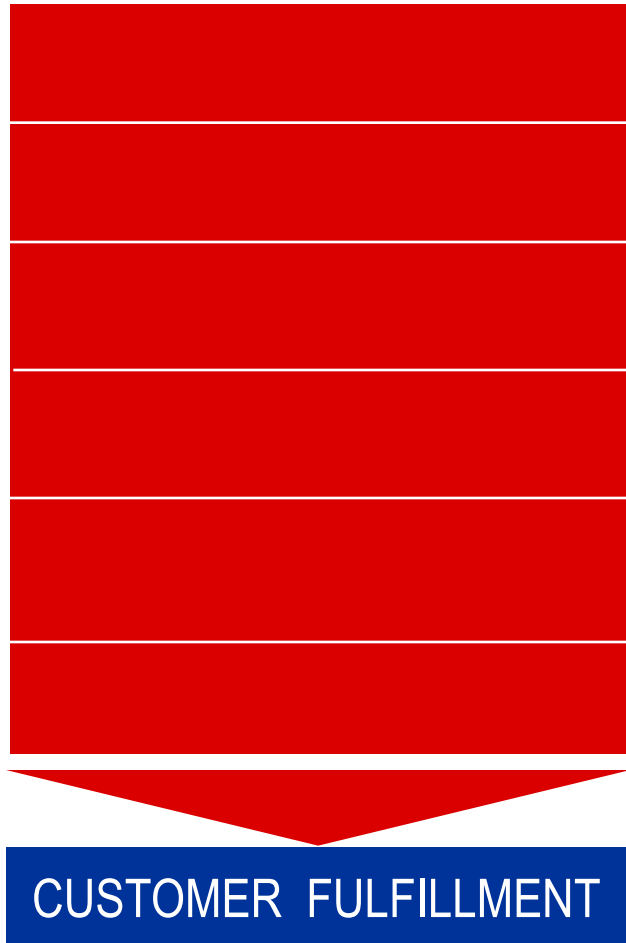
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Unique Points of Difference vs Competition

- A natural food products company vs. chemicals/additives
- Steward of our own leading brands, like our customers
- Keen consumer insights gained from our experience

Anticipating and Fulfilling Customer Needs



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Anticipating and Fulfilling Customer Needs



Defining Our Right To Win

Product
superiority

Customer
intimacy

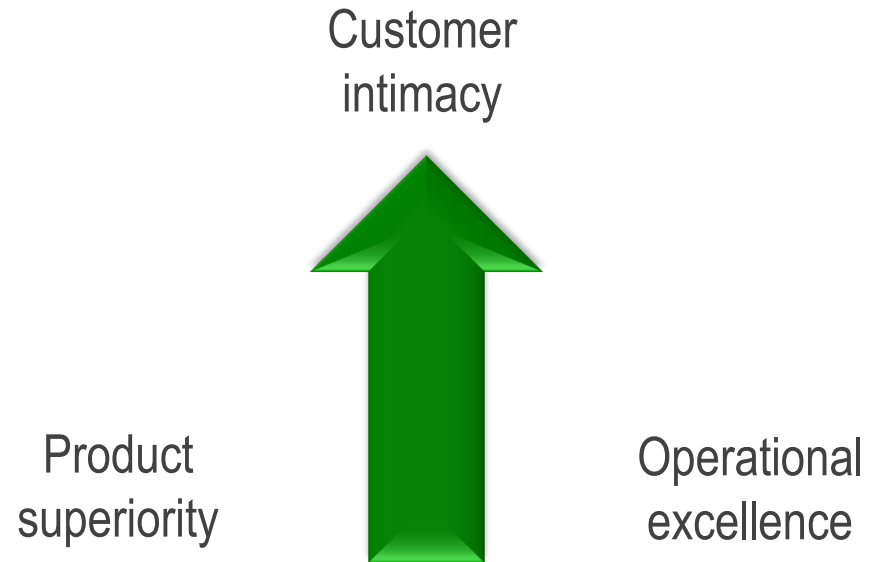
Operational
excellence

CUSTOMER FULFILLMENT

McCormick Brings Passion to Flavor™



Anticipating and Fulfilling Customer Needs



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Defining Our Right to Win



Defining Our Right To Win



Category Development



Leverage Our Global Capabilities



High Performance Work Organization



Joint Value Creation

CUSTOMER FULFILLMENT

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Defining Our Right to Win



Defining Our Right To Win



Category Development



Leverage Our Global Capabilities



High Performance Work Organization



Joint Value Creation



Branding Our Value Proposition

CUSTOMER FULFILLMENT

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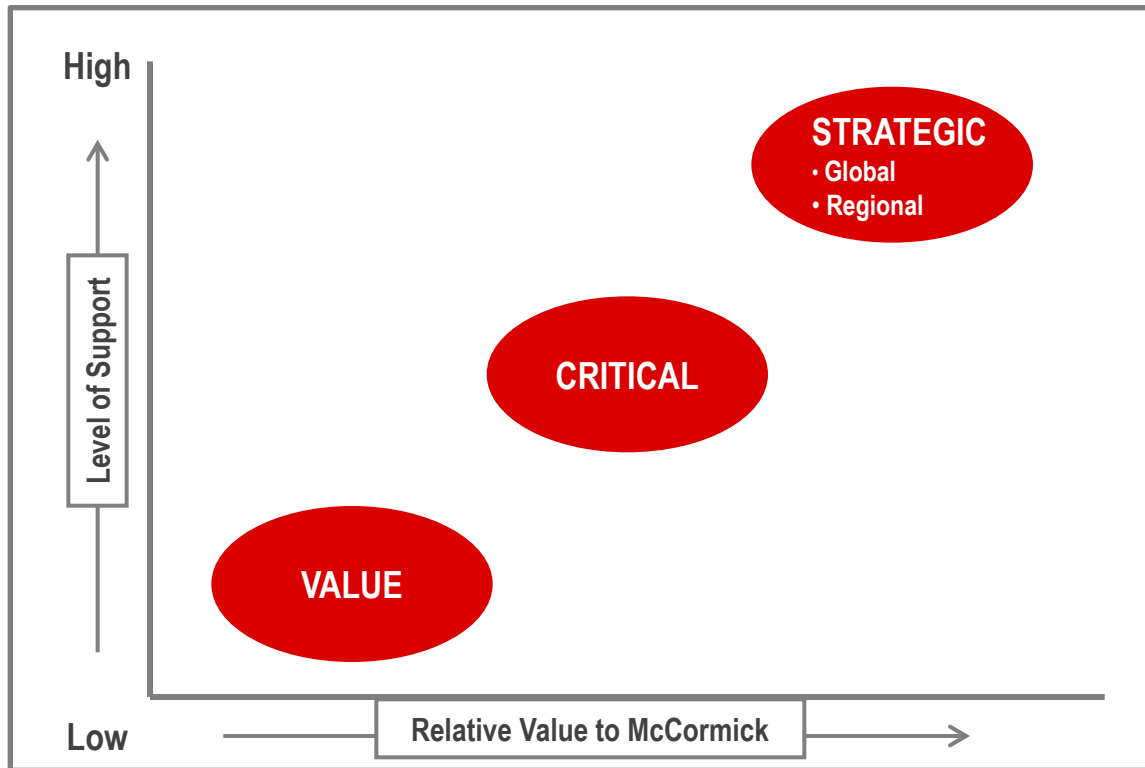
Global Industrial Roadmap to McCormick 2015



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Customer Intimacy Is a Strategy of Tailoring Interactions to Directly Address the Needs of the Customer



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Customer Intimacy Is a Strategy of Tailoring Interactions to Directly Address the Needs of the Customer

- ❖ Involves people and resources
 - ❖ Global, multi-functional account teams
- ❖ Ensures technology and innovation competitiveness
 - ❖ CreateIT® process
 - ❖ Asian TIC in China
 - ❖ Expansion of EMEA TIC & Flavor Lab
- ❖ Further strengthen both commercial and technical organizations





Success in Achieving Superior Customer Intimacy

Delivering practical technology solutions
at a competitive value....

while excelling in “Customer Engagement”

insures a sustainable and successful
business model

Customer Recognition



- ❖ China, Golden Pan Award 2011; Singapore KFC Supplier of Year 2011; Asia Quality Award 2011; USA Supplier of Year 2010; Asia Supplier of Year 2010; USA Innovation Award 2010; New Product Development Supplier of Year U.K. 2010; Europe Innovation Award 2010



- ❖ Supplier of the Year 2010



- ❖ Supplier of the Year 2010



- ❖ 2010 Supplier of the Year



- ❖ MKC Ranked in Top 100 Suppliers for more than a decade



- ❖ “Press On” Award 2011



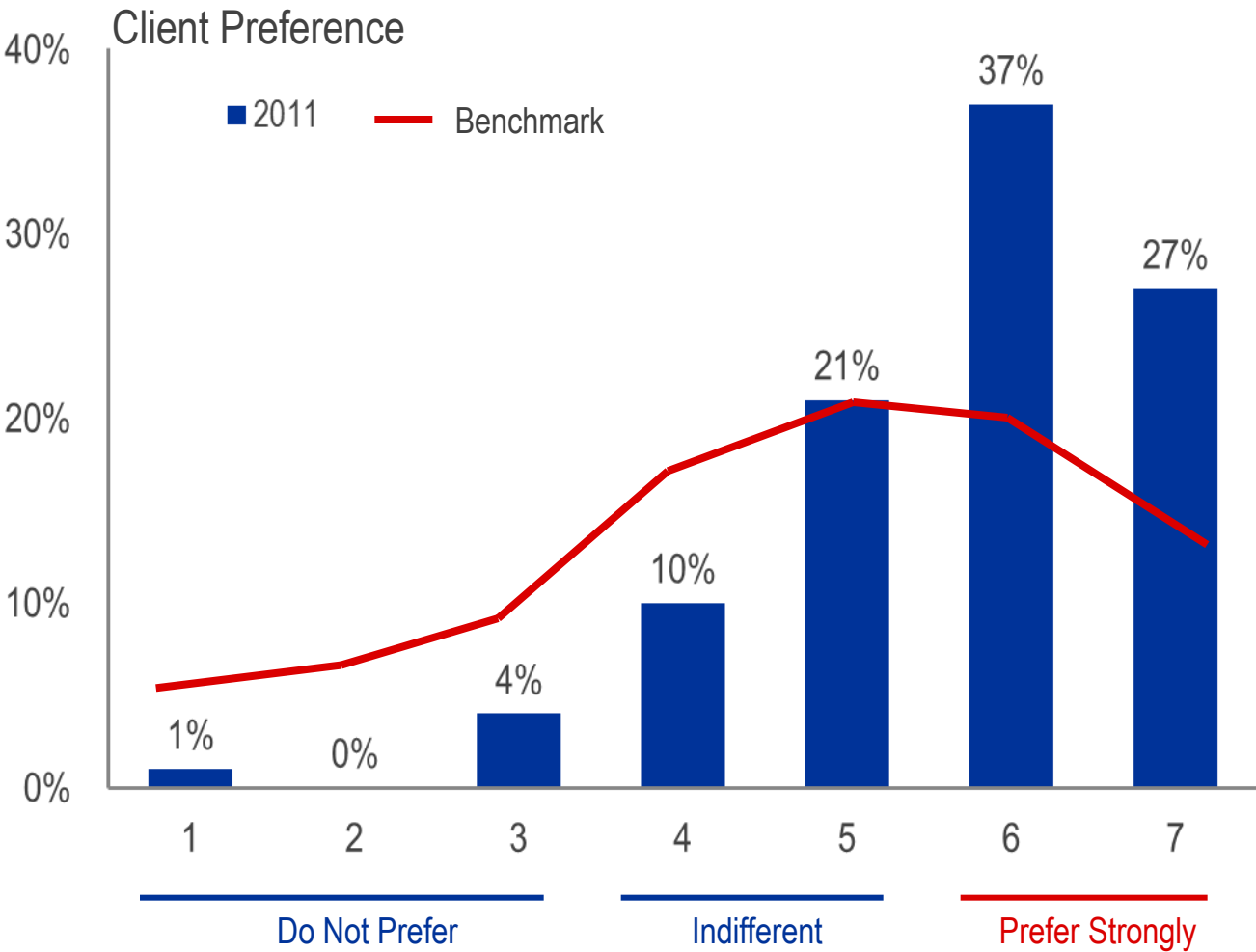
- ❖ Merisant/France 2010 Distributor Best Practice Award



- ❖ Casa Cuervo “A” Class Supplier



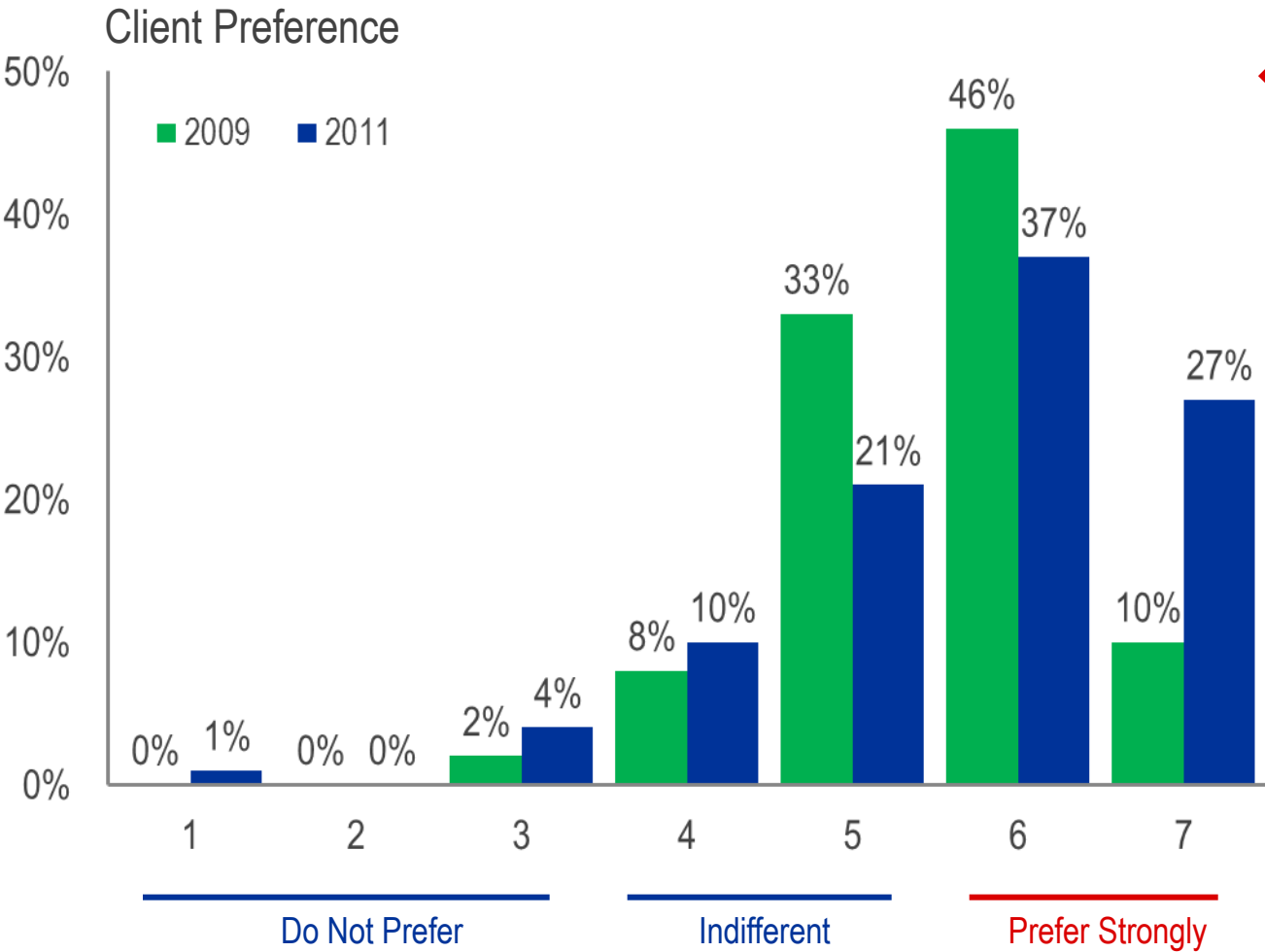
High Customer Loyalty



❖ Nearly 2/3 of customers strongly prefer McCormick



High Customer Loyalty



❖ 27% at top rating versus 10% just years ago



Success in Achieving Superior Customer Intimacy

OUTCOMES

- ✓ Routinely recognized by our customers-formally & informally
- ✓ High customer loyalty
- ✓ Greater participation and win rate in new product briefs



Success in Achieving Superior Customer Intimacy

“....their breadth and depth of product design is top tier in the industry”

“...a market leader in the area of innovative development and flavor trends”

“...the best scientists, developers and consumer insights in the business”



Category Leadership Means Breadth and Reach

Customers include

- ❖ 8 of top 10 food service restaurant companies
- ❖ 9 of top 10 leading branded food companies



Source: Global Food Markets

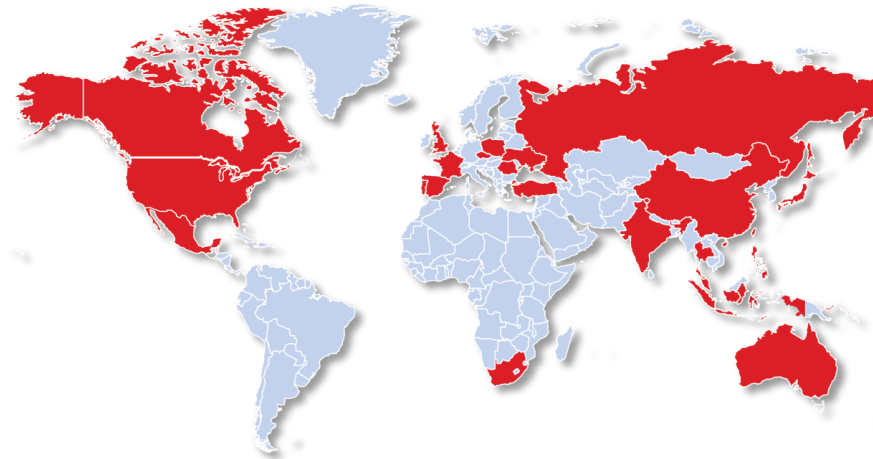
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Category Leadership Means Breadth and Reach

- ❖ Increase our share with our global customers by supplying into new categories
- ❖ Support customers as they expand worldwide



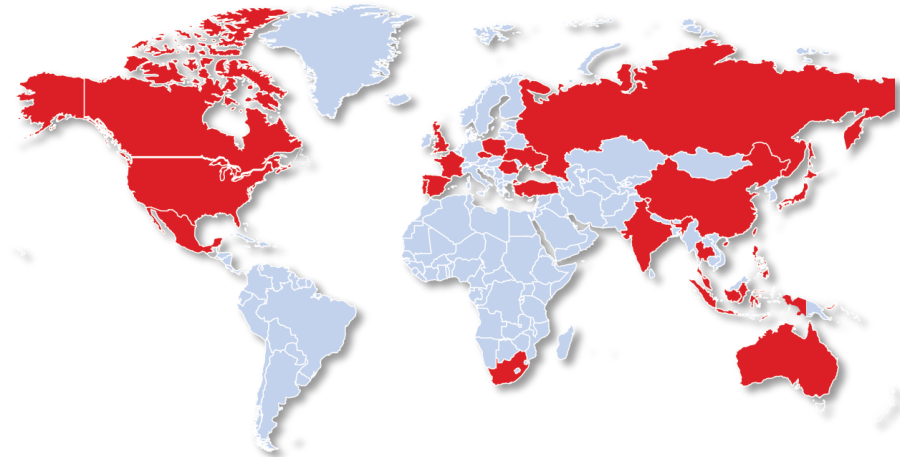
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Category Leadership Extends to International Developed Markets...

- ❖ Continue positive momentum with quick service restaurants (QSR)
- ❖ Accelerate growth of flavor and seasonings business



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....and Into Emerging Markets

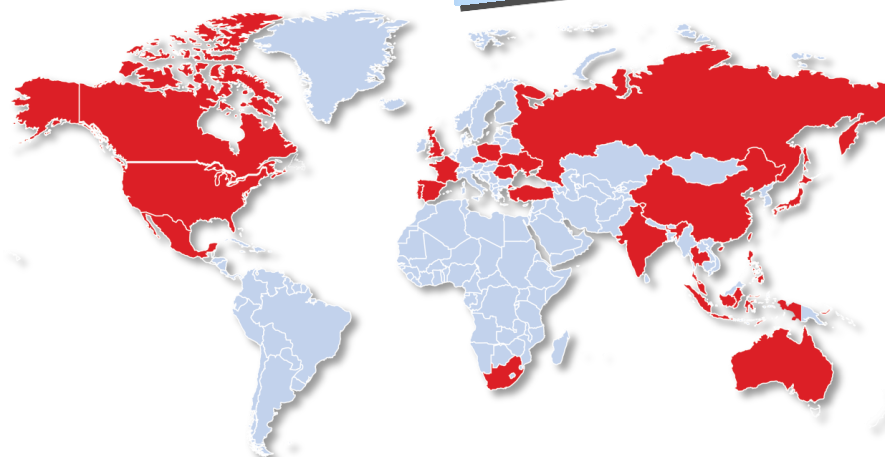
New and Fast Growing Economies

❖ China

- ❖ More than 90% share of sauces, condiments and similar products for major QSR
- ❖ New restaurant openings to top 800 in 2012

Other Emerging Markets

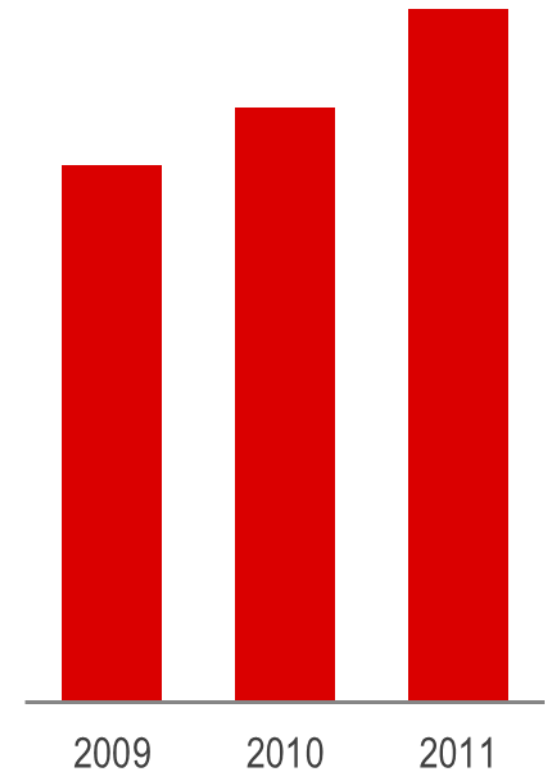
- ❖ Add domestic supply capability for liquid products
- ❖ Expand / build Industrial seasonings
- ❖ Develop opportunities to leverage new assets



Invest in Capabilities that Drive Mutual Growth

- ❖ Technologies to address challenges
- ❖ Reduce volatility of commodity inputs and share benefits
- ❖ Stabilize flavors in extreme processing conditions
- ❖ Clean ingredient labels through natural replacements/flavors
- ❖ “Productivity” led Innovation

Sales to Top 3 Customers



Invest in Capabilities that Drive Mutual Growth

- ❖ Introducing acquired consumer brands into food service channel



Invest in Capabilities that Drive Mutual Growth

- ❖ Success with technology behind, and production of, liquid customized flavor solutions in Asia/Pacific



Smoothie
Concentrate



Coffee
Syrups



Fruit
Toppings

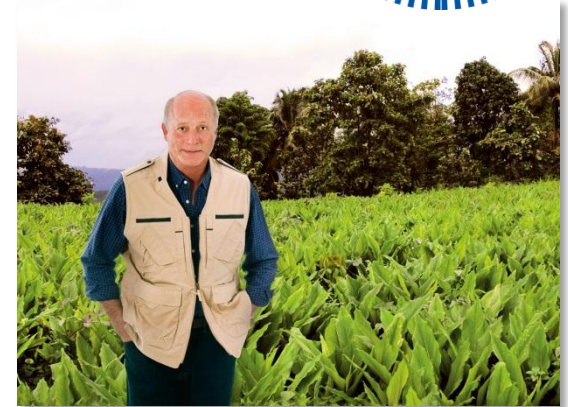


Sweet
Sauces

Consistent Global Delivery of Capabilities and Services

CONSISTENT
GLOBAL DELIVER
OF CAPABILITIES
& SERVICES

- ❖ Safe, reliable and sustainable supply chain
- ❖ Best practice implementation
- ❖ The Taste You *Trust*TM

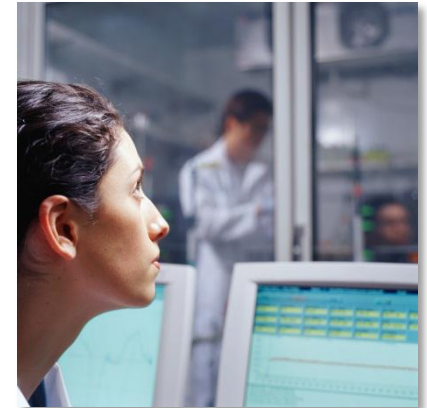


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Consistent Global Delivery of Capabilities and Services

- ❖ Investing in capacity to service customer growth
- ❖ Technology transfer



Excellent Growth Potential for McCormick's Industrial Business

- ❖ Transformed to a well-positioned business with strong financial performance
- ❖ Competitively advantaged to excel in customer intimacy
- ❖ Effective initiatives driving profitable sales growth

Customized Flavor Solutions for Industrial Customers Globally

Americas



EMEA



Asia Pacific



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Global Industrial Business Questions and Answers

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President – International Business



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A WORLD OF FLAVOR

Finance & Operations

Gordon Stetz

Executive Vice President & Chief Financial Officer

James Radin

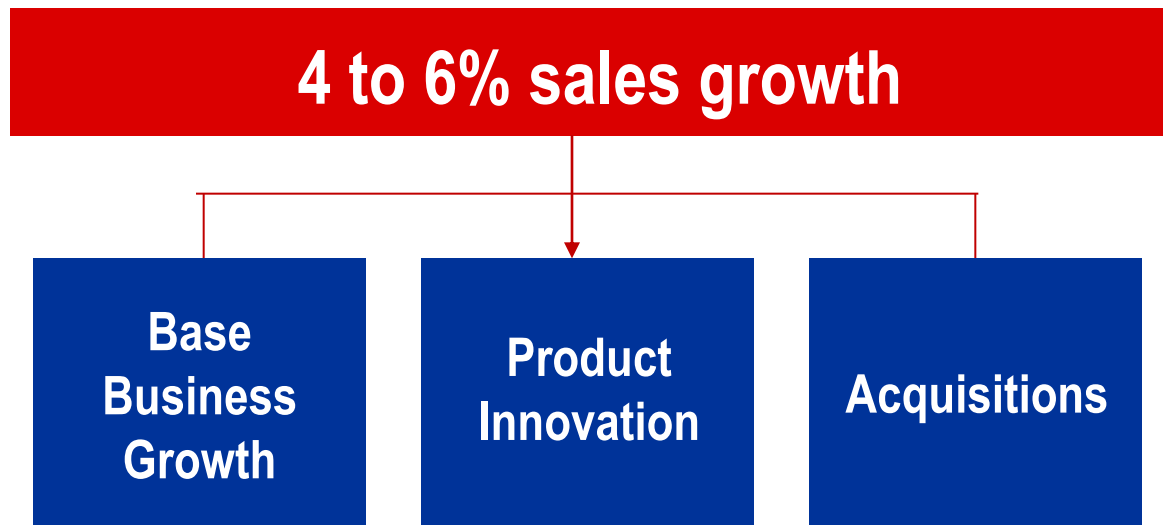
Vice President – Global Supply Chain Operations



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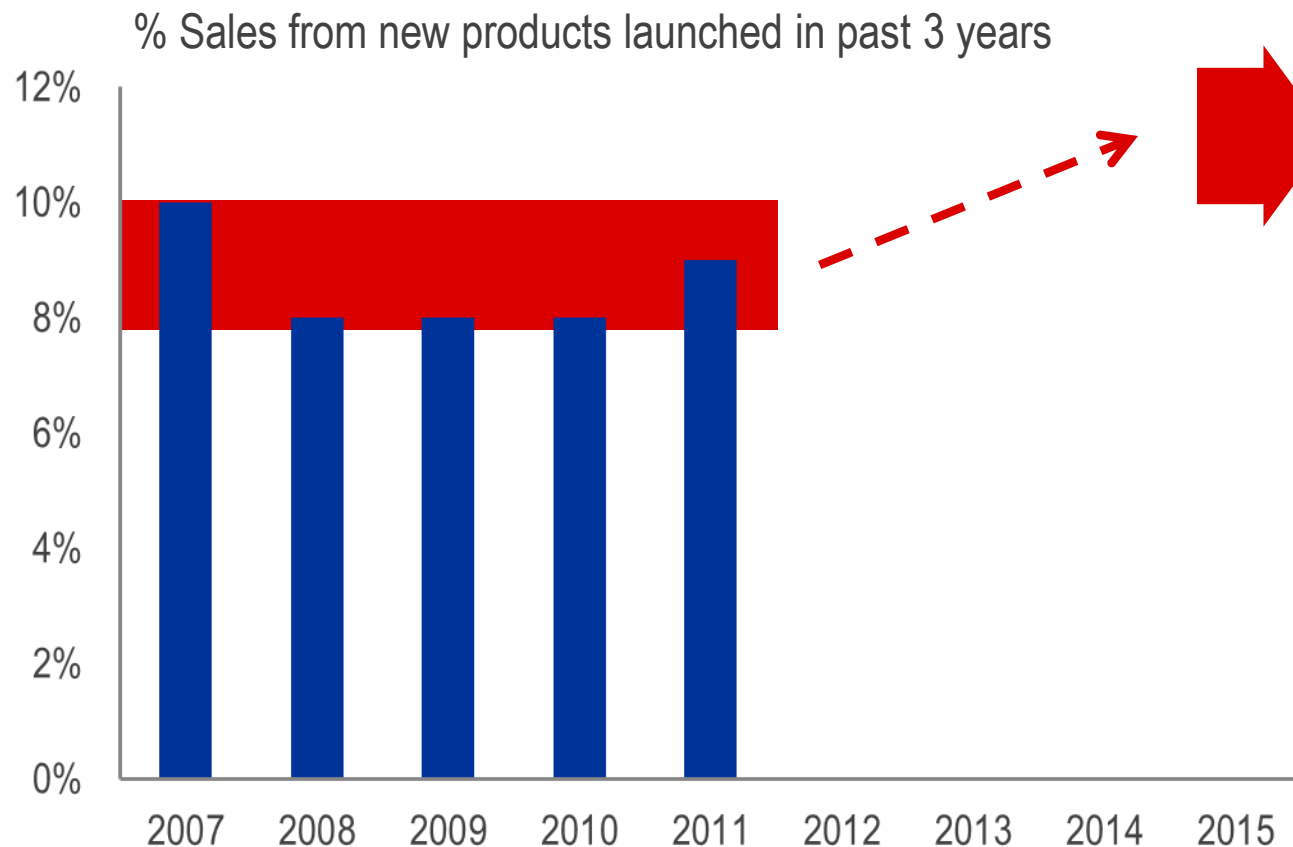


Three Avenues Driving Top-line Growth



Innovation Has Been An Important Contributor

- ❖ Goal to achieve 10-12% sales from new products by 2015

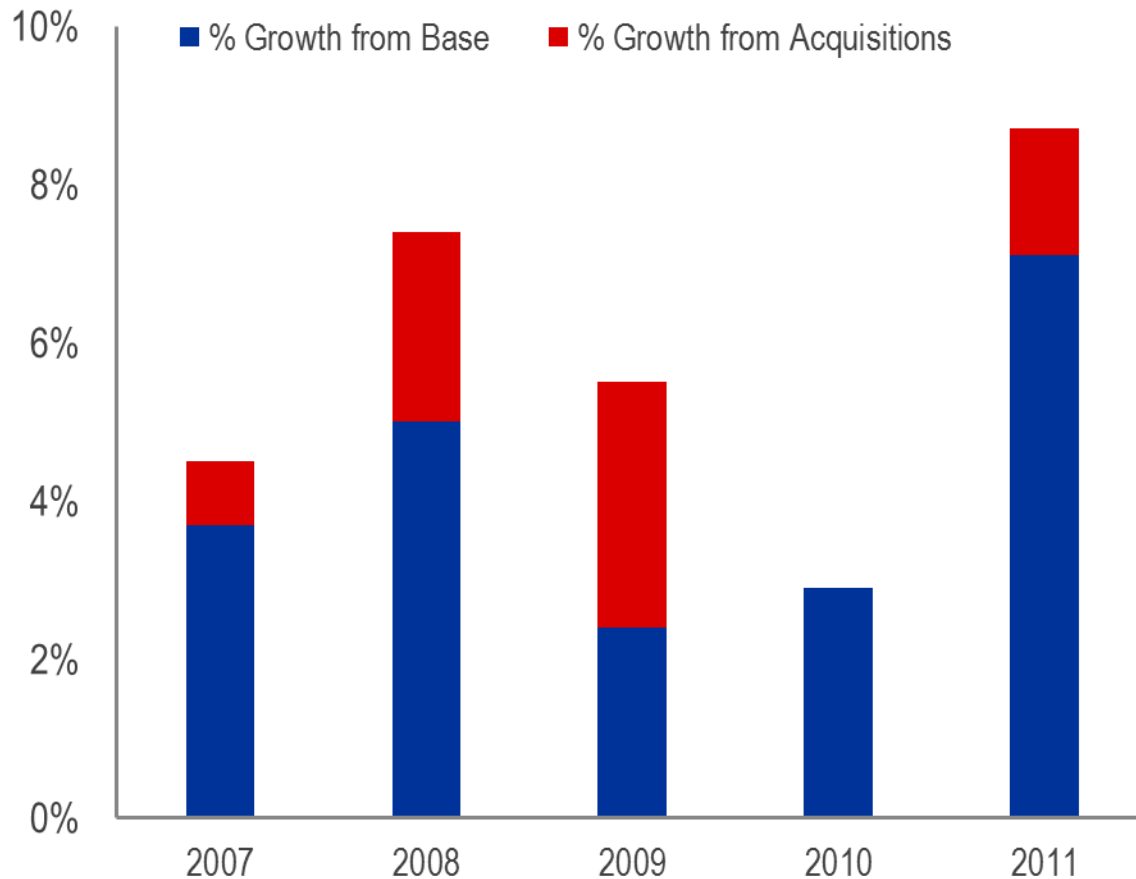


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Acquisitions Have Been Adding 1/3 of Sales Growth

% Net sales growth in local currency



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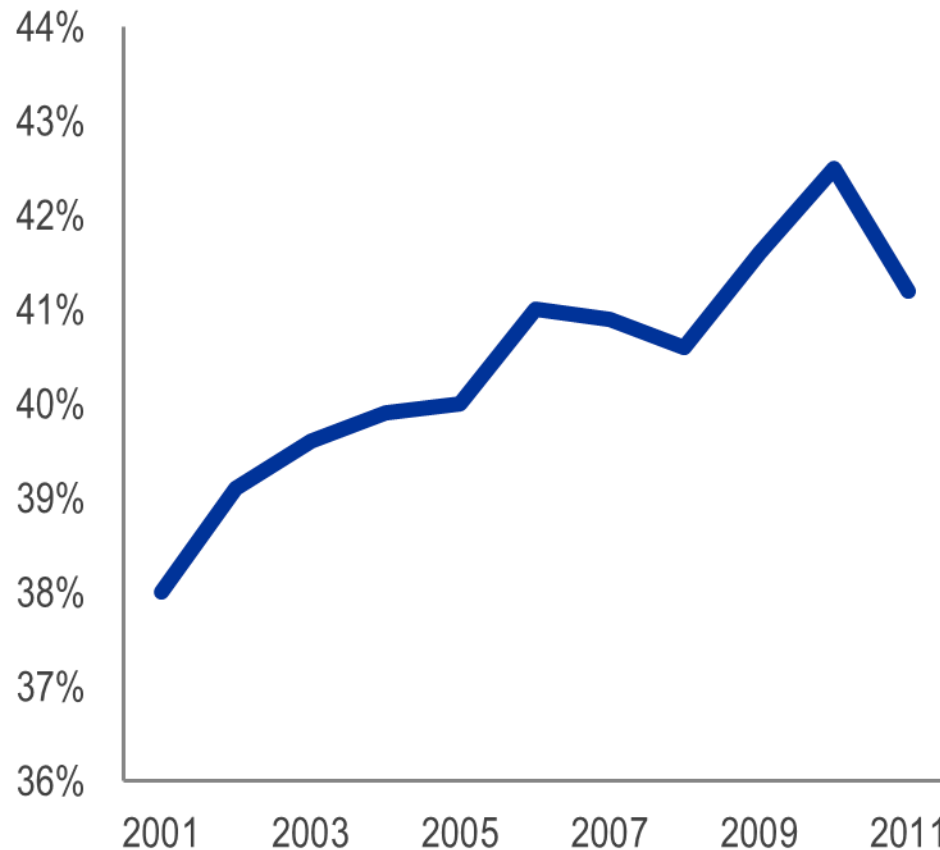
Strong Long-term Financial Outlook

Sales growth	4-6%
Operating income growth	7-9%
Leverage cash	2% add to EPS
EPS growth	9-11%
Dividend yield	2%
Total shareholder return	11-13%

Gross Profit Margin Driving Operating Income Growth

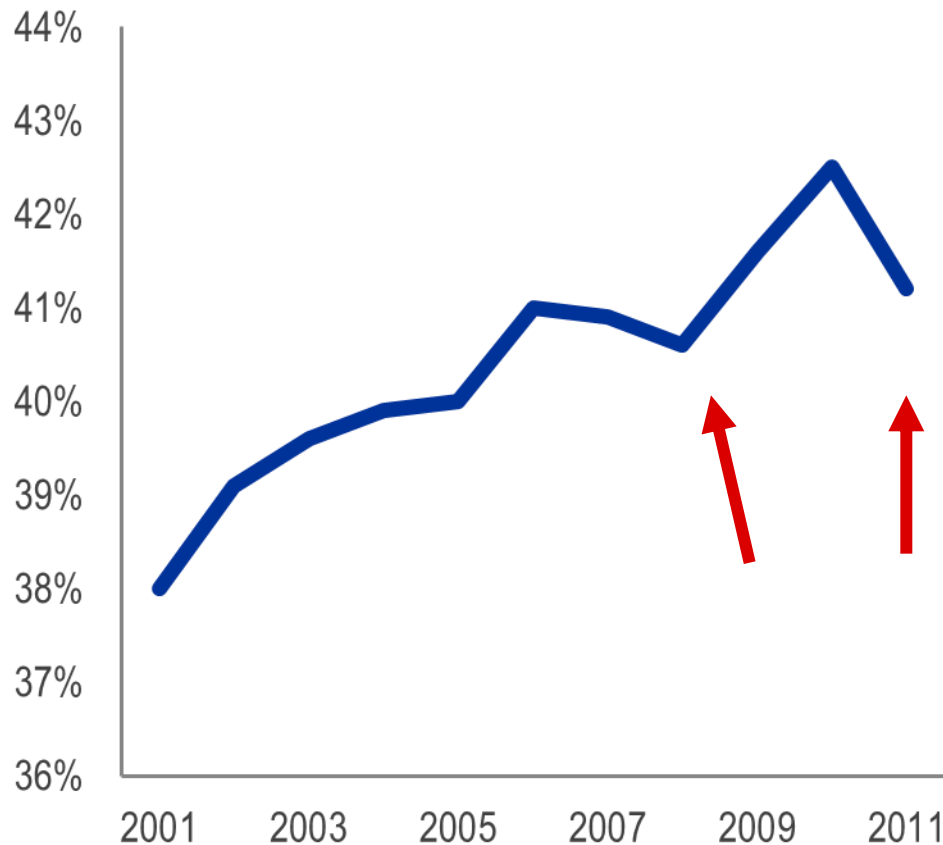


Long-term Improvement in Gross Profit Margin



- ❖ Shift in mix to higher margin business
- ❖ Managing costs

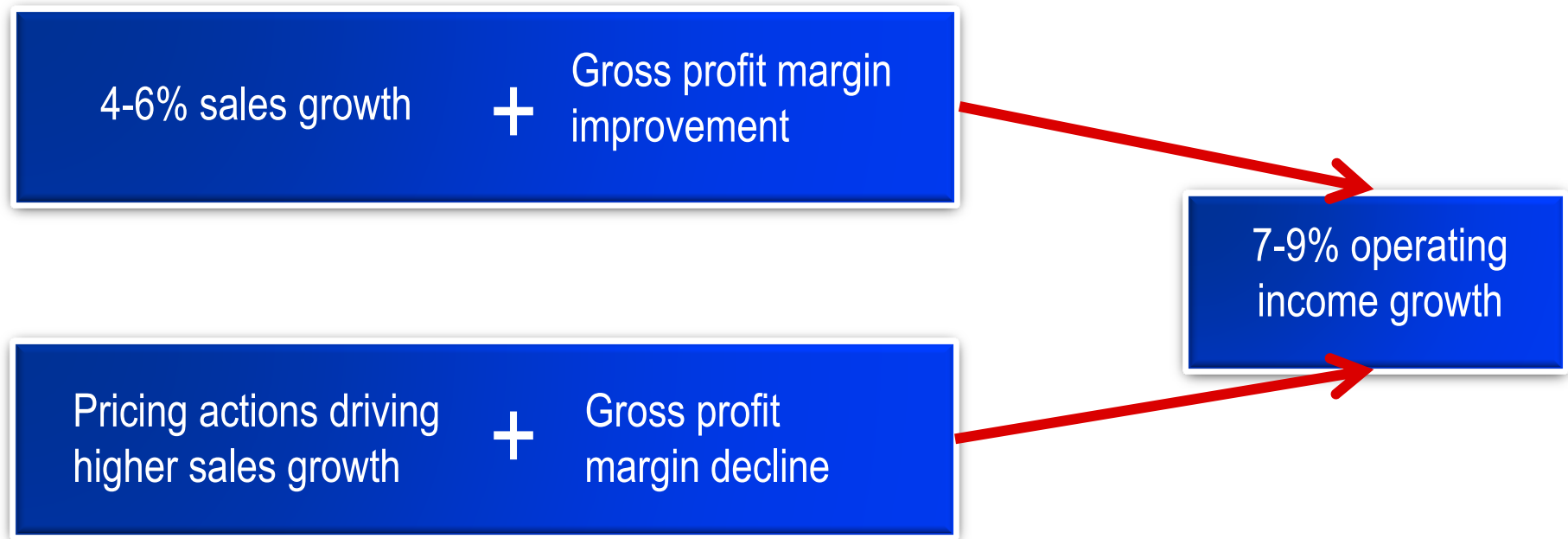
Gross Profit Margin Improvement Has Been Interrupted During Periods of High Inflation



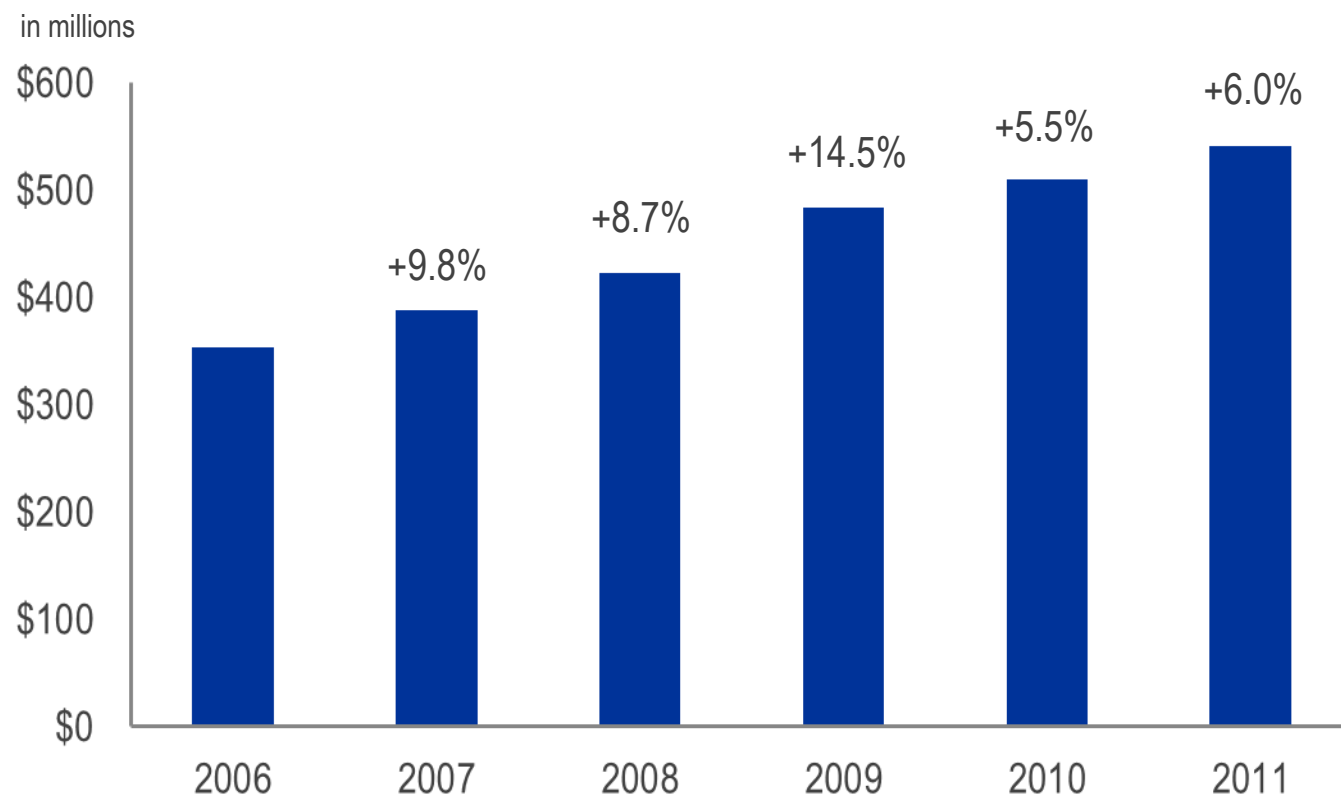
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Can Still Deliver Operating Income Growth in High Cost Inflation Environment



Steady Increase in Operating Income*



\$4

\$15

\$20

\$20

\$20

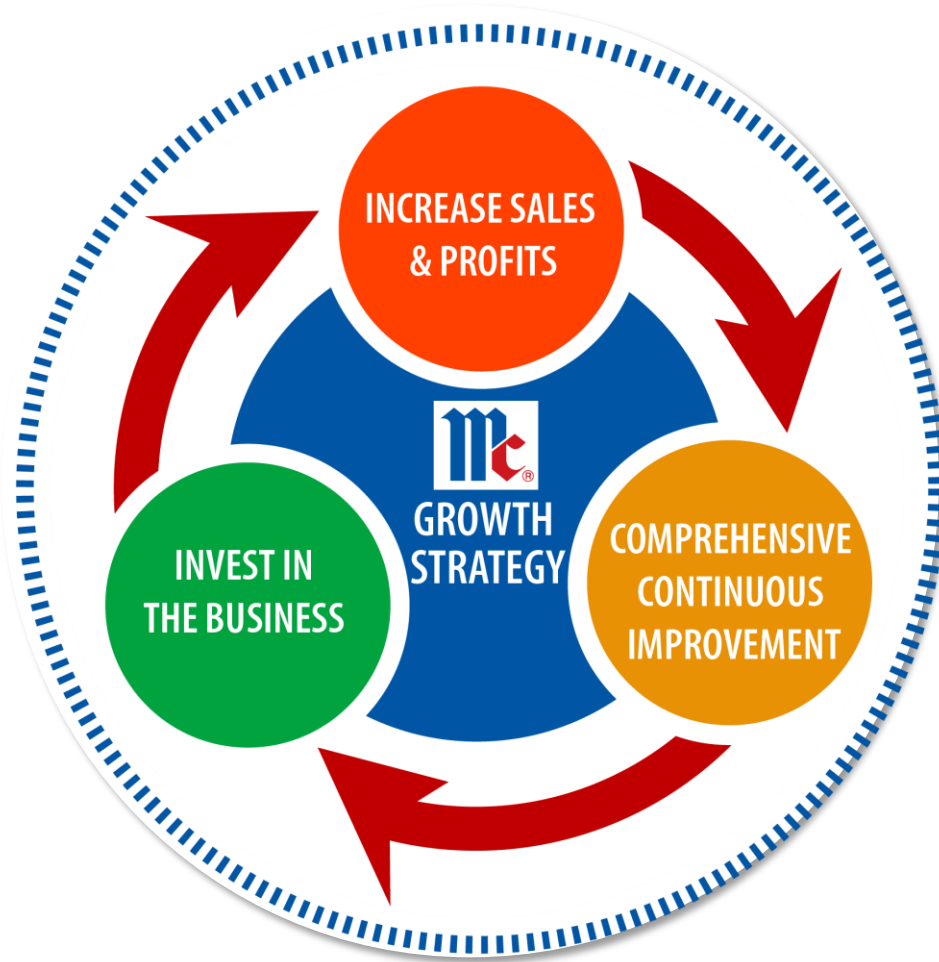
Incremental brand marketing

* On a comparable basis

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Delivering High Performance

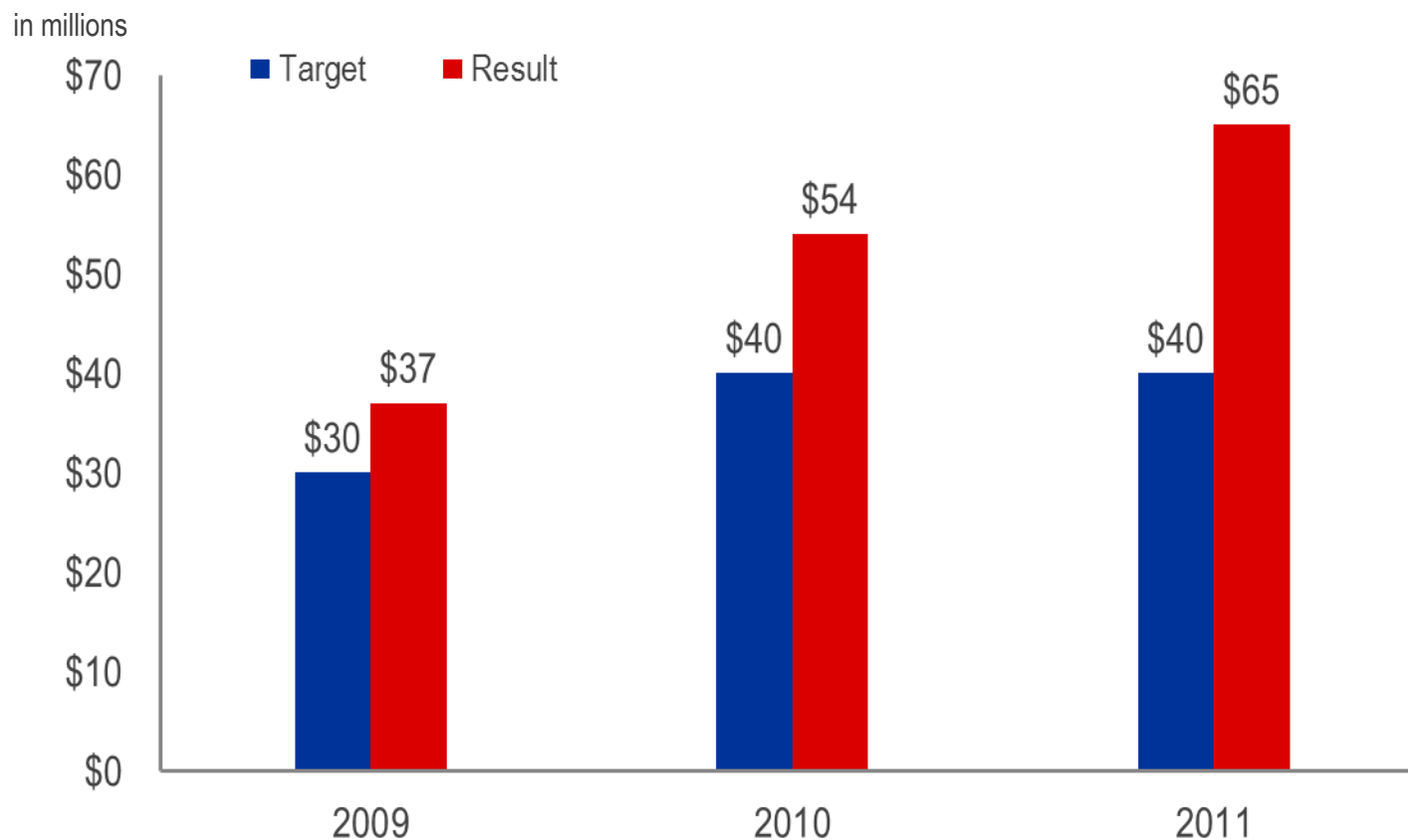


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Excellent Track Record Since Inception of CCI

❖ Our CCI program has delivered \$156 million in savings last 3 years



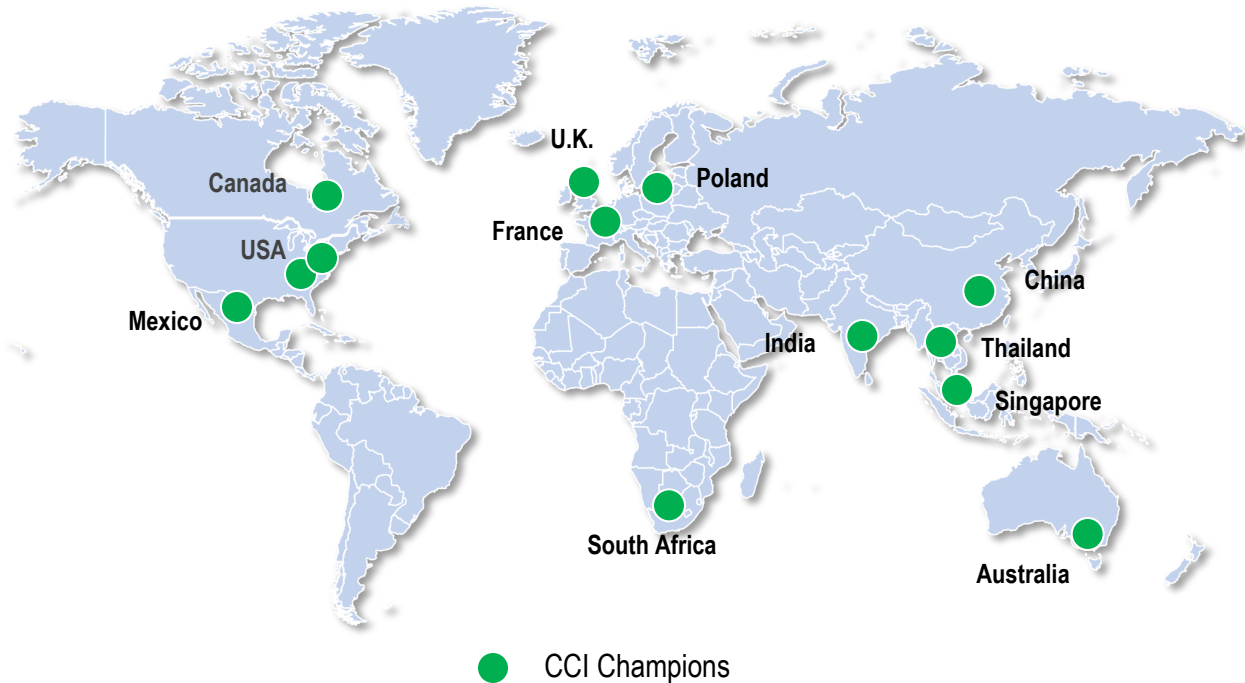
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Comprehensive Continuous Improvement

CCI: on-going initiative to improve productivity and reduce cost throughout the organization

- ❖ McCormick's High Performance System
- ❖ Global CCI Champions
- ❖ Employee engagement



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Comprehensive Continuous Improvement

France



U.K.



U.S.



US and Canada

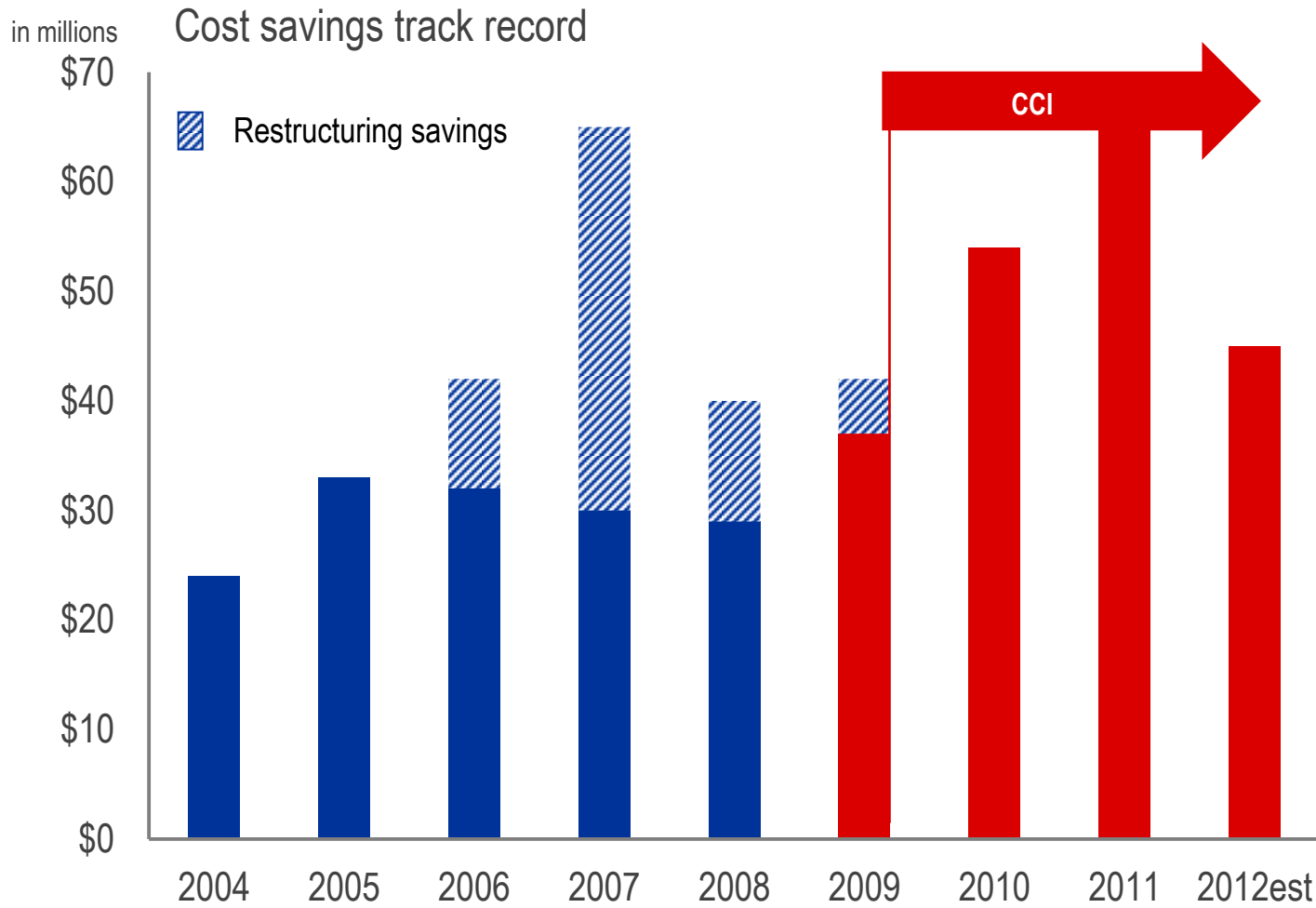
China



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A Long Runway for CCI

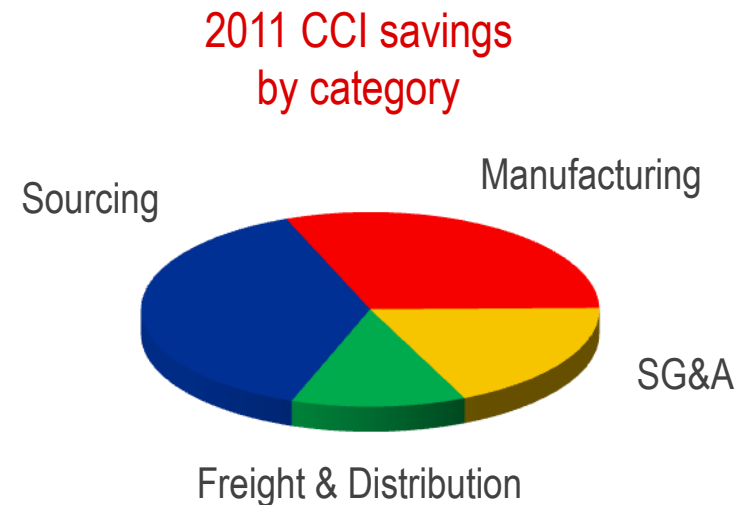


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A Long Runway for CCI

- ❖ High-speed equipment and automation
- ❖ Acquisition integration
- ❖ New products
- ❖ Go-to-market approach
- ❖ System technology
- ❖ Shared services roll-out
- ❖ Process reliability
- ❖ Sustainability



Sustainability Efforts Complement CCI Program

- ❖ Phase one, reduced water usage, electricity, greenhouse gas emissions and solid waste at least 17% on a per unit basis
- ❖ Set new 5-year goals

Completed our 2nd solar
power installation in
Maryland



Sustainability Efforts Complement CCI Program



Coconut Shells



Cogeneration System



Electricity



Process Fuel



Carbon Powder

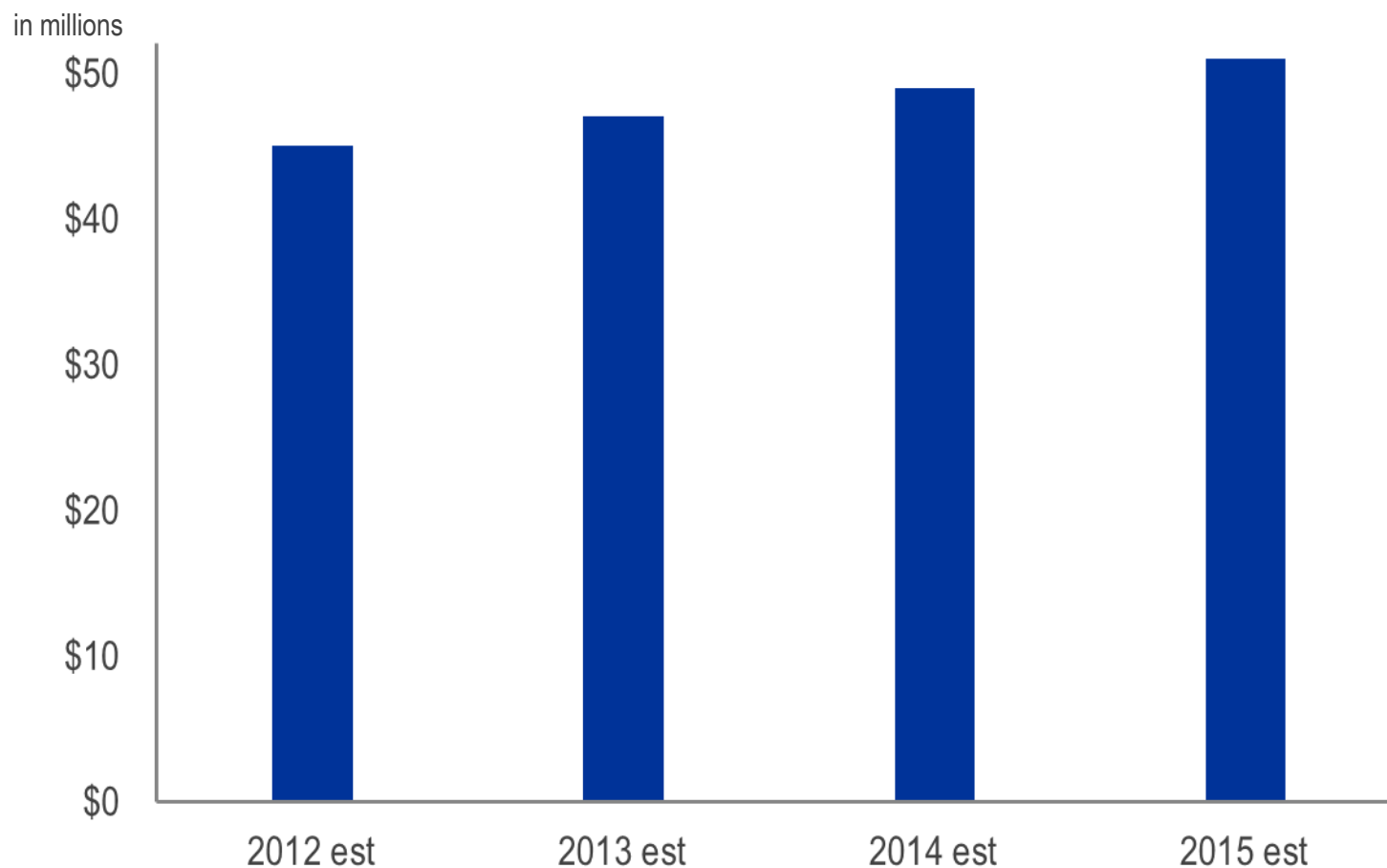
Quality Standards....Taste You *Trust*™



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A Long Runway for CCI

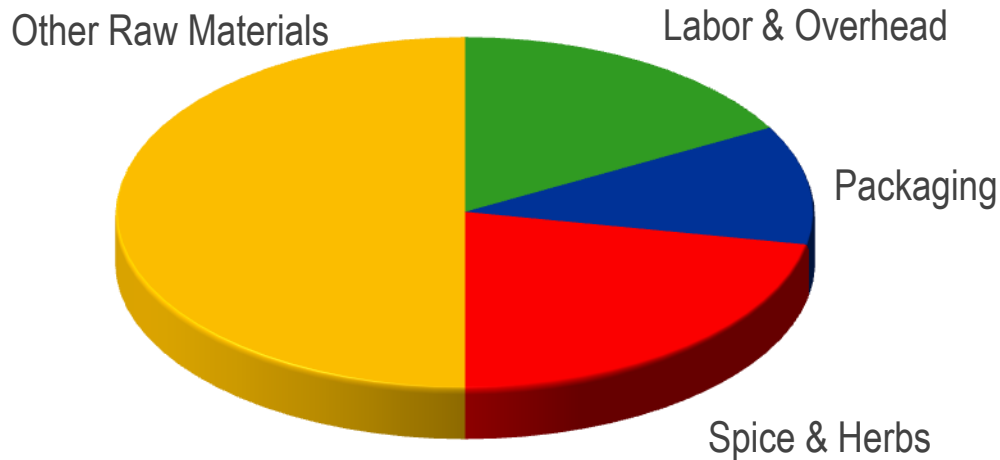


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Procurement of Spices and Herbs – a Core Competency

❖ Components of COGS



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Growing Regions for Spices and Herbs Span the Globe

Central & South America

Allspice
Ancho Chile
Black Pepper
Cardamom
Cloves
Ginger
Mace
Nutmeg
Oregano
Paprika
Sesame
Turmeric
Vanilla Beans
White Pepper

North America

Caraway Seed
Coriander
Garlic
Mint
Mustard
Onion
Parsley

Europe

Anise Seed
Basil
Chervil
Coriander
Dill Weed
Marjoram

Oregano
Paprika
Parsley
Poppy Seed
Rosemary
Saffron

Sage
Savory
Tarragon
Thyme



Middle East & Africa

Anise Seed
Basil
Bay Leaves
Caraway
Cilantro
Cinnamon
Cloves
Coriander
Cumin
Dill Weed
Fennel Seed
Fenugreek
Ginger

Majoram
Mint Flakes
Oregano
Parsley
Poppy Seed
Red Pepper
Rosemary
Saffron
Sage
Thyme
Vanilla Beans

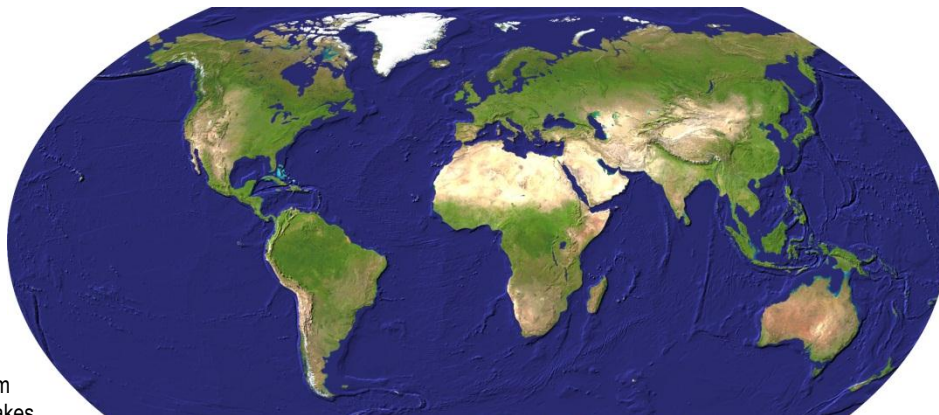
Asia/Pacific

Black Pepper
Cardamom
Celery Seed
Chives
Cinnamon
Cloves
Coriander

Cumin Seed
Dill Seed
Fennel Seed
Fenugreek
Ginger
Lemongrass
Mace

Nutmeg
Oregano
Paprika
Parsley
Poppy Seed
Red Pepper
Sesame Seed

Star Anise
Szechwan Pepper
Turmeric
Vanilla Beans
White Pepper

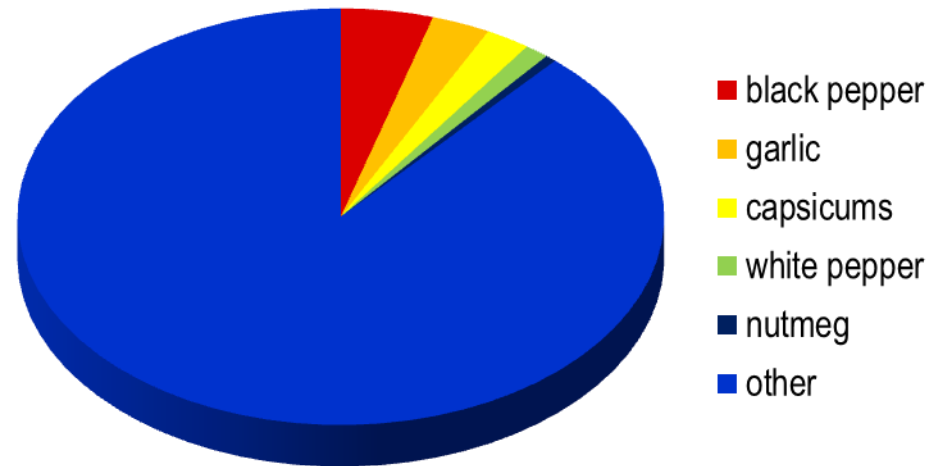


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No Concentration in Any One Ingredient

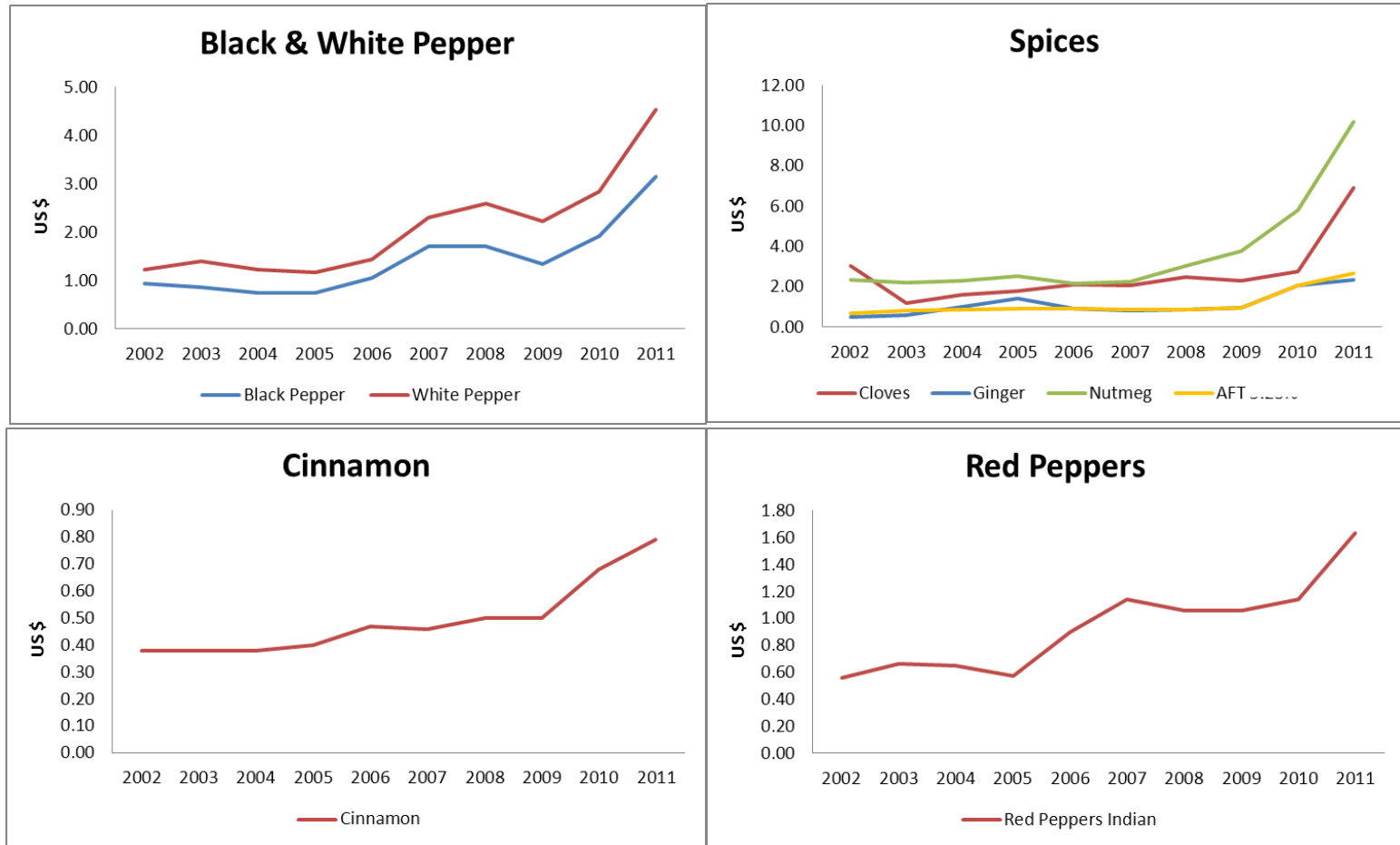
❖ No one spice and herb, or other ingredient, > 5% COGS



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In A Period of Cost Volatility for Spices and Herbs



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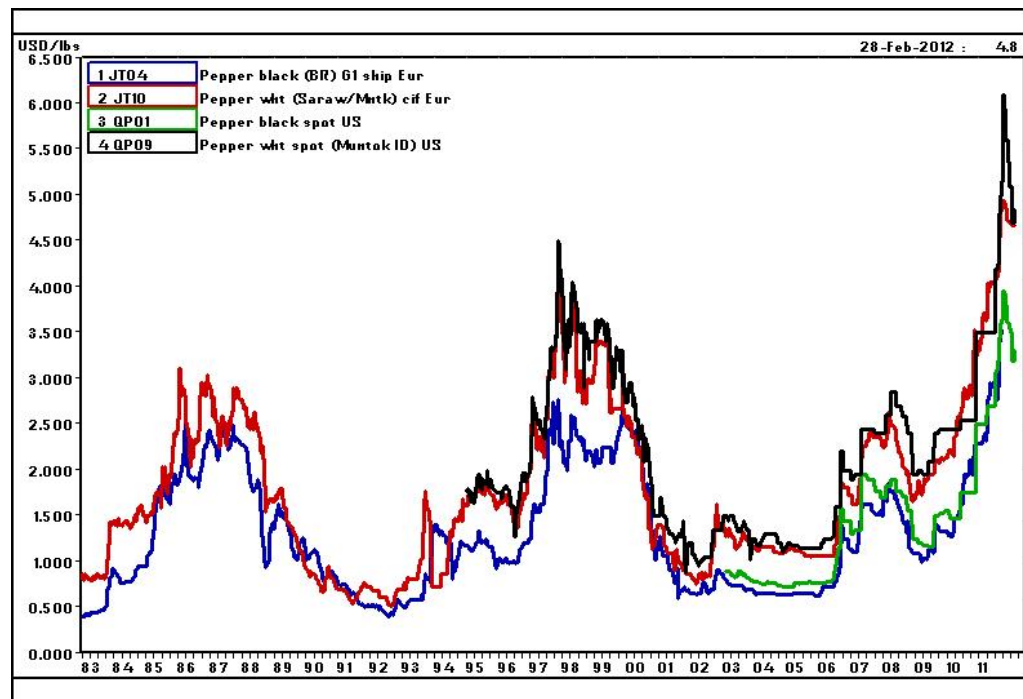
Expect Some of the Cost Increase to Persist

Short-term factors

- ❖ Weather and growing conditions
- ❖ Political/economic instability

Longer-term factors

- ❖ Alternative, less labor-intensive crops
- ❖ Competition for acreage
- ❖ Growing demand for spices and herbs in emerging markets



Global Sourcing Team and Direct Supply Chain an Advantage

- ❖ McCormick has a more direct route to source



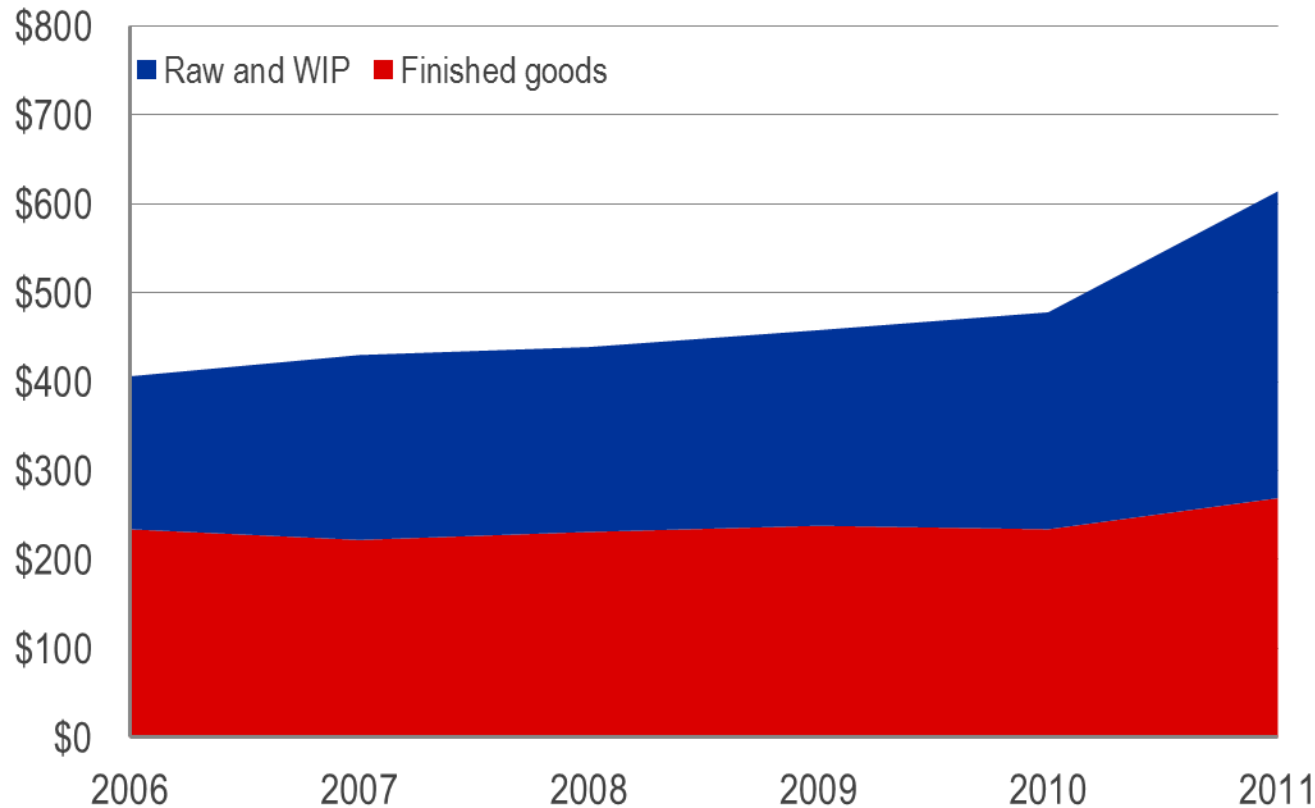
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Strategic Inventory Used to “Hedge” Spices and Herbs

❖ Nearly \$50 M increase in strategic inventory in 2011

in millions



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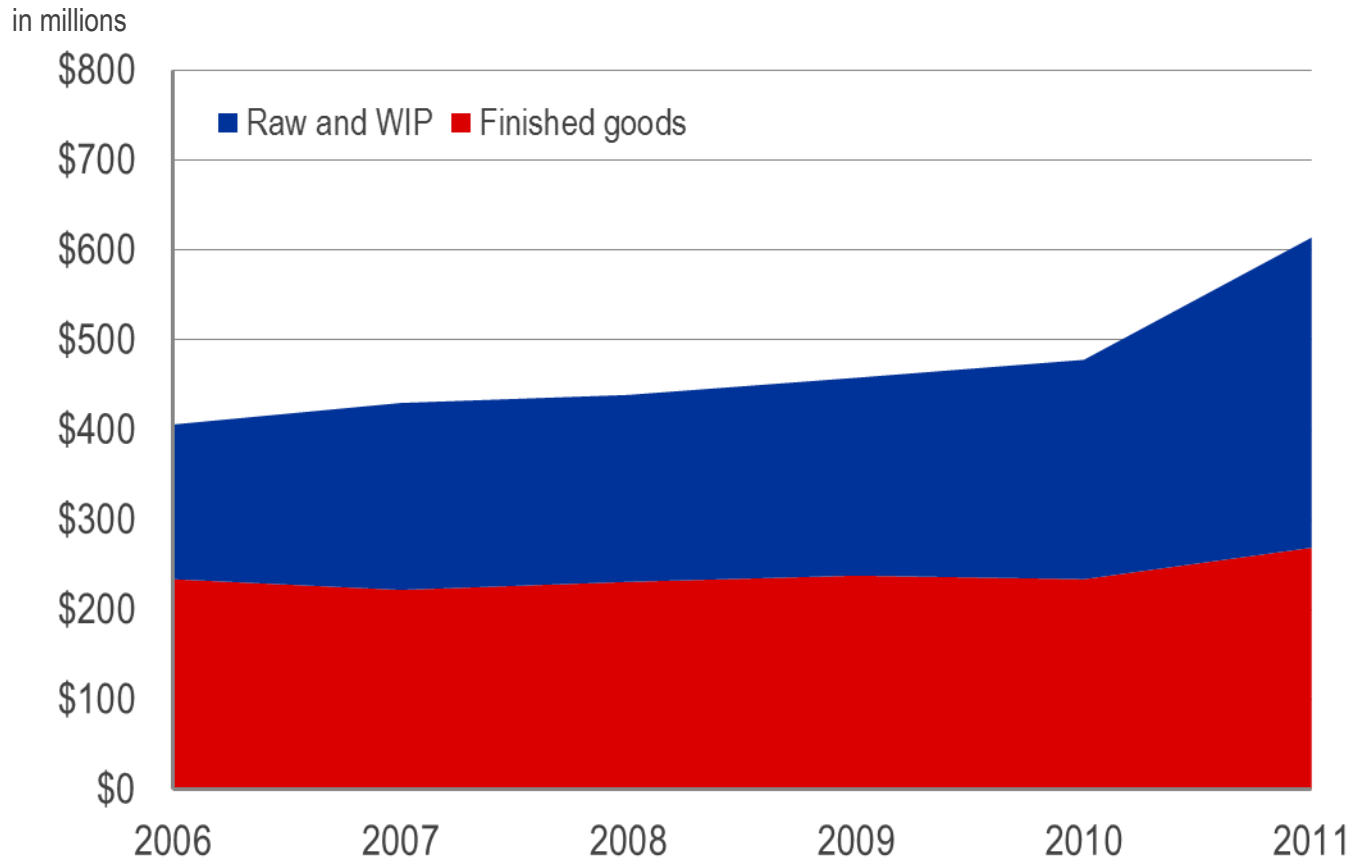
Strategic Inventory Adversely Affected Progress Improving Cash Conversion Cycle

Cash conversion cycle

2007	2008	2009	2010	2011
89 days	84 days	80 days	77 days	86 days

Strategic Inventory Used to “Hedge” Spices and Herbs

❖ Nearly \$50 M increase in strategic inventory in 2011

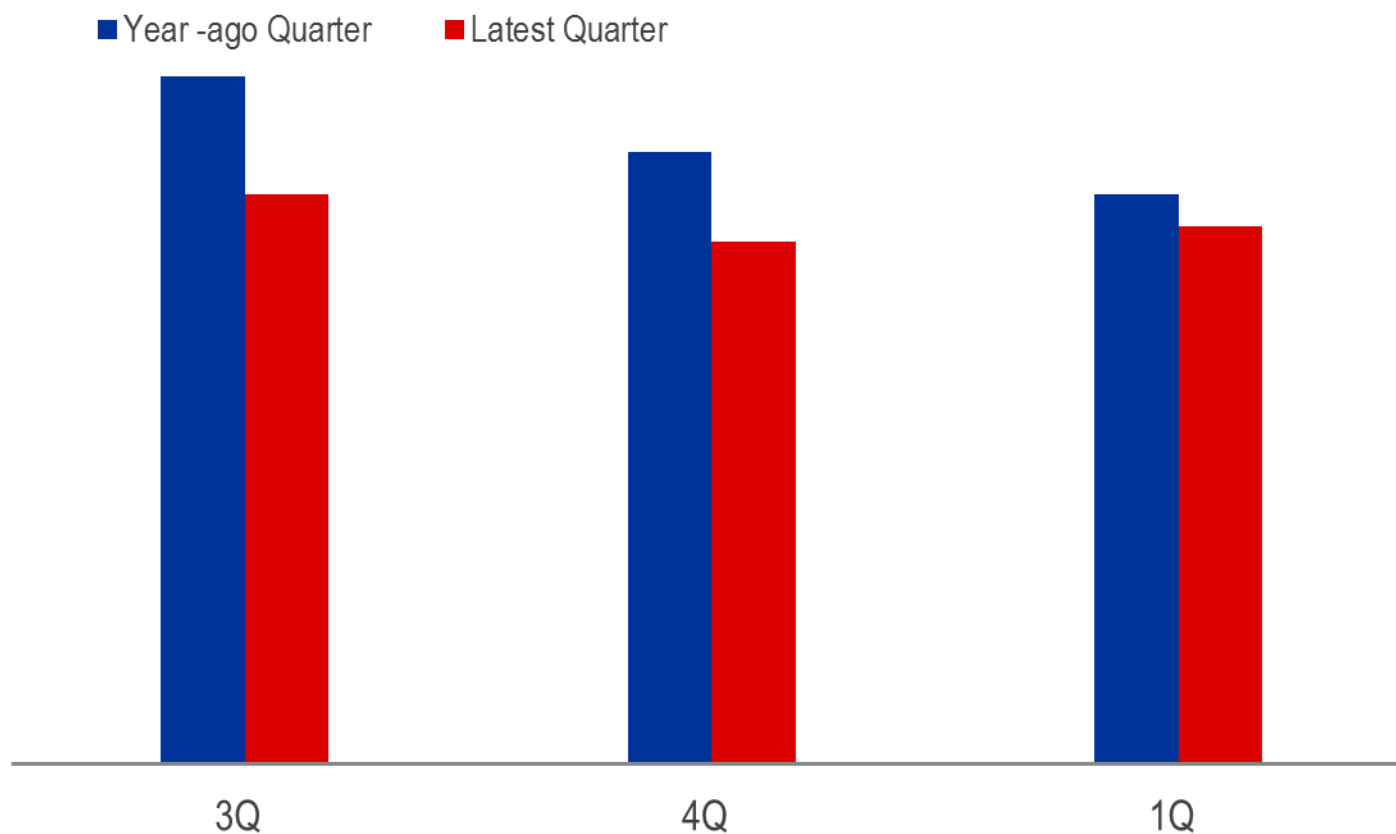


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Early Progress with Finished Goods

- ❖ Reduction in number of finished goods units last 3 quarters in U.S.

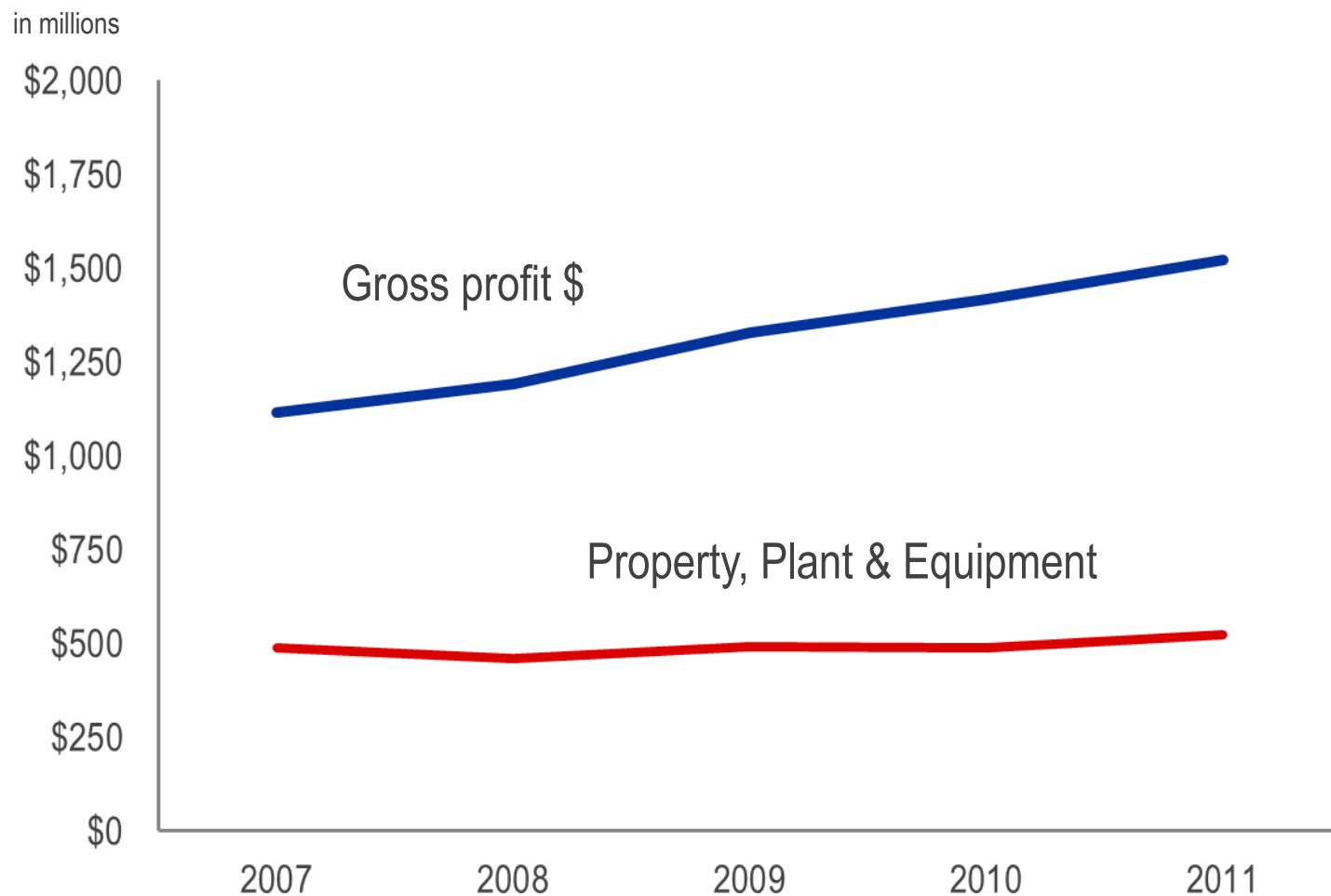


* Average month-end number of U.S. units of finished goods pallets for consumer business, excluding Zatarains

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Improving Asset Utilization



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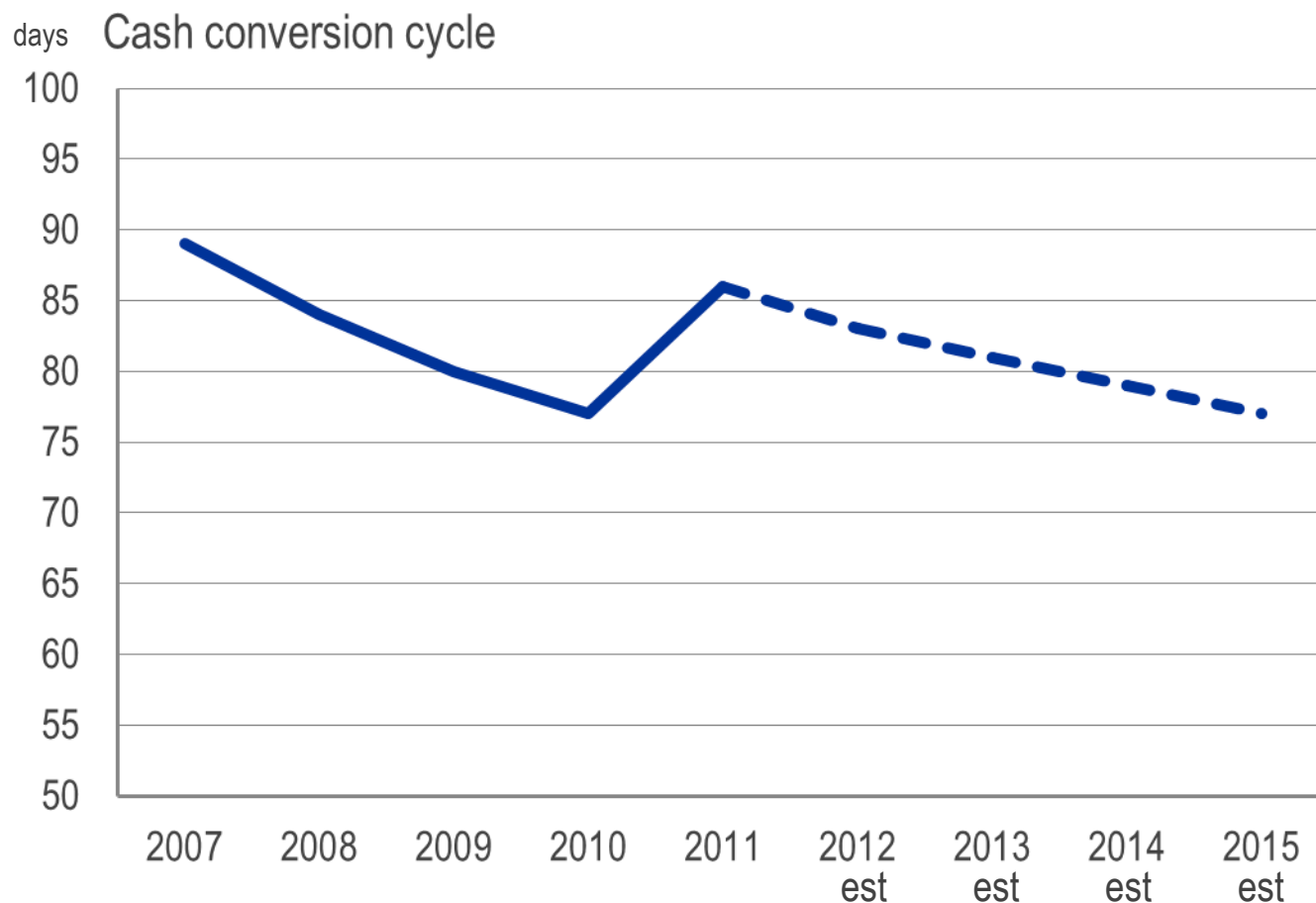


Alignment of Incentives with Improved Working Capital

McCormick profit:

Operating profit
+
“Capital charge”

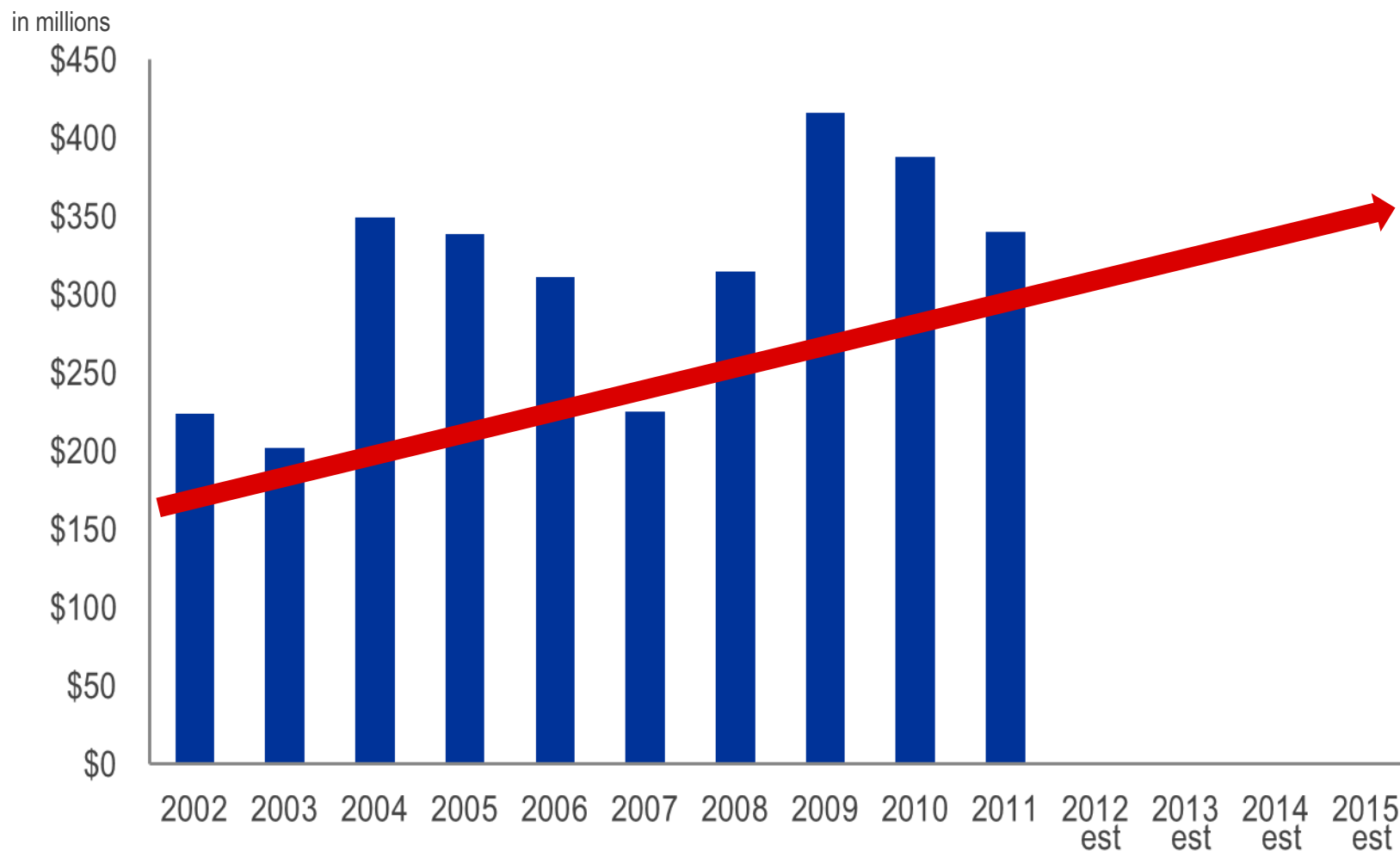
Expect to Get Back on Track Reducing Cash Conversion Cycle



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Projecting Increased Cash Flow from Operations



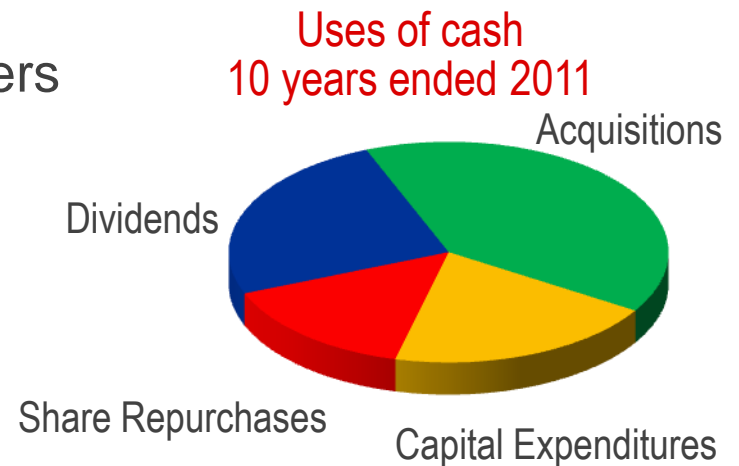
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Balanced Use of Cash Delivering Shareholder Return while We Invest to Drive Growth

2011 Cash Uses

- ❖ Invested \$441 million in acquisitions and joint ventures
- ❖ Invested \$97 million in capital projects
- ❖ Returned \$180 million* to shareholders in dividends and share repurchases



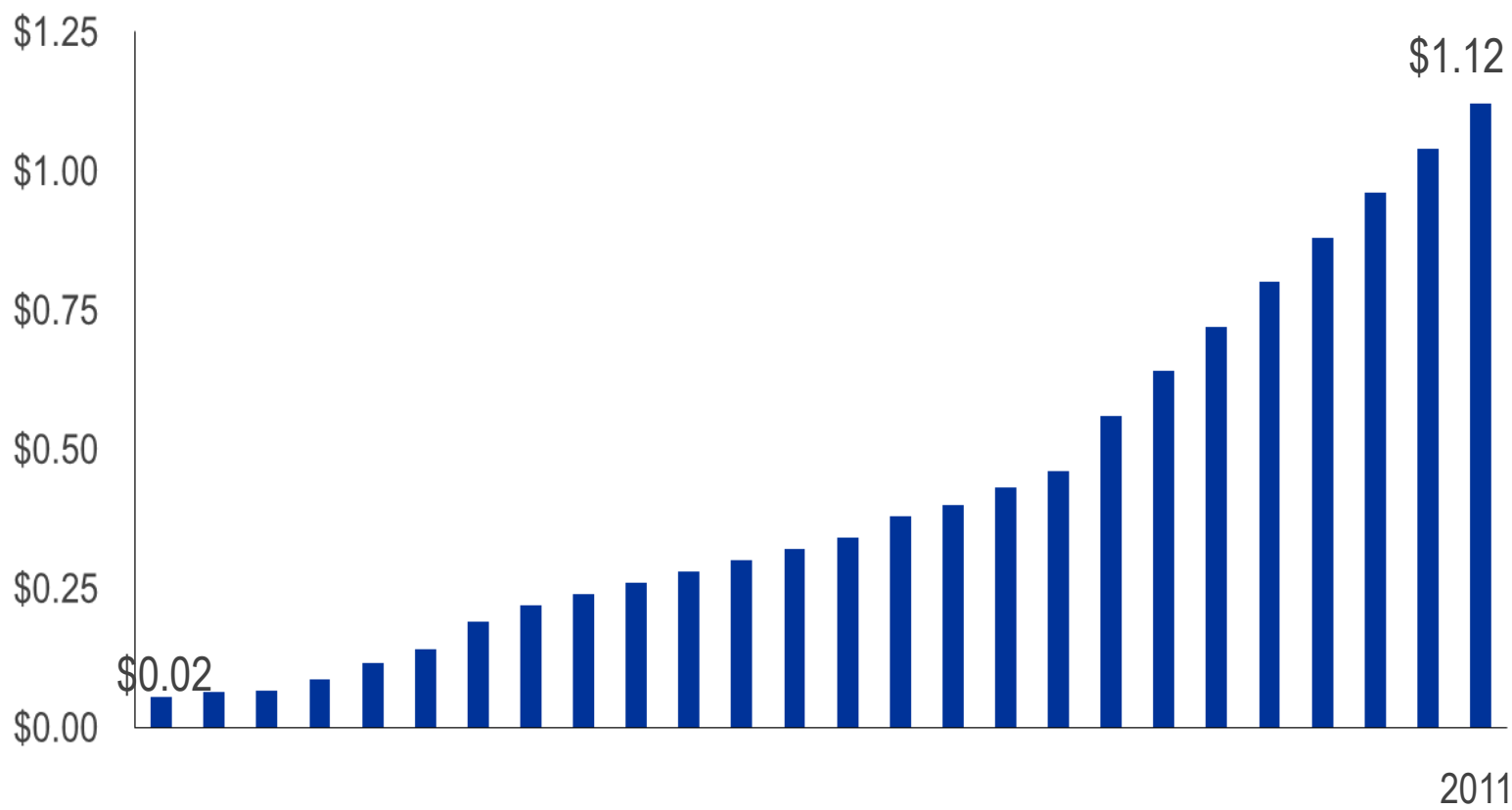
* Net of proceeds from stock option exercises

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Committed to Increased Dividend Payments

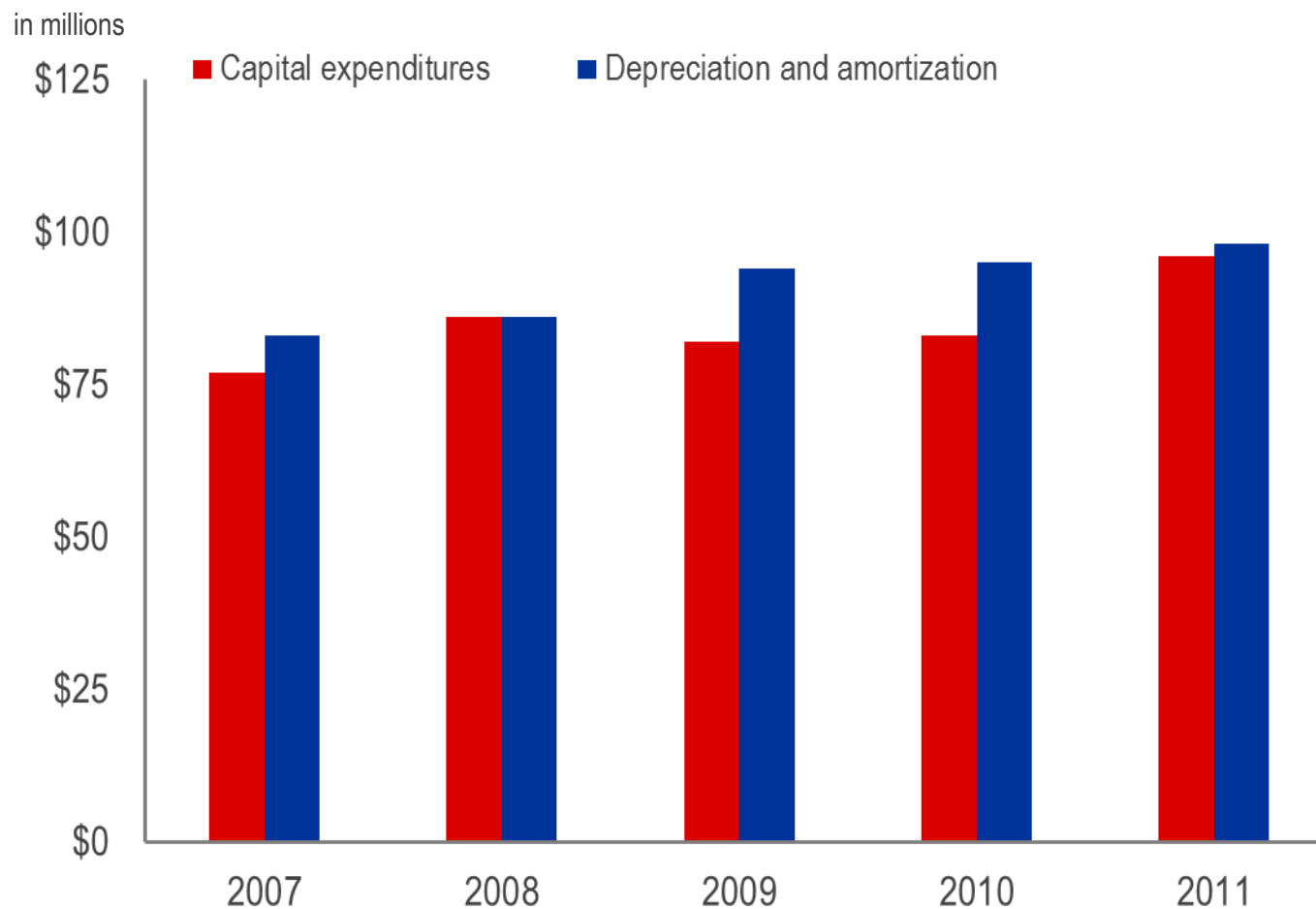
❖ 26 consecutive years of increase in dividends per share



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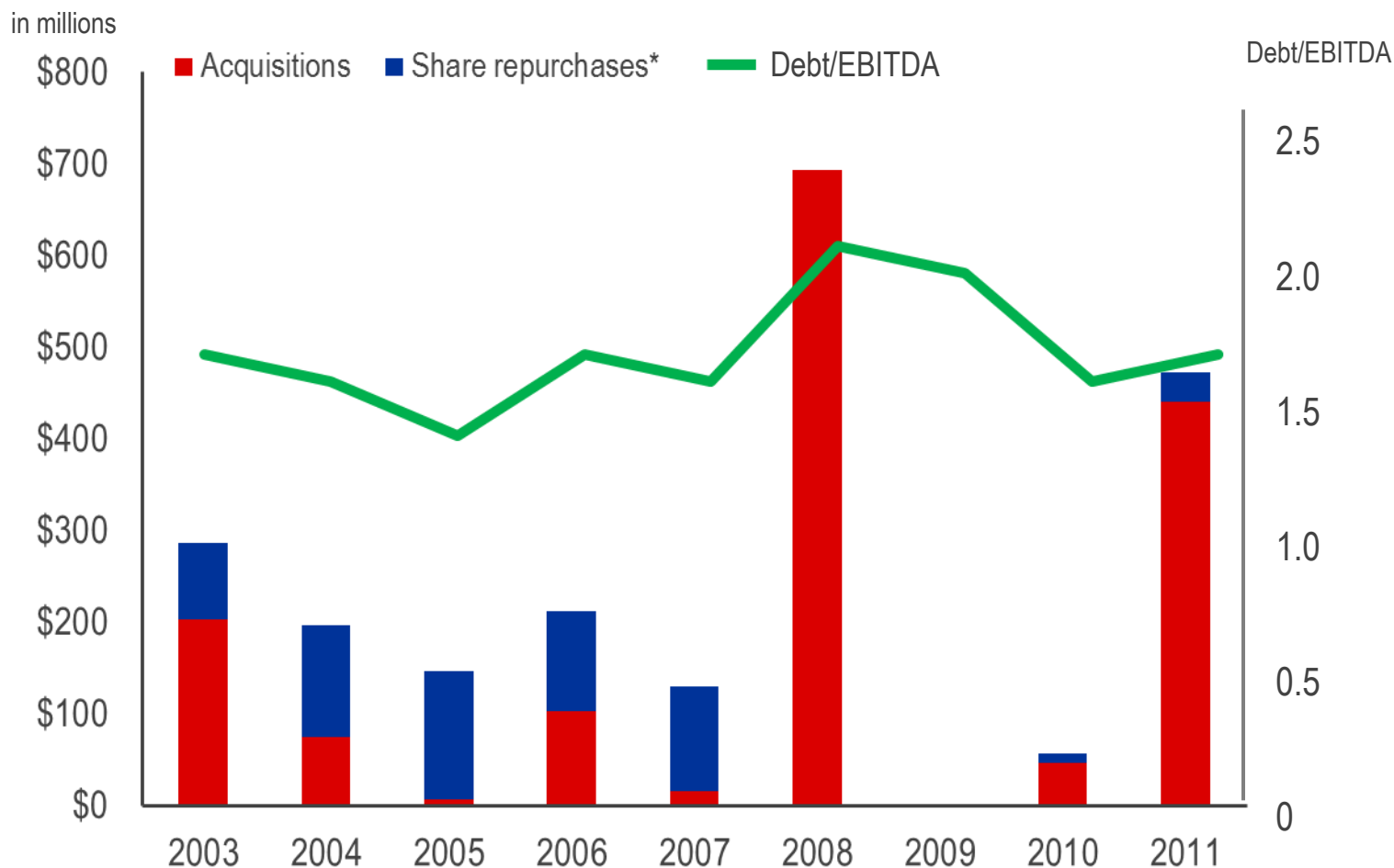
Managing Capital Expenditures



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Balancing Acquisitions with Share Repurchases



* Share repurchases are net of proceeds from exercised stock options

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Share Repurchases Have Been Accretive

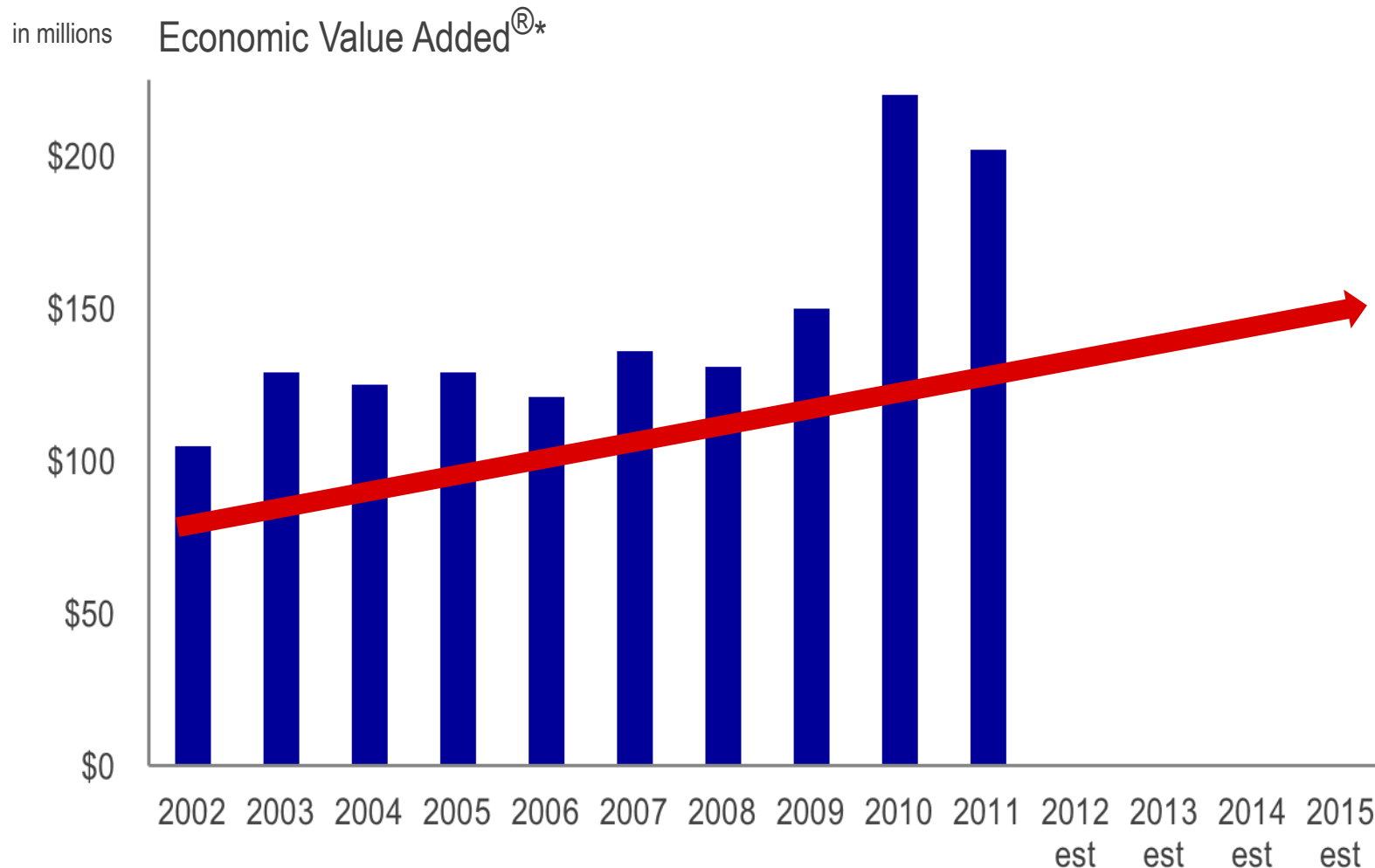


* No shares purchased in 2008 and 2009

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2011 Added to Our Strong Long-Term Financial Track Record



* EVA[®] is a registered trademark of Stern Stewart & Co. See details at end of presentation.

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A Financially Strong Business

- ❖ Generating fuel for growth
- ❖ Leveraging global sourcing insights
- ❖ Increasing cash / balanced use of cash
- ❖ Maintaining a strong balance sheet

Finance & Operations Questions and Answers

Gordon Stetz

Executive Vice President & Chief Financial Officer

James Radin

Vice President – Global Supply Chain Operations

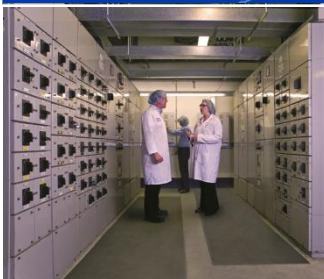


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THE FUTURE OF FLAVOR

Hamed Faridi, Ph.D.
Chief Science Officer

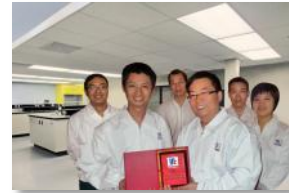


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McCormick Is Investing in the Future of Flavor

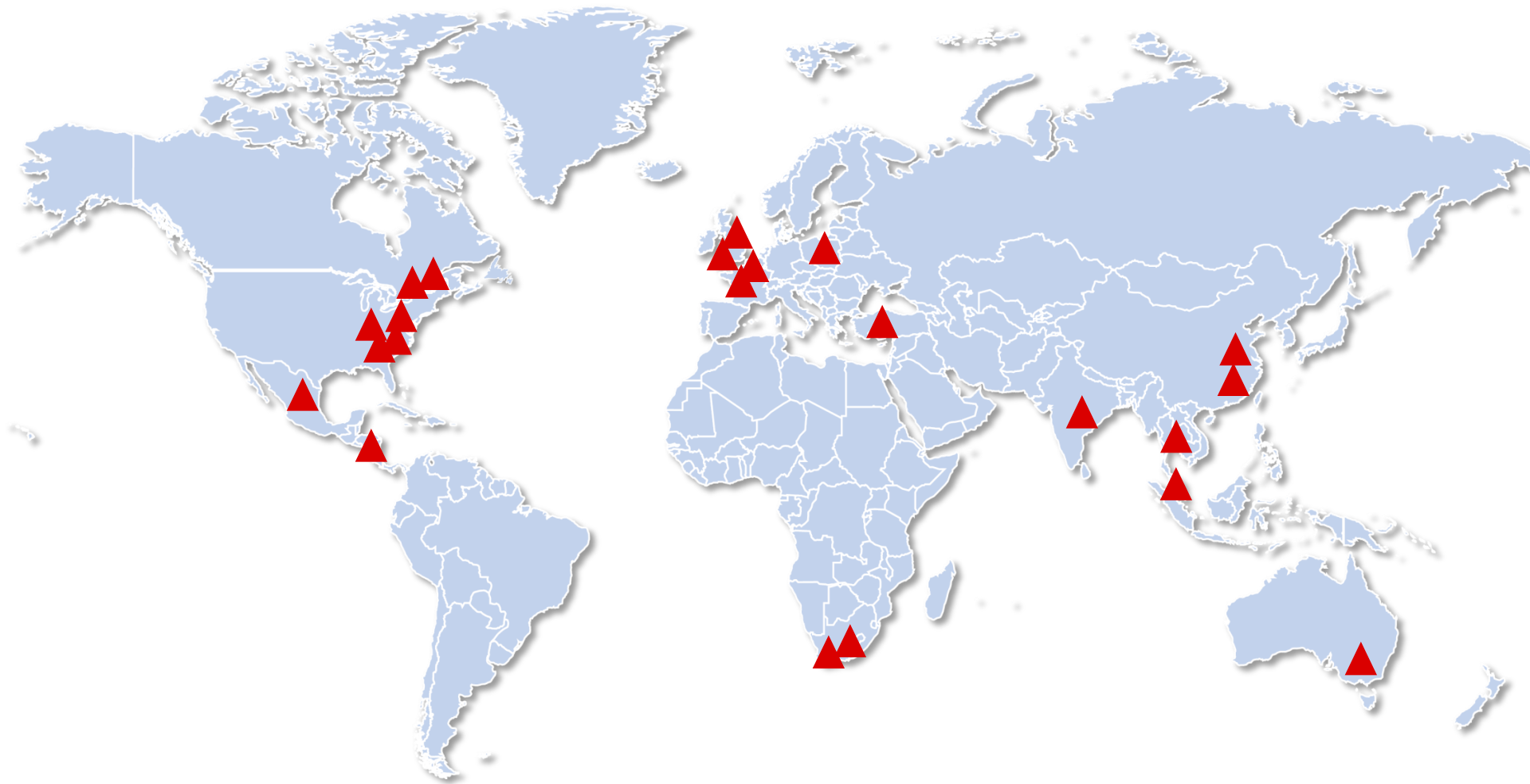
- ❖ R&D spending up 30% from 5 years ago
- ❖ 10% of capital expenditure allocated to infrastructure and instrumentation upgrades around the world



McCormick Brings Passion to Flavor™



A Global Community Serving Global Markets



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400 Innovators Developing On-Trend Products

Sensory Scientists



Research Chefs



MDs/
Molecular Biologists



Product
Development
Experts



Process & Material
Scientists



Packaging Designers

Analytical & Flavor Chemists



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R&D's Most Important Purpose



The Eating Experience is at the center of everything we do
The consumer as a higher authority

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Broad Channel Access Provides Excellent Trend Insight for Guiding Technology Investment



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One of the Broadest All-Natural and Flavor Application Platforms in the Industry

- ▶ Bakery & Confections
- ▶ Beverages
- ▶ Breakfast Cereals
- ▶ Breakfast Entrees
- ▶ Coatings



- ▶ Compound Flavors
- ▶ Condiments, Sauces & Dressings
- ▶ Dairy Products



- ▶ Dessert Toppings
- ▶ Frozen Foods
- ▶ Marinades
- ▶ Reaction & Culinary Flavors
- ▶ Savory Products



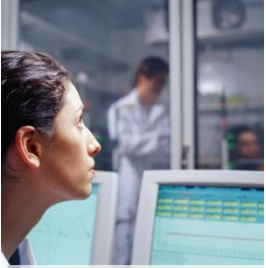
- ▶ Salty Snacks
- ▶ Sandwiches
- ▶ Savory Products
- ▶ Seasonings
- ▶ Side Dishes
- ▶ Soups



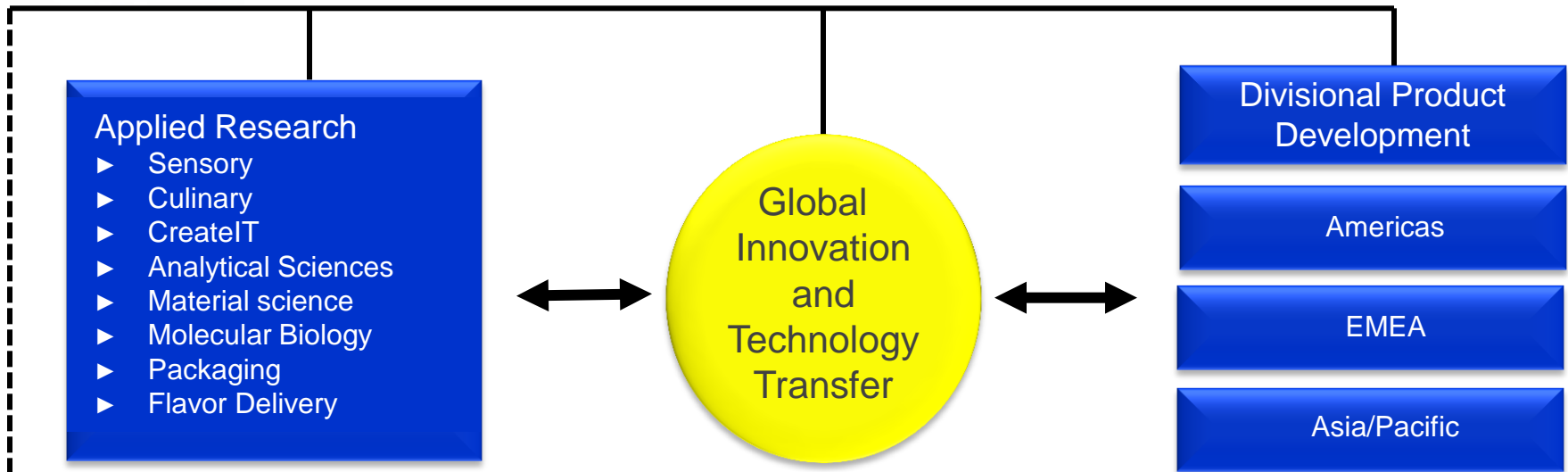
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Innovation that Delivers



Business-relevant, consumer-centric
INNOVATION is at the core of everything we do



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Innovating How We Innovate to Increase Topline Growth

Facilities



State-of-the-art facilities
around the globe

People



Outstanding
developers, innovators
and scientists

Technology



Advanced robotics
and technologies

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We Are Building “One” Networked, Digital Global Lab

The McCormick Global Science Network
A World of Information Within Reach



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Key Areas of Focus for Our Global Development Teams



Rising Demand
for Flavor



Wellness
& Health

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Translating Tastes and Trends into Winning Product

Consumer Experience



McCormick EsSense® Profile Measures Consumers' Emotional Response to Food & Flavor



Trend Calling



Culinary Creativity



Product Development Ideation



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Our Patented Encapsulation Technology Provides Our Global Industrial & Consumer Businesses with Enhanced Flavor Delivery and Cost Advantages

Starting Flavor



Manufacturing Technology

No Encapsulation

Spray Dry

McCormick Encapsulation

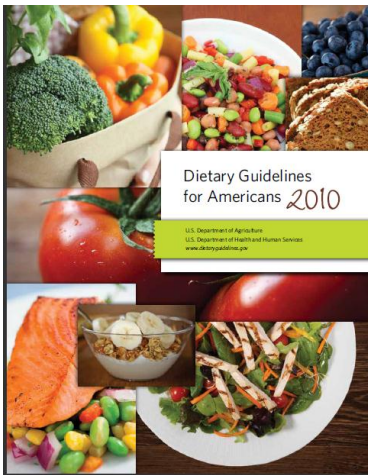
Flavor Retention



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Connecting Spices & Herbs with Dietary Guidelines



American
Society for
Nutrition
www.nutrition.org



eat right. Academy of Nutrition
and Dietetics

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Leveraging MSI Research to Develop the Evidence



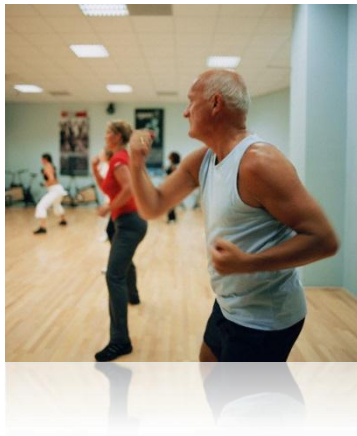
17 clinical studies completed or underway



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Leveraging MSI Research to Develop the Evidence

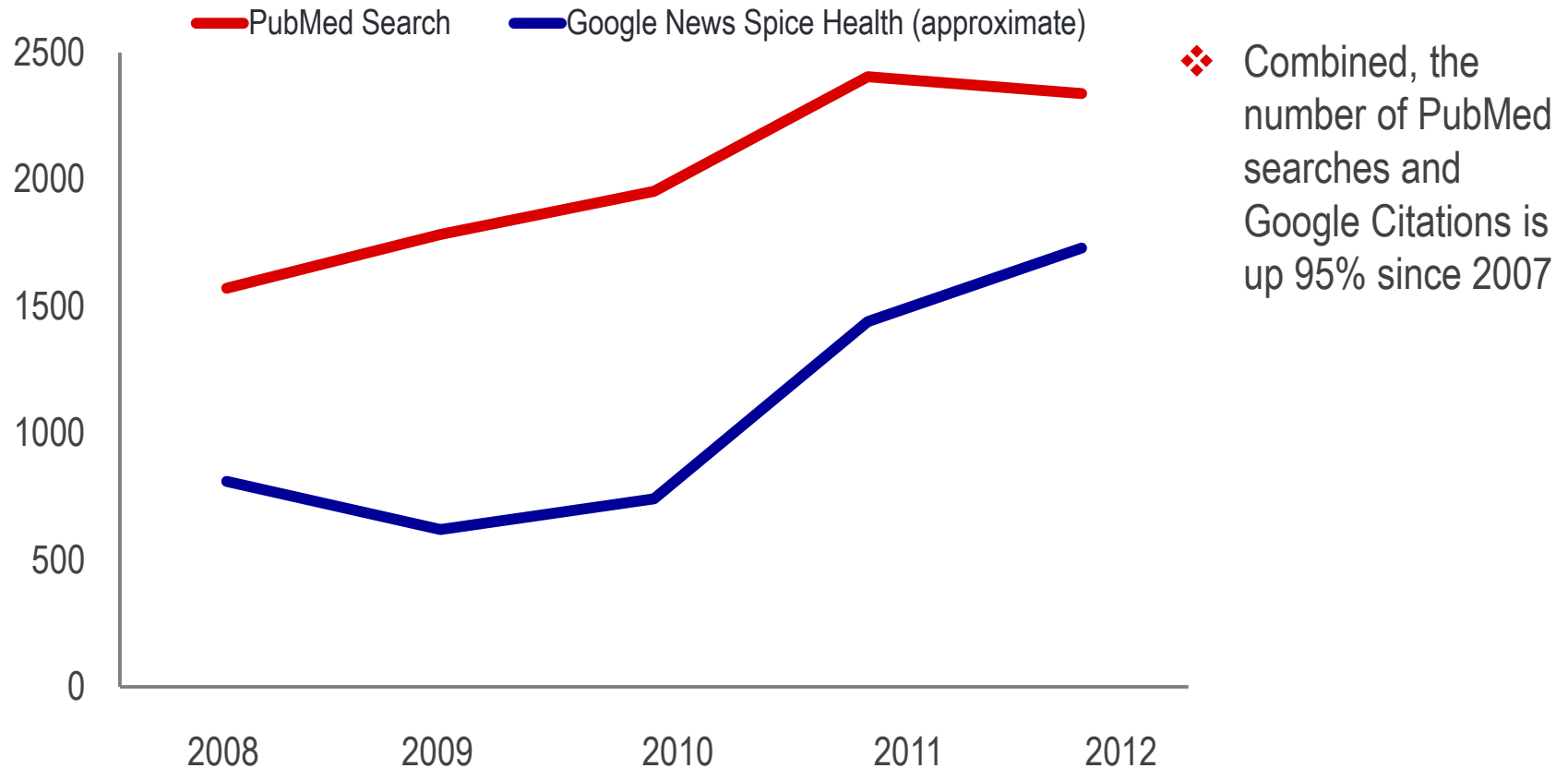


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Interest in Spices, Herbs and Health Has Grown Significantly

Spice, Herb & Health PubMed Searches and Google Citations by Year: 2007 to 2012

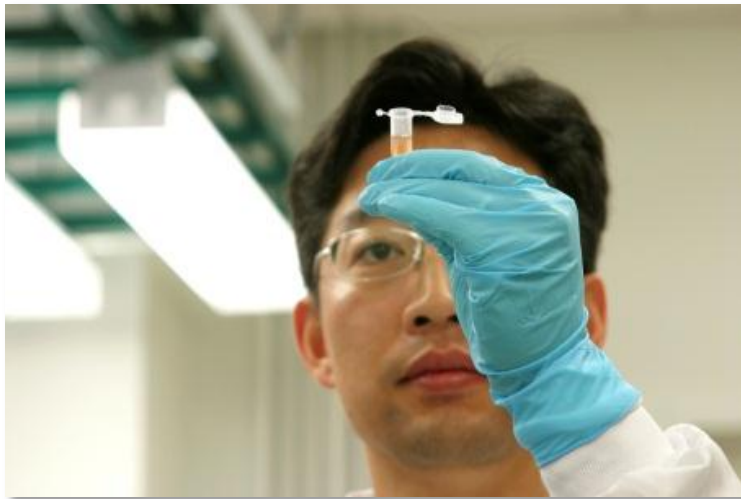


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Connecting with the Consumer & Providing Flavorful Healthy Choices

McCormick molecular
biologists & MDs



Wellness
research



Social



Physical



Intellectual



Cultural



Emotional

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The Future of Food

- ▶ Foods for:

- 1) *Self care - simplicity, Real food, H&W*
- 2) *Indulgence - great flavor*
- 3) *Convenience & Value*



- ▶ Driven by technology: nutrigenomics & biotechnology



- ▶ Increasingly authentic ethnic & flavorful



- ▶ More local, safe & sustainable



- ▶ For the informed consumer: *Cuisine for Wellness*



- ▶ Includes some familiar standbys: *but ingredients may change!*



- ▶ Driven by the preferences of digital consumers around the globe



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The Future of Flavor

- ❖ Investing in global initiatives to maximize McCormick's competitive advantages and culture of innovation
- ❖ Developing winning, on-trend flavors for our global markets using healthy and natural ingredients with one of the broadest application platforms in the industry
- ❖ A continuously expanding suite of technologies for providing new flavor experiences
- ❖ Deep understanding of the consumer experience of food and flavor



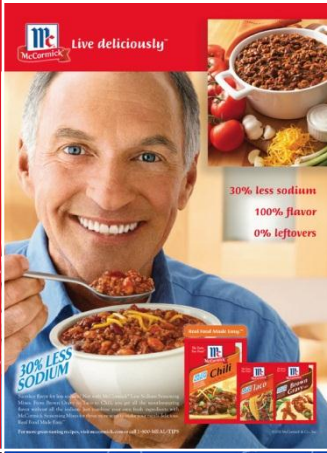
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A WORLD OF FLAVOR Summary

Alan Wilson

Chairman, President & CEO



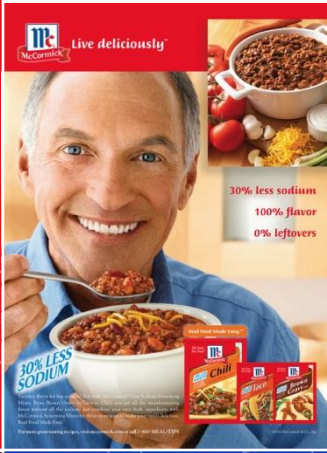
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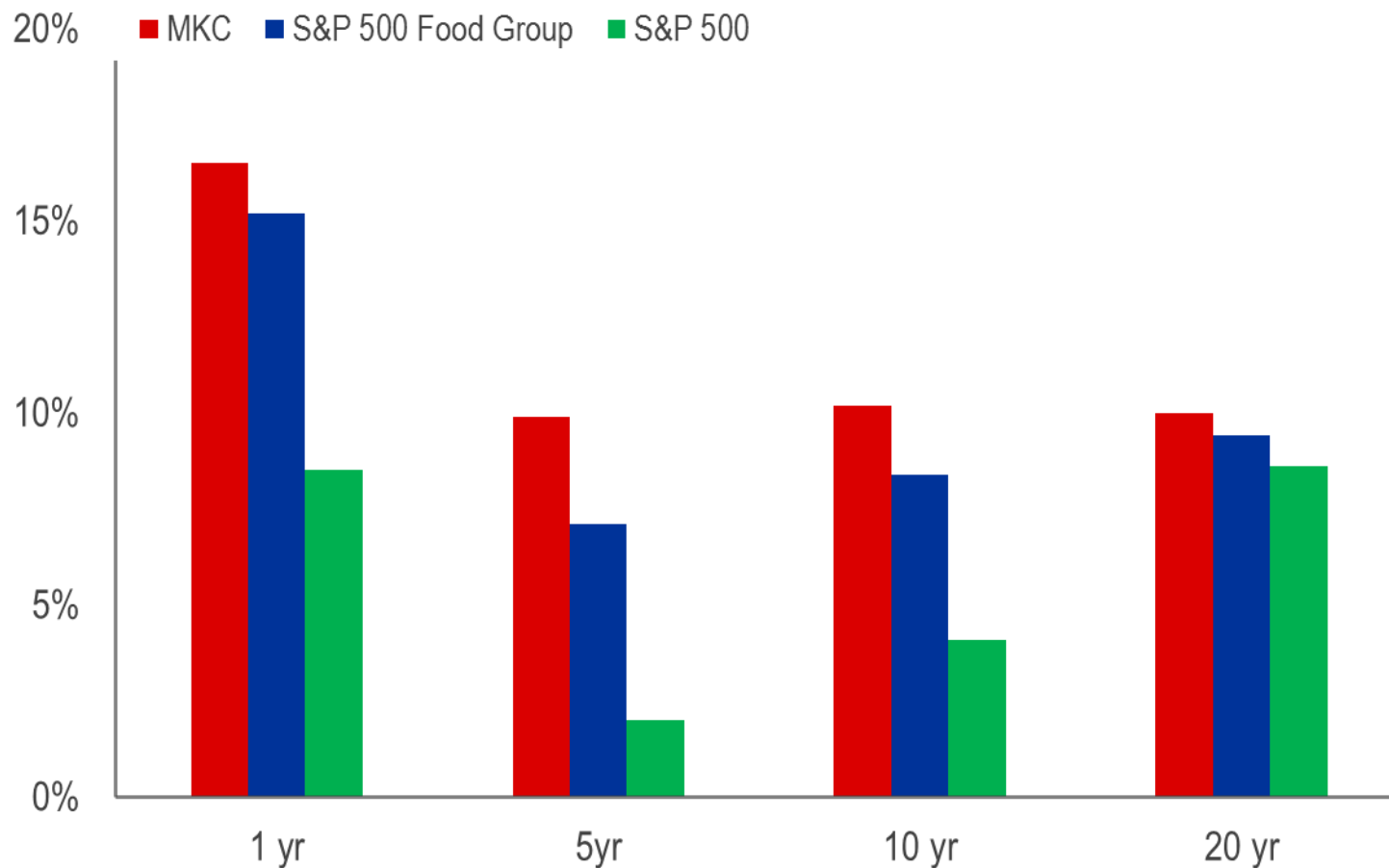


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Strong Shareholder Returns

Total shareholder return through March 2012



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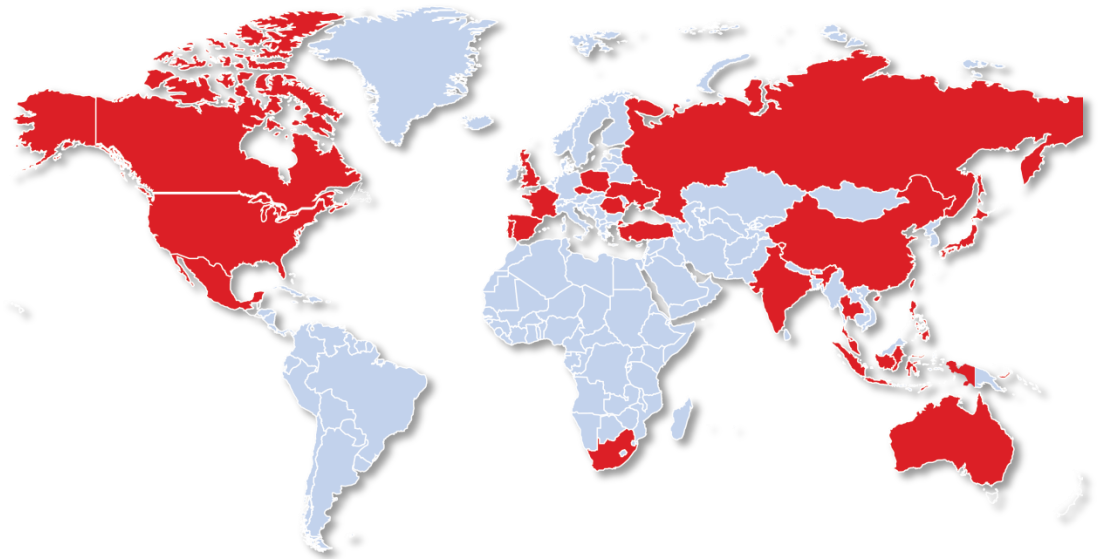


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McCormick 2015

- ❖ Larger geographic footprint
- ❖ Broader flavor portfolio
- ❖ Globalized organization and resources



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Meeting Objectives

Key takeaways

- ❖ Meeting increased demand for flavor
- ❖ Globalizing our business with strong leadership, coordinated growth initiatives and superior resources
- ❖ Delivering high performance with an effective strategy and engaged employees



A WORLD OF FLAVOR

Thank You!

