

#### Garam Masala

This year's report has the scent of Garam Masala. This sweet aromatic spice blend brings a warm exotic flavor and has been called the "heart" of Indian cuisine. Regions and even families have their own approaches to Garam Masala's ingredients, which might contain coriander, black pepper, cumin, cardamom and cinnamon. The blend is used in cooking or as a finishing touch in a curry or other Indian dish, such as that shown on the cover of this report.

India is one of the highest per capita spice consumption nations—estimated at five times the United States. In 2010 and 2011, McCormick expanded into this emerging market with two new joint ventures.

#### Contents: Passion for Flavor 2 Power of People 4 Taste You Trust 6 Inspiring Healthy Choices 8 Delivering High Performance 10 Letter to Shareholders 12 Financial Highlights 16 Directors and Officers 17 Form 10-K Index 18 Form 10-K 19 Investor Information 74

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Locations, Multiple Management

## M

McCormick is a global leader in flavor. We have built a portfolio of high quality, innovative flavor brands that enhance people's enjoyment of food all around the world. Our success is driven by our employees and the collaborative culture that we have established and sustained over many years. In today's challenging economic environment, this has led to another year of solid growth and strong financial results for our shareholders.

These five pillars are the foundation of our business and the ingredients behind our success.

# Passion for Flavor™

A passion for flavor is the driving force behind everything we do at McCormick. For nearly 125 years, we have understood the emotional connections that people have with flavors and food, and this rich legacy allows us to develop inspiring flavor solutions and to anticipate the flavor preferences of tomorrow. Since 2007, 8% to 10% of annual sales have come from products introduced in the past three years.

Including our 2011 acquisition in Poland and joint venture in India, our brands reach more than 110 countries.

In many of these, we are the category leader—not only in spices and seasonings, but condiments, desserts and authentic ethnic cuisines. As evidence of our growth, sales of our Hispanic products in the U.S. have increased 40% since 2006. Through our industrial business, we offer food manufacturers and foodservice customers one of the broadest arrays of flavor solutions.

Every day, no matter where or what you eat, you can enjoy food flavored by McCormick.



## PASSION POINT Staving on the foref

# Staying on the forefront of flavor

For over a decade, our annual look at the future of flavor has been eagerly anticipated by food editors, customers and consumers. Early in 2012, McCormick launched its first global Flavor Forecast®, developed by our flavor experts from around the world.



# Power of People™

McCormick has created an extraordinary work environment based on a culture of respect, inclusion and collaboration.

We encourage professional development at all levels. For nearly 80 years, our Multiple Management philosophy has helped develop the next generation of McCormick leaders. Each of our 17 Multiple Management Boards allows its members to make meaningful contributions to the business while developing their own career skills. We

are strengthening this foundation with cultural initiatives like our global high performance organization and the 2011 formation of our employee-led Americas Regional Diversity & Inclusion Council, which extends our diversity and inclusion efforts begun more than 10 years ago.

In 2009, we launched our Comprehensive Continuous Improvement program...CCI...to improve productivity and lower costs in operations around the world. Through 2011, we have achieved \$156 million in cost savings.



Littleborough, UK: Employee teams delivered process reliability and quality improvements using a standard global process.

#### PASSION POINT

### Helping our communities

We have a strong sense of values which includes giving back to the communities where we operate. These employees took time out from a Multiple Management Board meeting to help at a local food bank.



Guangzhou, China: Winners of the monthly CCI award, which is given to one of the plant teams whose significant improvement idea has been implemented.











# Delivering High Performance

At individual, team and Company levels, we set the bar high. Since 2000, McCormick has increased earnings per share at an 11% compound annual rate.

Acquisitions are a key avenue of growth. Our disciplined financial approach seeks investments with exceptional returns for our shareholders. In 2011, we purchased Kamis®, a leading brand of spices and mustard in Poland, and we invested in a joint venture in India that distributes Kohinoor® brand products to approximately 350,000 retail outlets. We are

PASSION POINT

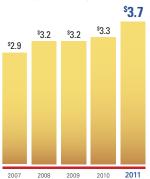
## Growing sales

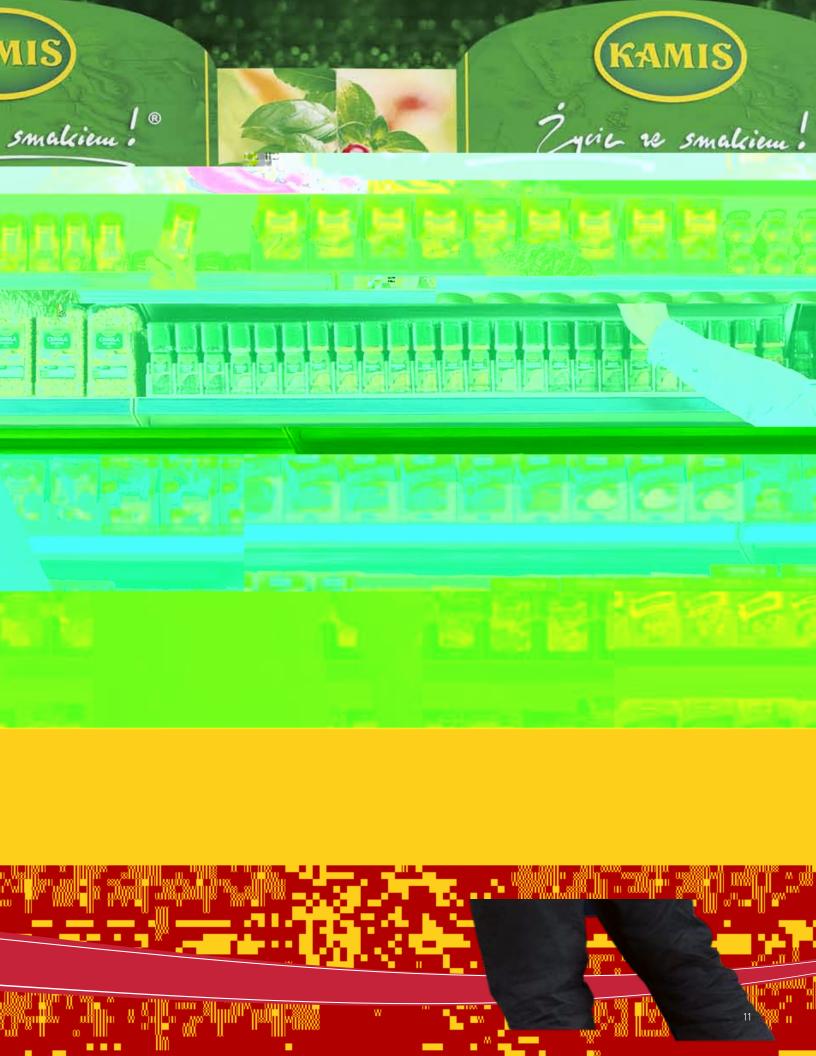
We have increased sales at a 6% compound annual growth rate in the past five years through new products, brand marketing support, expanded distribution and acquisitions, as well as increased pricing and favorable currency exchange rates.

also achieving high performance by supporting our brands with increases in both digital and traditional marketing, and have expanded distribution in dollar stores and warehouse clubs, as well as grocery retailers. We continue to invest significant resources in product development with plans to complete construction of a new technical innovation facility in China in 2012.

McCormick has paid dividends every year since 1925 and has increased that dividend for 26 consecutive years.

#### Sales (dollars in billions)





#### Driving Growth at McCormick

Our strategy for growth is straightforward: we invest in the business to drive sales and profits and fuel these investments through CCI cost savings. This has led to a double-digit compound annual growth rate in earnings per share over the past decade. This performance is consistent with our long-term goal to grow earnings per share 9% to 11%.

Another long-term goal is to grow sales 4% to 6%. Since 2006, we have increased sales 6% on average. We expect this pace of growth to continue based on a three-pronged approach:

# \*\* First, we are increasing our base business through brand marketing support, merchandising and expanded distribution.

We have leading brands with strong consumer appeal in all our key markets. As a category leader, we carefully measure the returns of our marketing investments and direct our spending to optimize sales and profitability. Digital marketing has a particularly strong payback, and we nearly doubled this spending in 2011, which was part of a 9% increase in total brand marketing support before the impact of acquisitions.

Through enhanced merchandising, we are making our products easier to find on the store shelf and are driving impulse purchases with secondary displays.

In today's environment, many consumers are shopping in a wider variety of retail channels, and we have been successful in gaining new distribution in 2011 that included dollar stores, warehouse clubs and drug store chains. For our industrial business, we are supporting the geographic expansion of our customers, which contributed to our sales growth in China and Southeast Asia.

## **>>** Another avenue of growth is new products.

We are attracting consumers to the store shelf to discover new flavors, new meal ideas and new packaging. We expect to launch at least 100 new branded products each year, and in 2011 we introduced more than 200. These included authentic Hispanic seasoning mixes in the U.S., Vahiné® brand dessert items in France and value-priced sachets in Australia. With a number of new products, such as Recipe Inspirations®, we are extending our success in one market to other parts of the world.

Industrial customers view product innovation as an

8\*

Shareholder Return

11%

McCormickS&P food groupS&P 500

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

important way to build sales and distinguish their products from the competition. We have a robust pipeline of innovation for these customers, with many innovations featuring simple ingredients, natural flavors and other healthy attributes.

Every day, our 400 technical innovation experts around the globe are meeting the demand for new products across both businesses.

Each year, McCormick recognizes employees from worldwide locations who volunteer to support the communities in which we operate.



#### **>>** Acquisitions are our third growth initiative.

We are using acquisitions to penetrate new markets and extend our portfolio in countries where we have a significant presence. We have a strong interest in emerging markets where rising income levels and a growing middle class are creating increased demand for the convenience and quality of packaged food products.

In the past 12 months we made some exciting additions to our global portfolio of leading brands. Kamis is a leading brand of spices and seasonings, as well as mustards, in Poland. This growing business has annual sales of approximately \$100 million, and, with distribution into Russia and other parts of eastern and central Europe, it is an excellent complement to our current business in western Europe. With an 85% interest, we formed a joint venture to market the Kohinoor brand in India, a leader in basmati rice and other food products. The business is particularly attractive as its products reach approximately 350,000 retail outlets in that country.

As a result of these achievements, we expect our percent of sales from emerging markets to increase from 6% in 2006 to at least 13% in 2012.

We are fueling our sales growth with cost savings from CCI, our ongoing initiative to improve productivity and reduce costs. In 2010, we set a goal to achieve \$150 million in cost savings over four years. In the second year, McCormick employees have already delivered \$119 million in savings toward this goal—including lower procurement costs, increased process reliability and distribution efficiencies—and with at least \$40 million of projected cost savings in 2012, we expect to reach this goal in three years. With CCI champions in each major operation, we have a long runway of savings for 2012 and beyond.

An effective strategy is one that can drive growth in good times and bad. Our solid performance in today's economy demonstrates the effectiveness of our strategy and soundness of our business.

#### **Building Upon a Strong Foundation**

McCormick has an enviable record of building shareholder return. A higher stock price together with increasing dividends have led to a ten-year total shareholder return of 11%. This performance exceeds that of the S&P 500 Stock Index and the S&P 500 food group.

Our employees are the foundation of our success. They are driving top-line growth and improving our efficiency. Our Multiple Management philosophy, established in 1932, is the foundation of our culture. This philosophy encourages participation and collaboration at all levels of the organization and is embodied in our Multiple Management Boards, including our recently formed regional and global boards. We foster an inclusive environment that values diversity and the contributions of each individual. Throughout our Company, we are implementing McCormick's global high performance organization, which creates a culture that leverages the power of our people by recognizing the importance of teamwork and increased employee engagement and empowerment.

The way we interact with one another extends beyond the workplace and into the communities in which we operate. Many of our employees volunteer to support those in need. We encourage these activities and recognize their efforts with an annual awards program that includes funds for the organization the employee supports. Charitable donations by employees are matched by the Company, and in the U.S., we arrange an annual Charity Day that allows employees to work an extra day and contribute their pay.

Digital marketing is one of our most cost-efficient ways to connect with consumers whether it is a Facebook® page, iPhone® app or this Grill Mates® Twitter® program allowing fans to appear on a large video screen in Times Square, New York.



Our Company's success is also built on trust. Consumers and customers count on McCormick for high quality and safe products. We monitor quality throughout our supply chain and are a leader in developing industry best practices. We are also a leader in responding to consumer interest in health. In 2011, we celebrated the five year anniversary of the McCormick Science Institute. This independent institute is led by nutrition scientists, and its mission is to support scientific research and disseminate information on the health properties of culinary herbs and spices.

Our interest in quality and health extends to our environmental sustainability efforts. We have internal goals and measurements to monitor our environmental impact. In the first phase of our program, we achieved reductions between 17% and 26% in our global water usage, greenhouse gas emissions, solid waste and electricity on a per unit basis, and, in 2011, set goals for the next five years.

#### **Looking Forward**

McCormick's Board and leadership team are directing our strategy and setting our course for growth. In 2011, we continued to build the skills and talent of our organization.

We continue to align our global organization to support our growth. Mark Timbie was named President, Consumer Foods Americas and Chief Administrative Officer, expanding his role to include responsibility for several key functional areas. With the addition of responsibility for our industrial business in Canada, Chuck Langmead was named President, Industrial Foods Americas.

To recognize the importance of the science behind our flavors, we created the role of Chief Science Officer. Dr. Hamed Faridi was promoted to this role as a result of his vision, leadership and contributions at McCormick. As part of the development of our financial team, Mike Smith was promoted to the executive office of Vice President—Treasury and Investor Relations.



I want to welcome the new employees that have joined McCormick in 2011—from Kamis and Kohinoor, as well as other parts of our organization. In particular, I want to recognize and thank all of our employees for their role in successfully building our business.

Thanks also to you, our shareholders, for your support and confidence. We share your desire to grow the value of your investment in our Company.

Alan D. Wilson

Chairman, President & CEO

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New products launched in the past three years added 9% to 2011 net sales.



### **Financial Highlights**

For the year ended November 30 (millions except per share data)	2011	2010	% Change
Net sales	\$3,697.6	\$3,336.8	10.8%
Gross profit	1,522.5	1,417.7	7.4%
Gross profit margin	41.2%	42.5%	
Operating income	540.3	509.8	6.0%
Operating income margin	14.6%	15.3%	
Net income	374.2	370.2	1.0%
Earnings per share—diluted	2.79	2.75	1.5%
Dividends paid	148.5	138.2	7.5%
Dividends paid per share	1.12	1.04	7.7%

We are providing below certain non-GAAP financial results for 2010 excluding items affecting comparability. The details of these adjustments are provided in the Non-GAAP Financial Measures of the Management Discussion & Analysis on page 34.

	2011	2010	% Change
Adjusted net income	\$ 374.2	\$ 356.3	5.0%
Adjusted earnings per share—diluted	2.79	2.65	5.3%



#### **Directors and Officers**

#### **Board of Directors**

#### John P. Bilbrey 55

President and Chief Executive Officer The Hershey Company Hershey, Pennsylvania Director since 2005

Compensation Committee

#### James T. Brady 71

Managing Director, Mid-Atlantic Ballantrae International, Ltd. Ijamsville, Maryland Director since 1998

Audit Committee\*

#### J. Michael Fitzpatrick 65

Chairman
Citadel Plastics Holdings, Inc.
Radnor, Pennsylvania
Director since 2001
Audit Committee

#### Freeman A. Hrabowski, III 61

President
University of Maryland
Raltimore County

Baltimore County Baltimore, Maryland Director since 1997

Nominating/Corporate Governance Committee\*

#### Patricia Little 51

Executive Vice President and Chief Financial Officer Kelly Services, Inc. Troy, Michigan Director since 2010 Audit Committee

\*Indicates Chair Position on the Committee \*\*Lead Director

#### Michael D. Mangan 55

Former President, Worldwide Power Tools & Accessories The Black & Decker Corporation Towson, Maryland Director since 2007\*\*

Audit Committee Nominating/Corporate Governance Committee

#### Margaret M.V. Preston 54

Managing Director & Regional Executive U.S. Trust, Bank of America Private Wealth Management Greenwich, Connecticut Director since 2003

Nominating/Corporate Governance Committee

#### **George A. Roche** 70

Retired Chairman & President T. Rowe Price Group, Inc. Baltimore, Maryland Director since 2007

Compensation Committee

#### Gordon M. Stetz, Jr. 51

Executive Vice President & Chief Financial Officer McCormick & Company, Inc. Director since 2011

#### William E. Stevens 69

Chairman
BBI Group, Inc.
St. Louis, Missouri
Director since 1988
Compensation Committee\*

#### Alan D. Wilson 54 Chairman, President &

Chief Executive Officer
McCormick & Company, Inc.
Director since 2007

#### **Executive Officers**

#### Alan D. Wilson

Chairman, President & Chief Executive Officer

#### Gordon M. Stetz, Jr.

Executive Vice President & Chief Financial Officer

#### W. Geoffrey Carpenter

Vice President, General Counsel & Secretary

#### Kenneth A. Kelly, Jr.

Senior Vice President & Controller

#### Lawrence E. Kurzius

President—McCormick International

#### **Charles T. Langmead**

President—Industrial Foods Americas

#### Cecile K. Perich

Senior Vice President—Human Relations

#### Michael R. Smith

Vice President, Treasury & Investor Relations

#### Mark T. Timbie

President—Consumer Foods Americas & Chief Administrative Officer

#### **BOARD OF DIRECTORS**

PICTURED FROM LEFT TO RIGHT, STANDING: Gordon Stetz, George Roche, Freeman Hrabowski, Michael Fitzpatrick, James Brady, John Bilbrey, Patricia Little SEATED: Margaret Preston, Michael Mangan, Alan Wilson, William Stevens





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# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

## **FORM 10-K**

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended November 30, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

McCORMICK & COMPANY, INCORPORATED

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. Check one:

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

State the aggregate market value of the voting and non-voting common equity held by non-affiliates computed by reference to the price at which the common equity was last sold, or the average bid and asked prices of such common equity, as of the last business day of the registrant s most recently completed second fiscal quarter.

The aggregate market value of the voting Common Stock held by non-affiliates at May 31, 2011: \$380,873,624

The aggregate market value of the Non-Voting Common Stock held by non-affiliates at May 31, 2011: \$6,002,418,845

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

 Class
 Number of Shares Outstanding
 Date

 Common Stock
 12,507,856
 December 30, 2011

 Common Stock Non-Voting
 120,541,545
 December 30, 2011

#### **DOCUMENTS INCORPORATED BY REFERENCE**

Document Part of 10-K into Which Incorporated

Proxy Statement for McCormick's March 28, 2012 Annual Meeting of Stockholders (the 2012 Proxy Statement)

Part III

#### PART I.

As used herein, references to "McCormick," "we," "us" and "our" are to McCormick & Company, Incorporated and its consolidated subsidiaries or, as the context may require, McCormick & Company, Incorporated only.

#### **ITEM 1. BUSINESS**

McCormick is a global leader in flavor. The Company manufactures, markets and distributes spices, seasoning mixes, condiments and other flavorful products to the entire food industry—retail outlets, food manufacturers and foodservice businesses. Our major sales, distribution and production facilities are located in North America and Europe. Additional facilities are based in China, Australia, Mexico, India, Singapore, Central America, Thailand and South Africa. McCormick & Company, Incorporated was formed in 1915 under Maryland law as the successor to a business established in 1889.

#### **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 2011, the consumer business contributed 59% of sales and 79% of operating income and the industrial business contributed 41% 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 customers 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 110 countries. Our leading brands in the Americas include McCormick®

Невсий БУ, (I) - Right (I)

We respond to this volatility in a number of ways, including strategic raw material purchases, purchases of raw material for future delivered customer price adjustments.

#### Customers

McCormick's products are sold directly to custonsers and al through brokers, wholes alreads distributors. In the consumer segment, products are stoten to consumers through a variety of retail outlets, including grocery, mass merchandise, warehous@/orking Capital clubs, discounted drug stores under a variety of brands. In the industrial segment, producets used by food and beverage manufacturers as ingredients for their finished goods and by foodservice customers as ingredients for menu items to enhanceworking capital items (inventory and receivables) through short the flavor of their foods. Customers for the industrial segment both directly and indirectly through distributors.

We have a large number of customers for our products. In fiscal Discussion and Analysis year 2009, sales to two of our customers, PepsiCo, Inc. and Wal-Mart Stores, Inc., each accounted for approximately 11% of consolidated net sales. In fiscal year 2010, sales to two of our McCormick competes in a roband highly customers. PepsiCo. Inc. and altastores. Inc., accounted for approximately 10% and 11% of consolidated net sales. respectively. In fiscal year 2011, sales to two tomerscus PepsiCo, Inc. and-Walt Stores, Inc., each accounted for approximately 11% of consolidated net sales. Sales to our five largest customers represented approximately 35% of consolidated nsumer perfences. net sales ifiscal yea2011.

The dollar amount of backlog orders for our business is not matelially of McCormick's products are prepared from confidential portion of our business is subject to renegotiation of profits or termination of contracts or subcontracts at the election of the U.S. government.

#### Trademarks, Licenses and Patents

McCormick owns a number of trademark registrations. Although in the aggregate these trademarks may be material to our business, the loss of any one of those trademarks, with the exception of our "McCormick," "Lawratsairatiz's," "Club House," "Ducros," "Schwartz," "Vähkamis'and "Kohinoor" trademarks, would not have a material adverse effect on our business. The "MMeCormick" trademark is extensively used by us in connection with the sale of our food products in the U.S. and certain non-U.S. markets. The terms of the trademark registrations are as prescribed by law and the registrations will be renewed for as long as we deem them to be useful.

We also own various patents, none of which individually are viewed as material to our business.

#### Seasonality

Due to seasonal factionserent in McCorkiscousiness, our sales, inconsend cash from operations generally are lower in the first two quarters of the fiscal year, increase in the third quarter and are significantly higher in the fourth quarter due to the holiday season. This seasonality reflects customer and consumer buying patterns, primarily in the consumer segment.

In order to meet increased demand for our consumer products during our fourth quarter, McCormick usually builds its inventories during the third quarter of the fiscal year. We generally finance term borrowings, which include the use of lines of credit and the includeood manufacturers and the foodservice industry supplied issuance of commercial paper. For a description of our liquidity and capital resources, see 5 nof the financial atementand the "Liquidity and Financial Condition" section of "Management's

#### Competition

competitive. Our strategies for competing in each of our segments include a focus on product innovation, price and value, product quality and superior ser Aideitionally, in the consumer segment we focus on brand recognition and loyalty, effective advertising, promotional programs the identification and satisfaction of

#### Research and Development

to an understanding of our business, taken as a whole. No matefial mulas developed by our research laboratories and product development teams, as well as from, in some cases, customer proprietary formulas. Expenditures for research and development were \$58.1 million in 2011, \$52.7 million in 2010, and \$48.9 million in 2009. The amount spent on customsored research activities is not material

#### **Environmental Regulations**

The cost compliance with federal, satatelocal provisions related to protection of the environment has had no material effect on McCormick's business. There were no material capital expenditures for environmental control facilities in fiscal year 2011 and there are no material expenditures plasured of or poses in fiscal year 2012.

#### **Employees**

McCormick had approximatelyf91,0000 employees worldwide as of November 30, 2011. We believe our relationship with

We have entered into a number of license agreements authorizing ployees to be good. We have no collective bargaining contracts the use of our trademarks by affiliated and non-affiliated entities.in the United States. At our foreign subsidiaries, approximately The loss of these license agreements would not have a materially 350 employees are covered by collective bargaining agreements adverse effect on our business. The term of the license agreemeonts imilar arrangements. is generally three to five years or until suchetther arenty terminates the agreement. Those agreements with specific terms

are renewable upon agreement of the parties.

#### Financial Information about Geographic Locations

For information on the net sales and long-lived assets of McCormick beyographic area, snete 15of the financia statements

#### **Foreign Operations**

McCormick is subject in varying degrees to certain risks typically to Section 3(a) or 15(d) of the Securities Exchange Act of 1934 associated with a global business, such as local economic and market conditions, restrictions on investments, royalties dividendand exchange rate fluctuations. Approximately 40% of sales in fiscal year 2011 were from non-U.S. operations. For information on how McCormick manages some of these risks, see the "Market Risk Sensitivity" section of "Management'sinformation regarding McCormick. Our website also includes Discussion and Analysis

#### ForwardLooking Information

Certain statements contained in this report are "forward-looking Board of Directors." statements" within the meaning of S2tEcoof the Securities Exchange Act of 1934ese statements may be identified by the use of words such as "may," "will," "expect," "believe" and "plan. These statements may relative texpected results of operations of businesses acquired by us, the expected impact of raw material financial condition results of operations. These risk factors 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 and market risks associated with financial instruments, the impact NonVoting, you should know that making such an investment of foreign exchange fluctuations, the adequacy of internally generated funds and existing sources of liquidity, such as the of our common stock under the existing authorizations.

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 other measures. A serious breathquality assurance or of financing, interest and inflation rates as well as foreign currencyuality control procedures, deterioration of our quality image, fluctuations, fluctuations in the market value of pension plan asses and other ristlescribeblerein under Part I, Item 1A "Risk Factors

Actual results could differ materially from those projected in the result of new information, future events or otherwise, except as may be required by law

#### **Available Information**

Our principal corporate internet website address is: www.mccormickcorporation.lddermake available free of charge through our website our annual report on Form 10-K. quarterly reports on Form 10-Q, current reports on Form 8-K. and amendments to those reports filed or furnished pursuant (the "Exchange Act") as soon as reasonably practicable after such documents are electronically filed with, or furnished to, the United States Securities and Exchange Commission (the "SEC"). The SEC maintains an Internet web site at www.sec.gov that contains reports, proxy and information statements, and other our Corporate Governance Guidelines, Business Ethics Policy and charters of the Audit Committee. Compensation Committee. and Nominating/Corporate Governance Committee of our

#### ITEM 1A. RISK FACTORS

The following are certain risk factors that could affect our business. Should be considered in connection with evaluating the forwardlooking statements contained in this Annual Report on Form 10-K because these factors could cause the actual results and conditions to differ materially from those projected in forward-looking of pension and postretirement plan contributions, the holding peniod involves some risks, including the risks described below. If any of the risks actually occur, our business, financial condition, or results availability of bank financing, our ability to issue additional debt of operations could be negatively affected. In that case, the trading equity securities of our expectations regarding purchasing shares price of our securities could decline, and you may lose all or part of vour investment.

Forward-looking statements are based on management's current Pamage to our reputation or brand name, loss of brand relevance, increase in private label use by customers or consumers, or product quality or safety concerns could negatively impact us.

Our reputation for manufacturihentiality products is widely recognized. In order to safeguard that reputation, we have adopted rigorous quality assurance and quality control procedures which are designed to ensure conformity to cartier and compliance with law. We also continually make efforts to maintain and improve relationships with our customers and consumers and to increase awareness and relevance of our thranuth effective marketing impairment of our customer or consumer relationships, or failure to adequately protect the relevance of our blizables as lead to customers or consumers purchasing other brands or private label brands that may or may not be manufactured by us, could have a material negative impact on our financial condition and results of forward-looking statements. We undertake no obligation to update perations. From time to time, our customers evaluate their mix of or revise publicly any forward-looking statements, whether as a branded and private label product offerings. If a significant portion of our branded business was switched to private label, it could have a significant impact on our consumer business.

The food industry generally is subject to risks posed by food spoilage and contaminationdupt tampering, product recall and consumer product liability claims. For instance, we may be required to recall certain of our products should they be mislabeled, contaminated or dan wae edso may become involved in lawsuits and legal proceedings if it is alleged that the consumption of any of our products causes injury or illness. A product recall or an adverse result in any such litigation could cause consumers in our principal markets to lose confidence in the profitability masuffer as a result of competition in safety and quality of certain products or ingredients, and otherwiseur markets. have a negative effect on our business and financial results. Negative publicity about these concerns, whether or not valid, may discourage consumers from buying our products or cause disruptions in production or distribution of our products and adversely affect our reputation or brands.

The consolidation of customers may put pressureur operating margins and profitability.

Our customers, such as supermarkets, warehouse clubs, and foodmedial action to address commodity and other cost increases. distributors, have conscidint ecent years and consolidation couldcontinue throughout the U.S., the Europeand Unition major markets. Such consolidation could present a challenge to margin growth and profitability in that it has produced large, sophisticated customers invitte ased buying power who are more capable of operating with reduced inventories, resisting price increases, demanding lower pricing, increased promotional programs and specifically tailored products, and shifting shelf space currently used for our products to private label products. These factors and others could have an adverse impact on our future sales growth and profitability.

Issues regarding procurement of raw materials may negatively impact us.

Our purchases of raw materials are subjectations on market price and availability caused by weather, growing and harvesting conditions, market conditions, governmental actions and other factors beyond our control. The most significant raw materials used by us in our business are dairy predpets arlic, onion, capsicums (red pepper and paprika), sandenameait While future price movements of raw material costs are uncertain, we seek to mitigate the market price risk in a number of ways, including strategic raw material purobases cetwo material for future delivered customer price adjustments. We general have not used derivatives to manage the volatility related to this risk. To the extent that we have used derivatives for this purpose, it has not been materiabtosiness. Any actions we take esponse to market price fluctuations may not effectively limit or eliminate our exposure to changes in raw material prices. Thereforecannot provide assurance that raw material price fluctuations will awat a negative impact on our business, financial condition or operating results.

In addition, we may have very little opportunity to mitigate the risk of availability of certain raw materials due to the effect of weather on crop yield, government apptibitional unreist producing countries, changes in agricultural parodycathres factors beyondur control. Therefore cannot provide assurance thatfuture raw material availability will ance a negative impact on our business, financial condition, or operating results.

Political, socieconomizand cultural conditions, as well as disruptions caused by terrorist activities, courted at so additionalisks for food safety. Although we have adopted rigorous quality assurance quality control procedures which are designed to ensure the safety infiported products, we cannot provide assurance that such events avil actequative impact on our business, financial condition or operating results.

The food industry is intensely competitive. Competition in our product categories is based on price, product innovation, product quality, brand recognition and loyalty, effectiveness of marketing and promotional activity, and the ability to identify and satisfy consumer preferences. From time to time, we may need to reduce the prices for some of our products to respond to competitive and customer pressures, which may adversely affect our profitability Such pressures also may impair our ability to take appropriate

of time, or if harsh weather or health conditions prevent us from Increases in interest rates may negatively impact us. delivering products in a timely manner, our business, financial conditionand operating results could be adversely affected.

We may not be able to successfully consummate proposed acquisitions or divestitures or integrate acquired businesses.

From time to time, we may acquire other businesses and, basedawhieve a desired mix of fixed and variable rate debt. We utilize These potential acquisitions and divestitures may present financiate, including interest rate exposures that exist as part of our managerialnd operational challenges, including diversion of management attention from existing businesses, difficulty with integrating or separating personnel and financial and other In addition, we may be required to incur asset impairment chargestruments may not effectively limit or eliminate our exposure to in connection with guired businesses which may reduce our profitability. If we are unable to consummate such transactions, or successfully integrate and grow acquisitions and achieve contemplated revenue synergies and cost savings, our financial *The deterioration of credit and capital markets may adversely* results could be adversely affected.

Our foreign operations are subject to additional risks.

countries. Our foreign operations are subject to additional risks, its commitments, our liquidity could be impacted, which could foreign laws, enforcement of remedies in foreign juristictions other economic or political uncertal attention of the conomic or political uncertal attention of the conomic or political uncertainty and the conomic or political uncertainty at the conomic or political unc countries within the European Union experienced sovereign debparticipating in our revolving credit facilities. During these environment throughout the European Union. Additionally, international sales are subject to risks related to imposition of tariffs, quotas, trade barriers and other similar restrictions. All of these risks could result in increased costs or decreased revenues, which could adversely affect our profitability.

Fluctuations in foreign currency markets may negatively impact us.

main areas: cash flows related to raw material purchases: the affiliates and cash flows related to repatriation of these investments. Primary exposures include the British pound sterling acceptable time. Our inability to obtain financing on acceptable investments. Primary exposures include the British pound sterling acceptable time period have an adverse versus the Euro, and the U.S. dollar versus the Euro, British pound impact on our operations, financial counditilioquidity. sterling, Canadian doffatistzloty Australian dollar, Mexican peso, Chinese renminbi, Indian rupee and Thai baht. We routinely we face risks associated with certain pension assets enter into foreign currency exchange contracts to facilitate managing certain of these foreign currency risks. However, these contracts may not effectively limit or eliminate our exposure to a decline in operating results due to foreign currency exchange changes. Therefore, we cannot provide assurance that future exchange rate fluctuations will not have a negative impact on our business, financial position perating results.

We had total outstanding steam borrowings of \$20117 on at an average interest rate of approximately 0.2% on 30 ovember 2011. Our policy is to manage our interest rate risk by entering into both fixed and variable rate debt arrangements. We also use interest rate swaps to minimize worldwide financing cost and to

an evaluation of our business portfolio, divest existing businessederivative financial instruments to enhance our ability to manage ongoing business operations. We do not enter into contracts for trading purposes, nor are we a party to any leveraged derivative instruments. Our use of allower financial instruments is systems, increased expenses, assumption of unknown liabilities monitored through regular communication with senior management and indemnities and potential disputes with the buyers or sellers and the utilization of written guidelines. However, our use of these

(including charges related to goodwill and other intangible assets) hanges in interest rates. Therefore, we cannot provide assurance that future interest rate increases will not have a material negative impact on our business, financial position, or operating results.

affect our access to sources of funding.

We rely on our revolving credit facilities, or borrowings backed by these facilities, to fund a portion of our seasonal working capital We operate our business and market our products internationallyneeds and other general corporate purposes. If any of the banks in In fiscal year 2011, 40% of our sales were generated in foreign the syndicates backing these facilities were unable to perform on including fluctuations in currency values, foreign currency exchanges ersely affect funding of seasonal working capital requirements. controls, discriminatory fiscal policies, compliance with U.S. and Our syndicate of banks include certain European banks that could be affected by the current volatile credit market in the European Union. We engage equiar communication with all of the banks and credit issues. This has caused more volatility in the economicommunications none of the banks have indicated that they may be unable to perform on their commitments. In addition, we periodically reviewr banking and financing relationships. considering the stability of the institutions, pricing we receive on services, and other aspects of the relationships. Based on these communications and our monitoring activities, we believe the likelihood of one of our banks not performing on its commitment is remote.

We are exposed to fluctuations in foreign currency in the following has tightened access to capital markets have experienced volatility that has tightened access to capital markets make the markets have experienced volatility that main areas: cash flows related to raw material purchases; the translation of foreign currency earnings to U.S. dollars; the value squrres of financing, there can be no assurance that we will officiate and cash flows related to rapatriation of these

We hold investments in equity and debt securities in our qualified defined benefit pension plans and in a rabbi trust for our U.S. non-qualified pension plan. Deterioration in the value of plan assets resulting from a general financial downturn or otherwise, could cause (or increase) an underfunded status of our defined benefit pension plans, thereby increasing our obligation to make

contributions to the plans. An obligation to make contributions to United Kingdom:

pension plans could reduce the cash available for working capital and other corporate uses, and may have an adverse impact on our Littleborough, England—consumer and industrial operations, financial condition and liquidity.

Haddenham. England—consumer and industrial

The global financial downturn exposes us to credit risks from customers and counterparties.

Consolidations in some of the industries in which our customers Poland: operate have created larger customers, some of which are highly leveraged. In addition, competition has increased with the growth india: in alternative channels through our customer base. These factors have caused some customers to be less profitable and increased our exposure to credit risk. Current credit markets are volatile, andustralia: some of our customers and counterparties are highly leveraged. A significant adverse change in the financial and/or credit position of a customer or counterparty could require us to assume greate China: credit risk relating to that customer or counterparty and could limit our ability to collect receivables. This could have an adverse impact Shanghai consumer and industrial on our financial condition and liquidity.

#### ITEM 1B. UNRESOLVED STAPPE (\$708)/

None.

#### ITEM2. PROPERTIES

Our principal executive offices and primary research facilities areadministrative functions owned and are located in suburban Baltimore, Maryland.

of which are owned except for the facilities in Comifornia, Cal and Melbourne, Australia, and a portion of the facility in Littleborough, England, which are leased:

**United States:** 

Hunt Valley, Maryland—consumer and industrial (3principal plants) Gretna, Louisiana—consumer and industrial South Bend, Indiana-industrial Atlanta, Georgia-industrial Commerce, California—consumer Irving, Texasindustrial

London, Ontario-consumer and industrial

Mexico:

Cuautitlan de Romero Rubio-industrial

Carpentrasconsumer Monteux-consumer

Stefanowo-consumer

New Dehli-consumer

Melbourne—consumer and industrial

Guangzheuconsumer and industrial

In addition to distribution facilities and warehouse space available at our manufacturing facilities, we lease regional distribution facilities in Belcamp, Maryland; Salinas, California; Irving, Texas; Mississauga and London, Ontario Canada: and Genvilliers, France and own distribution facilities in Monteux, France. We also own, leaser contract other properties used for manufacturing consumer and industrial products and for sales, wareheursbiodiodind

We believe our plants are well maintained and suitable for their The following is a list of our principal manufacturing properties, aintended use. We further believe that these plants generally have adequate capacity and can accommodate seasonal demands. changing product matesadditional growth.

#### ITEM 3. LEGAL PROCEEDINGS

There are no material pending legal proceedings in which we or any of our subsidiariesagrenty downich any of our or their property is the subject.

ITEM 4. REMOVED AND RESERVED

#### PART II.

## ITEM5. MARKET FOR REGISTIBADOMMON EQUIEVARED STOCKHOLDAERBARS AND ISSBERCHASES OF EQUITY SECURITIES

We have disclosed in note the financial atement the information relating to the market price and dividends paid on our classes of communications. The market price of our common stock at the close of busines 30 pr20 to was \$50,000 share for the Common Stock and \$50.42 per share for the Common Stock Non-Voting.

Title of Class	Approximate Numbor of Record Holders
Common Stock, no par value	2,100
Common Stock Norting, no par value	10,200

The following table summarizes our purchases of Common Stock (CS) and Contingn (Scalar Naturing the fourth quarter of 2011:

#### ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Door Value of Shares that May Yet Be Purchased Under the Plans or Programs
September 1, 2011	CS-0	\$00.00	0	\$270 million
September 30, 2011	CSN <del>V</del> 0	\$00.00	0	
October 1, 2011	CS∙0	\$00.00	0	\$270 million
October 31, 2011	CSN <del>V</del> 0	\$00.00	0	
November, 2011	C\$3,000	\$49.48	3,000	\$270 million
November 30, 2011	C\$N <del>V</del> 1መ	\$49.48	100	
Total	C\$-3,000 C\$N <del>V</del> 100	\$49.48 \$49.48	3,000 100	\$270 million

As of November 30, 2011, approx\$23@hyillion remained of a \$400 million share repurchase authorization approved by the Board of Directors in June 2010.

#### ITEM 7. MANAGEMENT'S **DSSON** AND ANALYSTS O FINANCIAL CONON AND RESULTS PER ATIONS

#### Overview

The following Management's Discussion and Analysis of Finance Condition and Results of Operations (MD&A) is intended to help the reader understand McCormick & Clourspranoyated, our operations and poesent business environment. MD&A is provided assupplement to, and should be read in conjunction with, our Consolidated Financial Statements and the accompanying material costs, added 4t6 sales and favorable foreign notes thereto contained in Item 8 of this report.

markets and distributes spices, seasoning mixes, condiments and 2.5% to sales. Acquisitions added 1.6% to sales. other flavorful products to the entire food indetails outlets, food manufacturers and foodservice businesses. We currently manage our business in two operating segments, consumer and industrial as described in Item 1 of this report.

Our strategy for growth is to increase sales and profit by investing in the business and fueling that investment with CCI cost savings 1 2011, gross profit increased for wever our gross profit in the business and fueling that investment with CCI cost savings 1 2011, gross profit increased for the same sales and profit in the business and fueling that investment with CCI cost savings 1 2011, gross profit increased for the same sales and profit by investing 1 2011, gross profit increased for the same sales and profit by investing 1 2011, gross profit increased for the same sales and profit by investing 1 2011, gross profit increased for the same sales and profit by investing 1 2011, gross profit increased for the same sales and profit by investing 1 2011, gross profit increased for the same sales and profit by investing 1 2011, gross profit increased for the same sales and profit by investing 1 2011, gross profit increased for the same sales and profit by investing 1 2011, gross profit increased for the sales and profit by investing 1 2011, gross profit increased for the sales and profit by investing 1 2011, gross profit increased for the sales and profit by investing 1 2011, gross profit increased for the sales and profit by investing 1 2011, gross profit increased for the sales and profit by investing 1 2011, gross profit increased for the sales and gross profit incre Our long-term annual growth objectives are to increase sales 4% to 6%, increase operating incombe 97% and increas earnings per sharet9%1%. Over time, we expect similar contributions to sales growth from our base-butsiness growth, from product innovation, and from acqluisaidiolitison to sales growth, our Comprehensive Continuous Improvement program-CCI-is contributing to higher operating income and earnings per share. CCI is our ongoing initiative to improve productivity and reduce costs throughout the organization.

use of cash, funding dividends, which have increased in each of totaled \$65 million in 2011, of which \$45 million lowered cost of the past 26 years, capital expenditures, acquisitions and share repurchases. Each year, we expect a combination sacquis and share repurchases to add about 2% to increased earnings per share.

In 2011our financial results varied from these long-term goals. Sales grew 11%, exceeding the long-term objection 68,4% due primarily to increased prices takepoinse to significant increases in raw and packaging material costs. The increase in operating income of 60% close to our long term expectations. Several factors affected earnings per share which was \$2.79 in 2011 compared to \$2.75 in 2010. As explained in more detail in the following section, we recorded transaction costs associated Selling, general and administrative expenses in total dollars with complete acquisition which lowered 2011 earnings per tax accrual in 2010 that added \$0.10 to earnings per share.

In addition to strong financial results, we had a number of important accomplishments which included:

- " New products launched in the past three years added 9% to 2011 sales.
- " We completed three acquisitions, with two of these in emerging markets which offer more rapid growth.
- " CCI cost savings reached \$65 million.

In a challenging economic environment and period of material cost volatility, we had a strong financial performance in 2011.

#### RESULTS OPERATION 2011 COMPARED TO 2010

2011	2010
Net sales \$3,697.6	\$3,336.8
Percent growth 10.8%	

Sales for the fiscal year rose/1600cm 2010 with double-digit growth in both of our consumer and industrial businesses. Our exchange rations reased sales anothe 2 New product McCormids a global leader in flavor. The Company manufactures introdutions, expanded distribution and brand marketing support led to favorable volume and product mix, which combined, added

4	2011	2010
Gross profit	\$15225	\$1,417.7
Gross profitargin	41.2%	42.5%

margin declined 1320sis points fiscal ye20011we experienced a double digit indrease material and packaging costsWhile we have been able to offset the dollar impact of these costs with our pricing actions and CCI cost savings, the net by brand marketing support, expanded distribution and category impact of these factors caused downward pressure on gross profit as a percentage of net sales. In addition, we had a negative effect on gross margin from duct and segment mix in the Proceduct mix was unfavorable in our industrial business with an increased demand for ingredients and weak demand for branded foodservice productduring this period. Unfavorable segment mix was due to the higher sales growth rate of our industrial business, which has Our business generates strong cash flow and we have a balanced gross margin than our consumer business. CCI cost savings goodssold.

> We are projecting cause material and packaging costs to rise at a high single digit rate in fiscal year We12xpect that these cost increases will be offset by a combination of price increases, some of which were initiated late in 2011, and CCI cost savings.

	2011	2010
Selling, general & administrative		
expense (SG&A)	\$982.2	\$907.9
Percent of net sales	26.6%	27. <b>2</b> %

increased in 2011 compared to 2010, but decreased as a share \$0.07. In addition, we recorded the reversal of a significant percentage of net sales for those same time periods. The increase in total dollars was largelyen by higher incremental brand marketingupportSG&A of acquired businessse\$10.9million of transaction costs related to computeristitions. The decrease in SG&A as a percent of net sales is primarily driven by lower selling costs as a percentage of net sales.

In Europe, the Middle East and Africa (EMEA), consumer business the Americas, industrial business sales rose 10.2%, with a 4.7% sales increased 13.61% acquisition of Kamis added 6.5% to sales, favorable foreign exchange rates added 4.2% and pricing actions and 1.0% from favorable foreign exchange rates. actions added 2.8% our largest market, France, we achieved solid growth with higher pricing, which was slightly offset by lower volume and product///mexintroduced nearly 40 new ingredients, particularly in the U.S. and Mexico. products in this market, including an organic line of Ducros spices and herbs and a number of Vadsissert items, and gained new distribution with a large grocery refallerfully competitive a challenge, even with the introduction of new products and We have adapted to this environment by redirecting a portion of onese types of projects accounted for 40% of our product brand marketing support to emphasize the value of our products development tivity in the U.S. during 2011. accelerating the introductione of products and working to achieve secondary placement of our brand in refail both tres. sales into developing markets contributed to growth in 2011 and increase from favorable volume and product mix, 2.9% from we had improved ults in smaller markets such as Spain and Portugal, which experies conditions in 2010.

Favorable foreign exchange rates added 9.4% to sales, the impartour facilities in the U.K., Turkey and South Africa for these of our newKohinoor joint venture added 9.1% to sales, other increases in volume and product mix added 2.0% and pricing actions added 2.086les in China grew 10% in local currency during the year as a result of pricing actions, product introduction dustrial business sales in the Asia/Pacific region rose 22.0%. and new television advertising business in Australia was leading to a modest decline in 2011 sales when measured in local currency.

\$428.4 million, a 6.5% increase from 20 too fit impact of higher sales and CCI savings were offset in part by increased material costs/e also funded an increased investment in brand marketing support which rose \$15 million in 2011, including a \$4 million increase that related to acquisithideswe expect the 2011 acquisitions to be accretive to 2012 operating income. profit from these businesses had a minimal impact on 2011 operating income during a period of intelogration, we recorded \$10.9 million of transaostenelated to acquisitions complete in 2011, which lowered open attoon e margin by 0.5% Operating income margin was 19.5% in 2011 compared to 20.1% in 2010.

#### **Industrial Business**

	2011	2010
Net sales	\$1,497.7	\$1,337.8
Percent growth	11.9%	
Operating income	111.9	107.4
Operating income margin	7.5%	8.0%

Sales fothe industrial business grew 11.9% from 2010, with higher volume and product mix adding 5.5% Rocsages. actions added 3.9% while favorable foreign exchange rates increased sales 2.5%.

increase from favorable volume and product mix, 4.5% from pricing sales to food manufacturers were driven in part by the development of new products and increased demand for snack seasonings and

While sales to the foodservice industry were favorably impacted by product introductions, a number of our customers were impacted retail environment in the U.K. made sales growth in this market by the weak economy. Both food manufacturers and foodservice custorers continue to have an interest in products that feature all distribution gains into smaller store formats with a major customeratural ingredients, reduced sodium and other healthy attributes

In EMEA, industrial business sales rose 12.3%, with a 5.8% pricing actions 3.6% from favorable foreign exchange rates. As in 2010, demand from quick service restaurants was high and continues to be the key drawes in this region had Consumer business sales in the Asia/Pacific region rose 22.5%, particular strength in the sales of products that we manufacture customers, and supported their expansion in Russia and the Middle East.

Favorable volume and product mix grew sales 10.7%, favorable unfavorably impacted by a challenging competitive environment, foreign exchange rates added 9.0% and increased pricing actions added 2.3%. As in EMEA, sales to guick service restaurants were a source of strong growth in 2011. The rapid expansion of quick service restaurants in this region and our new product activity Consumer business operating income increased \$26.0 million to contributed to a 15% increase of industrial business sales in China when measured in local curreless supported the expansion of guick service restaurants into India, further adding to our sales growth in this region.

> Industrial business operating income increased \$4.5 million to \$111.9 million, a 4.2% increase from 120 two fit impact of higher sales and CCI cost savings were offset in part by increased material costs and mavestment in our branded foodservice business with \$5 million of incremental marketing because the business with \$5 million of incremental marketing. effect of these items, along with our sales mix of products during 2011, led to a decline in industrial business operating income margin to 7.5% from 8.0% in 2011cle 2005 we have improved the operating income margin of this business and expect to achieve further improvements in margin in a less volatile input cost environment and as a result of our development of more valueadded, higher margin new products.

#### RESULTS OF OPERATIONS COMPARED TO 2009

	2010	2009
Net sales	\$33368	\$3,1921
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, adde 3.2% to sales. The impact of pricing was minimal in 2010, reduce 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 industria business continued to shift its mix of business toward more high margin, value-added products.

Most raw and packaging material costs did not change significant we decrease in the tax rate in 2010 was due to a higher level from 2009 through the first half of 2010. One exception was the of net discrete tax benefits, increased U.S. foreign tax credits lower cost of dairy ingredients which was passed through in lowernd a favorable mix of earnings among our different foreign pricing to industrical stomers. 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 of 2010. Due to the mix of foreign earnings related to this cash, as a percentage of net sales increased in 2010 compared to 200the repatriation generated these tax credits. 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 \$7.5million 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 Rimbuther new products. cooking and baking advertising, support for the Zatarain's brand performance of our McCormick de Mexico joint venture, which and information regarding the antioxidant levels in many spices and herbs. The increase in retirement dost refit as primarily due to changes in actuarial assumptions.

In 2005, we announce tructuring program to consolidate our global manufacturing, rationalize our distribution facilities, improve our go-to-market strategy and eliminate administrative redundancieshis restructuring program was completed in 2009. More details of the restructuring charges are discussed in note 10 average, in 2009 and 2010 we owned 50% of our of the financial statements.

leđ	2010	2009
ICIMerest expense	\$49.3	\$52.8
Other income, net	22	2.4

Lower total average debtstanding, 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 cations.

	2010	2009
Income from consolidated operations	before	
al income taxes	\$462.7	\$416.5
ነ <b>ቁና</b> come taxes	118.0	133.0
Effective tax rate	25.5%	31.9%

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

In addition, see note 11 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 We also drove sales with incremental spending behind our holiday 2010 compared to 2009. This increase was mainly due to the 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.

> unconsolidated joint ventures. These joint ventures had 2010 annual sales of \$538 million (at 100% of these businesses) withmany products marketed under the McCormick brand name. In 2010, sales by these joint ventures increased 12% and net income increased 49%.

Industrial business sales in the Asia/Pacific region rose 16.2%. these non-GAAP financial measures will provide consistency in our Favorable volume and product mix grew sales 9.3%. Quick serviting ancial reporting. A reconciliation of these noneasates restaurants led the increase in this region driven by new store to GAAP financial results is provided below. openings in China and new product introductions including

#### NONGAAP FINANCIAL MEASURES

The tables below include financial measures of operating income and diluted earnings per share excluding restructuring charges in 2009 and the benefit of a significant tax accrual in 2010. There LIQUIDITY AND FINANCONDITION were no adjustmetot 2011 financial results. These are all non-GAAP financial measures which are prepared as a complement to our financial resubtrepareth accordance with United States generally accepted accounting principles. We believe this non-GAAP information is important for purposes of comparison to prid periods and development of future projections and earnings grow prospects. This information is also used by management to measure

performance and trends. As of November our restructuring program was completed.

of a tax accrual for a closed tax hieratax 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 aren the cash flow statement, the changes in operating assets and 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 Accordingly, the amounts in the cash flow statenotement releases item to which it relates was recorded as a restructuring charge. and it allows for a better comparison of 2010 financial results to presented in the balance sheet. the prior year and 2011.

These non-GAAP measures may be considered in addition to results prepared in accordance with GAAP, but they should not be fluctuations fine reign exchange rates between periods.

- 1 - 3				
beverage flavors and chicken marinades. Foreign exchange rate	es	2011	2010	2009
added 6.9% to the sales increase.	Operating income	\$540.3	\$509.8	\$466.9
	Impact of restructuring charges	_	_	16.2
Industal business operating income, excluding restructuring	Adjusted operating income	\$540.3	\$509.8	\$483.1
charges increased 26.1% from 2009. Higher sales and a shift to	% increase versus prior year	6.0%	5.5%	14.5%
more higher margin, value-added products increased profit, as	Net income	\$374.2	\$370.2	\$299.8
\$7.5 million of costs related to the feedbarries distributor	Reversal of significant tax accrual	_	(13.9)	_
	Impact of restructuring charges	_		10.9
	Adjusted net income	\$374.2	\$356.3	\$310.7
	% increase versus prior year	5.0%	14.7%	10.2%
130 basis points to 8.0%.	Earnings per shardiluted	\$ 2.79	\$ 2.75	\$ 2.27
•	Reversal of significant tax accrual	_	(0.10)	_
NONGAAP FINANCIAL MEASURES	Impact of restructuring charges	_	_	0.08
TOTO, BUT THE MODILE MEASURE	Adjusted earnings per shaliteted	\$ 2.79	\$ 2.65	\$ 2.35
The tables below include financial measures of operating incom	<b>c</b> % increase versus prior year	5.3%	12.8%	9.8%
well as the impact of CCI cost savings. Also, in 2009 we recorde \$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 operatig income margin excluding restructuring charges rose 130 basis points to 8.0%.  NONGAAP FINANCIAL MEASURES	Reversal of significant tax accrual Impact of restructuring charges Adjusted net income % increase versus prior year Earnings per shartlituted Reversal of significant tax accrual Impact of restructuring charges Adjusted earnings per shalituted	\$374.2 5.0% \$ 2.79 — — \$ 2.79	(13.9) — \$356.3 14.7% \$ 2.75 (0.10) — \$ 2.65	10.9 \$310.7 10.29 \$ 2.27 - 0.08 \$ 2.35

to	2011	2010	2009
Net cash provided by operating activi	\$340.0	\$387.5	\$415.8
Net cash used in investing activities	(537.)5	(129.7)	(81.8)
Het cash provided by (used in)			
wth financing activities	187.8	(261.1)	(341.8)

the profitability of our ongoing operations and analyze our businesse 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 plro200ts.we expect In 2010 our discrete tax benefits included a \$13.9 million reversation further pay down our inherentired to fund 2011 acquisitions and resume our share repurchase activity in the absence of any acquisition activity.

> liabilities are presented excluding the effects of changes in foreign currency exchange rates, as these do not reflect actual cash flows. with changes in the operating assets and liabilities that are

The reported values of our assets and liabilities held in our non-U.S. subsidiaries and affiliates can be significantly affected considered a substitute for, or superior to, GAAP results. We intend November 0, 2011, the exchange rates for the Euro, Australian to continue to provide these non-GAAP financial measures as papellar and British pound sterling were slightly higher versus the of our future earnings discussions and, therefore, the inclusion of U.S. dollar compared to 2010. Exchange rate fluctuations resulted in increases treade accounts receivable of \$4 million, inventory of \$3 million, goodwill of \$19 million and other comprehensive income of \$4 million since Novera6e2010.

Operating Cash FloWher2011 is compared to 2010, the decrease in operating cash flowriwas by a higher level of inventory in 2011 as compared to lastswearhave moved into a higher cost environment, we have increased our strategic inventory positions in a number of spices and herbs, crops that doinancing Cash Flowhere change in cash flow used in financing not have hedging options other than outright purchase. In additionactivities in 2011 when compared to 2010 primarily due to an to these higher levels of raw material, the cost of our raw materiahcrease in net borrowilm 2011, we issued \$250 million of inventory has increased the dollar value of our inventor. Acquisitions in 2011 have also added to a higher level of million. The net proceeds from this of feering and to fund in inventory. In summary, about one third of the inventory increase part our acquisition of Kami2011, we also increased our short was due to strategic positions, one third due to the cost impact ated borrowings by \$216.7 million and repaid \$100.0 million in about 15% related to acquisitibese uses of operating cash were partially offset by a higher level of cash generated from \$42.7 million in 2011 as compared to \$49.5 million in 2010.

Wher2010 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.

In addition to operating cash flowlsweise cash conversi cycle (CCC) to measure or king capital management. This metric is different than operating cash flow in that it uses average epurchase program to purchase up to \$400 million of our balances instead of specific point in time measures. CCC is a calculation of the number of days, on average, that it takes us to \$400 million share repurchase program authorized by the convert a cash outlay for resources, such as raw materials, to a Board in June 2005. As of Noven,1\$270 million 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 common stock issued in 2011, 2010 and 2009 relates to our divided by average daily cost of goods sold) less days payable stock compensation plans. outstanding (average trade accounts payable divided by average daily cost of goods sold plus the average daily change in invento of dividend history over the past three years is as follows:

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

	2011	2010	2009
Cash Conversion Cycle	86.2	77.3	80.1

The increase in CCC from 2010 to 2011 disubatored in increase in our days in inventory. The decrease in CCC from 2009 to 2010 is mainly due to lower days sales outstanding. In the future we expect to reduce CCC by decreasing our days in inventory, as a result of a new inventory management system and related processes

Investing Cash Flowheehanges in cash used in investing activities from 2009 to 2011 were primarily due to fluctuations in cash used for acquisition of businesses and joint venture interests in 2011 and 2010 with no acquisitions in 2009. We invested \$441.4 million and \$46.9 million in acquisitions and joint venture interests in 2011 and 2010, respectively. See note 2 of the financial statements for further details these acquisitions. Capital expenditures were \$96.7 million in

2011, \$89.0 million in 2010 and \$82.4 million in 2009. We expect 2012 capital expenditures to be in line with depreciation and amortization expense.

3.90% notes due 2021, with net cash proceeds received of \$247.5 long-term debt. 1012 and 2009, we repaid borrowings of \$114.0 million and \$252.2 million, respectively. In 2010, we repaid short improved net income in 2011. Our total pension contributions weterm borrowings of \$99.6 million and repaid \$14.4 million in longterm debt. In 2009, we repaid \$50.4 million of long-term debt as it became due and repaid-seront borrowings of \$201.8 million.

> The following table outlines the activity in our share repurchase program@n millions):

	2011	2010	2009
Number of shares of common stock	1.9	2.0	_
Dollar amount	\$89.3	\$82.5	_

In June 2010, our Board of Directors authorized a new share outstanding shares. In September 2010, we completed a cash inflow from collection of accounts receivable. Our goal is toremained of the new share repurchase program. There were no shares repurchased during 2009 as we were continuing to repay debt incurred withe Lawry's and Billy Bee acquisitions.

ovei	2011	2010	2009
Total dividends paid	\$148.5	\$138.2	\$125.4
Dividends paid per share	1.12	1.04	0.96
Percentage increase per share	7.7%	8.3%	9.1%

In November 2011, the Board of Directors approved a 10.7% increase in the guarterly dividend from \$0.28 to \$0.31 per share. During the past five years, dividends per share have risen at a compound annual rate of 9.1%.

n	2011	2010	2009
Debtto-capitalatio	43.6%	37.6%	42.5%

The changes in the debatapital ratio from 2009 to 2011 are mainly due to changes in our debt in conjunction with acquisition activity and subsequent pay downs of that debt. In 2008, we acquired Lawry's and Billy Bee. During 2009 and 2010, the debt assciated with these acquisitions was greatly reduced. In 2011, we increased our debt levels to help fund our Kamis, Kohinoor and Kitchen Basics acquisitions

Most of our cash is in our foreign subsidiveries anage our worldwide cash requirements by considering available funds amount of the banks have the cost effectiveness with which those funds can be accessed. In addition, we periodically review our banking and financing subsidiaries could have adverse tax consequences; however, acquisition at yearend, we temporarily used \$138.6 million of cash from our foreign subsidiaries to pay deterns to be a cash from our foreign subsidiaries to pay deterns to be a cash from our foreign subsidiaries to pay deterns to be a cash from our foreign subsidiaries to pay deterns to be a cash from our foreign subsidiaries to pay deterns to be a cash from our foreign subsidiaries to pay deterns to be a cash from our foreign subsidiaries to pay deterns to be a cash from our foreign subsidiaries to pay deterns to be a cash from our foreign subsidiaries to pay deterns to be a cash from our foreign subsidiaries to pay deterns to be a cash from our foreign subsidiaries to pay deterns to be a cash from our foreign subsidiaries to be a cash from our foreign subsidiaries to be a cash from the cash f the U.SThe average shown borrowings outstanding for the years ended Noven300er2011 and 2010 were \$344.0 million and \$376.3 million, respectively. The total average debt outstanding file INSION ASSETS—We hold investments in equity and debt and \$1,237.2 million, respectively.

In May and June 2011, we entered into a total of \$200 million of were \$42.7 million in 2011, \$49.5 million in 2010 and \$72.3 forward U.S. Treasury rate lock agreements to manage the U.S. million in 2009. It is expected that the 2012 total pension plan Treasury portion of our interest rate risk associated with the anticipated issuance of fixed others in July 2011. We cash flow hedges, for a loss of \$0.2 million simultaneous with the issuance of the notes at an all in effective fixed rate of 4.01% on part, on the duration of each plan's liabilities. Across all plans, the full \$250 million of debt. The loss on these agreements is interest expense over the life obtes. Hedge ineffectiveness of these agreements was not material. See notes finand financial statements for further details of these transactions.

Credit and Capital Marketsedimarket conditions were volatile during 2009 but improved in 2010. During 2011 several countries within the European Unique rienced sover eight and credit issues. This has caused more volatility in the credit and economic

Acquisitions are part of our strategy to increase sales and summarizes the more significant impacts on our business:

CREDIT FACILITIES ash flows from operating activities are our expenditures. In the second half of 2010 and in the first half of 2011, we also used this cash to make share repurchases. In 200\wedge ere financed with a combination of cash and debt. We also and the first half of 2010, we used operatiff to a down debt incurred in the Lawry's acquisition and did not repurchase help fund our 2011 acquisition famous Kohino cand Kitchen Basics. We also rely on our revolving tacilitation borrowings backed by this facility, to fund seasonal working capital needs and other general corporate requirements. Our major revolving credit hese three acquisitions added \$52.6 million to sales and we facility has a total committed capacity of \$600 million, which expires in 2016. We generally use this facility to support our issuance of commercial paper. If the commercial paper market is related expenses, was immaterial as profit from these three not available or viable we could borrow directly under our revolving quisitions was largely offset by costs to integrate these credit facility. The facility is made available by a syndicate of banks; inesses. These acquisitions are expected to be accretive 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 2010, we purchased a 26% non-controlling interest in Eastern could be impacted, which could reduce our ability to grow through 2010, we purchased a 26% non-controlling interest in Eastern could be impacted, which could reduce our ability to grow through 2010, we purchased a 26% non-controlling interest in Eastern could be impacted, which could reduce our ability to grow through 2010, we purchased a 26% non-controlling interest in Eastern could be impacted, which could reduce our ability to grow through 2010, we purchased a 26% non-controlling interest in Eastern could be impacted. revolving credit facility, we have uncommitted credit facilities for million in cash. We also purchased the assets of a consumer \$54.6million as of Novem86er2011We engage in regular

communication with all of the banks participating in our credit the many subsidiaries through which we conduct our business aimdlicated that they may be unable to perform on their commitments. The permanent repatriation of cash balances from certain of our relationships, considering the stability of the institutions and other aspects of the relationships. Based on these communications and those balances are generally available without legal restrictions our monitoring activities, we believe our banks will perform on their to fund ordinary business operations, capital projects and future commitments. See also note 5 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.

the years ended Nover the 2011 and 2010 was \$1,261.5 million 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, contributions will be approximately is the contributions will be approximately increases or decreases in pension liabilities and required cash contributions settled all of these agreements, which were designated as cash are highly dependent on changes in interest rates and the actual return on plan assets. We base our investment of plan assets, in approximately 67% of assets are invested in equities, 28% in deferred in other comprehensive income and will be amortized to income investments and 5% in other investments. See also note 8 of the financial statements which poletaideen our pension funding.

> CUSTOMERS AND COUNTERPAR Sees the subsequent section of this MD&A under MRisktSensitivityCredit Risk.

#### **ACQUISITIONS**

profits. We have a particular interest in emerging markets.

In 2011, we purchased the assets of Kitchen Basics, Inc., based primary source of liquidity for funding growth, dividends and capital the U.S., for \$40 million and the shares **6** K darassed in expenditures. In the second half of 2010 and in the first half of Poland for \$287 million. Both deals are consumer businesses and completed a joint venture with Kohinoor Foods Ltd. in India. We invested \$113 million for an 85% interest in Kohinotor Special shares. In the second half of 2011, we used operating cash flow to combination of cash and debt. This joint venture will be consolidated and included in our consumer business segment.

> recorded \$10.9 million in transaction-related expenses in 2011. The impact on earnings per share, exclusive of the transactionto earnings per share in 2012.

funding of seasonal working capital. In addition to our committed Condiments Private Limited (Eastern), based in India, for \$37.7 business in North America that sells Mexicatems for \$11.5 million in cash.

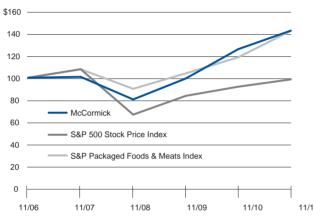
See note 2 of the financial statements for further details of these During 2011, the foreign currency translation component in other acquisitions.

#### PERFORMANCE GRAIPAREHOLDER RETURN

in subsidiaries and unconsolidated affiliates.

Below is a line graph comparing the yearly change in McCormick's cumulative total shareholder return (stock price appreciation plus The following table summarizes the foreign currency exchange reinvestment of dividends) on McCormick's Non-Voting Common contracts held at November 2011. All contracts are valued Stock with (the cumulative total return of the Standard's 500 Stock Price Index, assuming reinvestment of dividends, and (2)the cumulative total return of the Stan Brand'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, 2006 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, 2011.

# MARKET RISK SENSITIV

We utilize derivative financial instruments to enhance our ability manage risk, including foreign exchange and interest rate We donot enter into contracts for trading purposes, nor are we a Costs and to achieve a desired mix of fixed and variable rate deb party to any leveraged derivative instrument. The use of derivative interest rates, excluding the effect of interest rate swaps and the financial instruments is monitored through regular communication mortization of any discounts or food, by financial year of moturity and the contraction of any discounts or food by financial year of moturity and the contraction of any discounts or food by financial year of moturity and the contraction of any discounts or food by financial year of moturity and the contraction of any discounts or food by financial year of moturity and the contraction of any discounts or food by financial year of moturity and the contraction of any discounts or food by financial year of moturity and the contraction of any discounts or food by financial year of moturity and the contraction of any discounts or food by financial year. with senior management and the utilization of written guidelines. The information presented below should be read in conjunction with notes 5nd6 of the financial statements.

Foreight schage Risk Weare 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 U.S. dllar versus the Euro, British pound sterling, Canadian dollar, Polish zloty, Australian dollar, Mexican peso, Chinese renminbi, Indian rupee, Swiss franc, Thairbathe British pound sterling versus the Euro. We routinely enter into foreign currency exchange contracts to manage certain of these foreign currency risks.

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 U.S. dollars using yearst 2011 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, 2011**

			Average	
		Notiona	l contractual	Fair
Currency sold	Currency received	value	exchange rat	evalue
Euro	U.S. dollar	\$16.5	1.43	\$0.9
British pound sterling	n <b>g</b> ∪.S. dollar	8.7	1.62	0.3
Canadian dollar	U.S. dollar	23.2	1.01	8.0
Australian dolla	U.S. dollar	2.4	1.02	_
U.S. dollar	Thai baht	3.9	30.8	(0.1)
U.S. dollar	British pound ster	lin <b>ģ</b> 7.1	1.55	0.5
British pound dteg	Euro	21.2	0.87	(0.2)

We have a number of smaller contracts with an aggregate notional value of \$4.6 million to purchase or sell other currencies, such as the Swiss franc and the Singapore dollar as of November 11. The aggregate fair value of these contracts was \$0.1 million at No9en20er1.

Included in the table above arensimormotional value of contracts that have durations of less that are used to hedgetehrortash flow funding. Remaining contracts have durations of one to twelve months.

At November, 2010, we had foreign currency exchange contracts for the British pound sterling, Canadian dollar, Australian dollar and Thai baht with a notional value of \$208.2 million, the majority of which matured in 2011. The aggregate fair value of these contracts was \$(2.6) million a30N 2024 nober

InteresRate RiskOurpolicy is to manage interest rate risk by entering into both fixed and variable rate debt arrangements. exposures, which exist as part of our ongoing business operations. costs and to achieve a desired mix of fixed and variable rate debt. amortization of any discounts or fees, by fiscal year of maturity at Novembero, 2011 and 2010. For foreign culereconinated 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 MATURITMOVEMBER 30, 2011

	2012	2013	2014	2015	There	eafter	To <b>fa</b> tirvalue
Debt							
Fixed rate	\$ 1.0	\$252.0	\$ 0.9	\$200.0	\$555.0	\$1,0 <b>8</b> .9	\$1,120.8
Average interest rate	4.13%	5.24%	4.13%	5.20%	5.14%	_	_
Variable rate	\$221.4	\$ 0.3	\$ 0.4	\$ 0.5	\$ 6.3	\$ 228.9	\$ 228.9
Average interest rate	022%	783%	783%	783%	783%	_	_

#### YEAROF MATURITY AT NOBJEEN 80, 2010

	2011	2012	2013	2014	There	eafter To	o <b>fa</b> tirvalue
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	\$ 03	\$ 04	\$ 7.7	\$ 9.1	\$ 9.1
Average interest rate	8.6%	8.62%	8.62%	8.62%	862%	_	_

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 of fees. Interest rate swaps have the following effects. The fixed interest rate on \$100 milliones fittines i5.20% in seffectively 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 theorem 2007. Forward treasury lock agreements of \$150 million were settled upon theorem and weighter trate on the full \$250 million of notes at a weighter age fixed rate of 6.25%. We issued \$250 million were settled upon the issuance of the same of the

Commodity RiskVe 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 prepare, garlic, onion, capsicums (red peppers and paprika), soybean oil and wheat. While future movements of raw material costs are uncertain, we respond to this volatility in a number of ways, including stated appropriately purchases, purchases of raw material for future delivery and customer price adjustments. We lower additionable to our business.

Credit RiekThe customers of our consumer business are predominantly food retailers and food wholesalers. Consolidations in these i have created larger customers. In addition, competition has increased with the growth in alternative channels including mass merchal dollar stores, warehouse clubs and discount chains. This has caused some customers to be less profitable and increased our exposurisk. Some of our customers and counterparties are highly leveraged. We continue to closely monitor the credit worthiness of our customerparties. We feel that the allowance for doubtful accounts properly recognizes trade receivables at continued by a continue to closely monitor the credit worthiness of our customerparties. We feel that the allowance for doubtful accounts properly recognizes trade receivables at continue to closely monitor the credit worthiness of our customerparties.

# CONTRACTUAL OBLOOMSTAND COMMERCIAL COMMITMENTS

The following table reflects a summary of our contractual obligations and commercial commitmed 281df: November

# CONTRACTUAL CASH OBLIGATIONS DUE BY YEAR

	Total	Les <b>s</b> han 1 year	1–3 years	3–5 years	More than 5 years
Shorterm borrowings	\$ 217.0	\$217.0	_		
Longerm debt	1,020.8	5.4	\$253.6	<b>\$</b> 01.0	\$560.8
Operating leases	111.8	249	38.2	22.4	26.3
Interest payments	315.6	50.6	87.2	69.9	107.9
Ray material purchase obligations	344.0	344.0	_	_	_
Electricity contracts	9.3	4.4	4.9	_	_
Other purchase obligations	18.5	18.2	.3	_	_
Total contractual cash obligations	\$20370	\$ <b>6</b> 45	\$ <b>3</b> 42	<b>\$2</b> 33	<b>\$9</b> 50

<sup>(</sup>a)Raw material purchase obligations outstanding-asofnyas 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 2012, our pension and postretirement contributions are expected to be approximately \$60 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	\$ 0.7	\$ 0.7	_	_	_
Standby and trade letters of credit	53.6	53.6	_	_	_
Total commercial commitments	\$54.3	\$54.3	_	_	_

#### **OFF-BALANCE SHEET ARRANGEMENTS**

We had no off-balance sheet arrangements as of November 30, 2011 and 2010.

#### 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 it is more likely than not that the fair value of a reporting unit is below its carrying amount. We test indefinite-lived 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 operating 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, 2011, we had \$1,694,2 million of goodwill recorded in our balance sheet (\$1,550.7 million in the consumer segment and \$143.5 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.

# Indefinite-lived Intangible Asset Impairment

Our indefinite-lived 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 indefinite-lived intangible asset. As of November 30, 2011, we had \$277.0 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, 2011:

Zatarain's	\$106.4
Kamis*	55.2
Lawry's	48.0
Kohinoor*	27.3
Simply Asia/Thai Kitchen	18.7
Other*	21.4
Total	\$277.0

<sup>\*</sup>Based on preliminary purchase price allocations at November 30, 2011.

#### **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 guarter 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 2011 includes \$2.6 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. 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 2012 pension and postretirement benefit expense by approximately \$16 million. A 1% increase or decrease in the expected return on plan assets would impact 2012 pension expense by approximately \$7 million. In addition, see the preceding sections of MD&A and note 8 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 9 of the financial statements.

# ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This information is set forth in the "Market Risk Sensitivity" section of "Management's Discussion and Analysis" and in note 6 of the financial statements.

#### ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

#### **REPORT OF MANAGEMENT**

We are responsible for the preparation and integrity of the consolidated financial statements appearing in our Annual Report. The consolidated financial statements were prepared in conformity with United States generally accepted accounting principles and include amounts based on our estimates and judgments. All other financial information in this report has been presented on a basis consistent with the information included in the financial statements

We are also responsible for establishing and maintaining adequate internal control over financial reporting. We maintain a system of internal control that is designed to provide reasonable assurance as to the fair and reliable preparation and presentation of the consolidated financial statements, as well as to safeguard assets from unauthorized use or disposition.

Our control environment is the foundation for our system of internal control over financial reporting and is embodied in our Business Ethics Policy. It sets the tone of our organization and includes factors such as integrity and ethical values. Our internal control over financial reporting is supported by formal policies and procedures which are reviewed, modified and improved as changes occur in business conditions and operations.

The Audit Committee of the Board of Directors, which is composed solely of independent directors, meets periodically with members of management, the internal auditors and the independent auditors to review and discuss internal control over financial reporting and accounting and financial reporting matters. The independent auditors and internal auditors report to the Audit Committee and accordingly have full and free access to the Audit Committee at any time.

We conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. This evaluation included review of the documentation of controls, evaluation of the design effectiveness of controls, testing of the operating effectiveness of controls and a conclusion on this evaluation. Although there are inherent limitations in the effectiveness of any system of internal control over financial reporting, based on our evaluation, we have concluded with reasonable assurance that our internal control over financial reporting was effective as of November 30, 2011.

Our internal control over financial reporting as of November 30, 2011 has been audited by Ernst & Young LLP.

Alan D. Wilson

alan D. Wilson

Chairman, President & Chief Executive Officer

Gordon M. Stetz, Jr.

Executive Vice President & Chief Financial Officer

Kenneth A Kelly, Jr.

Kenneth A. Kelly J.

Senior Vice President & Controller Chief Accounting Officer

#### REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Internal Control Over Financial Reporting

The Board of Directors and Shareholders of McCormick & Company, Incorporated

We have audited McCormick & Company, Incorporated's internal control over financial reporting as of November 30, 2011, based on criteria established in *Internal Control—Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). McCormick & Company, Incorporated's management is responsible for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Report of Management. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain

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Baltimore, Maryland January 27, 2012 to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, McCormick & Company, Incorporated maintained, in all material respects, effective internal control over financial reporting as of November 30, 2011 based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of McCormick & Company, Incorporated as of November 30, 2011 and 2010 and the related consolidated income statements, statements of shareholders' equity and cash flow statements for each of the three years in the period ended November 30, 2011, and our report dated January 27, 2012 expressed an unqualified opinion thereon.

# REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Consolidated Financial Statements

The Board of Directors and Shareholders of McCormick & Company, Incorporated

We have audited the accompanying consolidated balance sheets of McCormick & Company, Incorporated as of November 30, 2011 and 2010, and the related consolidated income statements, statements of shareholders' equity, and cash flow statements for

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# **CONSOLIDATED INCOME STATEMENT**

for the year ended November 30 (millions except per share data)	2011	2010	2009
Net sales	\$3,697.6	\$3,336.8	\$3,192.1
Cost of goods sold	2,175.1	1,919.1	1,864.9
Gross profit	1,522.5	1,417.7	1,327.2
Selling, general and administrative expense	982.2	907.9	846.6
Restructuring charges	_	_	13.7
Operating income	540.3	509.8	466.9
Interest expense	51.2	49.3	52.8
Other income, net	2.3	2.2	2.4
Income from consolidated operations before income taxes	491.4	462.7	416.5
Income taxes	142.6	118.0	133.0
Net income from consolidated operations	348.8	344.7	283.5
Income from unconsolidated operations	25.4	25.5	16.3
Net income	\$ 374.2	\$ 370.2	\$ 299.8
Earnings per share—basic	\$ 2.82	\$ 2.79	\$ 2.29
Earnings per share—diluted	\$ 2.79	\$ 2.75	\$ 2.27

# **CONSOLIDATED BALANCE SHEET**

at November 30 (millions)	2011	2010
Assets		
Cash and cash equivalents	\$ 53.9	\$ 50.8
Trade accounts receivable, less allowances of \$4.5 for 2011 and \$2.9 for 2010	427.0	386.7
Inventories	613.7	477.6
Prepaid expenses and other current assets	128.3	100.8
Total current assets	1,222.9	1,015.9
Property, plant and equipment, net	523.1	488.0
Goodwill	1,694.2	1,417.4
Intangible assets, net	350.0	232.5
Investments and other assets	297.6	265.9
Total assets	\$4,087.8	\$3,419.7
Liabilities		
Short-term borrowings	\$ 217.0	\$ 0.2
Current portion of long-term debt	5.4	100.2
Trade accounts payable	366.6	302.7
Other accrued liabilities	404.3	431.7
Total current liabilities	993.3	834.8
Long-term debt	1,029.7	779.9
Other long-term liabilities	446.3	342.3
Total liabilities	2,469.3	1,957.0
Shareholders' equity		
Common stock, no par value; authorized 320.0 shares; issued and outstanding:		
2011—12.4 shares, 2010—12.5 shares	303.5	282.7
Common stock non-voting, no par value; authorized 320.0 shares; issued and outstanding: 2011—120.5 shares, 2010—120.6 shares	518.4	473.8
Retained earnings	838.8	700.9
Accumulated other comprehensive loss	(59.0)	(3.7)
Non-controlling interests	16.8	9.0
Total shareholders' equity	1,618.5	1,462.7
Total liabilities and shareholders' equity	\$4,087.8	\$3,419.7

# **CONSOLIDATED CASH FLOW STATEMENT**

for the year ended November 30 (millions)	2011	2010	2009
Operating activities			
Net income	\$ 374.2	\$370.2	\$ 299.8
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	98.3	95.1	94.3
Stock-based compensation	13.0	11.9	12.7
Loss (gain) on sale of assets	0.8	(0.1)	0.3
Deferred income taxes	38.0	10.5	24.0
Income from unconsolidated operations	(25.4)	(25.5)	(16.3)
Changes in operating assets and liabilities:			
Trade accounts receivable	(8.6)	(38.2)	45.8
Inventories	(111.3)	(26.8)	15.6
Trade accounts payable	49.3	10.5	3.4
Other assets and liabilities	(104.5)	(38.1)	(74.7)
Dividends received from unconsolidated affiliates	16.2	18.0	10.9
Net cash provided by operating activities	340.0	387.5	415.8
Investing activities			
Acquisitions of businesses and joint venture interests	(441.4)	(46.9)	_
Capital expenditures	(96.7)	(89.0)	(82.4)
Proceeds from sale of property, plant and equipment	0.6	6.2	0.6
Net cash used in investing activities	(537.5)	(129.7)	(81.8)
Financing activities			
Short-term borrowings, net	216.7	(99.6)	(201.8)
Long-term debt borrowings	252.0	_	_
Long-term debt repayments	(101.1)	(14.4)	(50.4)
Proceeds from exercised stock options	58.0	73.6	35.8
Common stock acquired by purchase	(89.3)	(82.5)	_
Dividends paid	(148.5)	(138.2)	(125.4)
Net cash provided by (used in) financing activities	187.8	(261.1)	(341.8)
Effect of exchange rate changes on cash and cash equivalents	12.8	14.6	8.4
Increase in cash and cash equivalents	3.1	11.3	0.6
Cash and cash equivalents at beginning of year	50.8	39.5	38.9
Cash and cash equivalents at end of year	\$ 53.9	\$ 50.8	\$ 39.5

# **CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**

(millions)	Common Stock Shares	Common Stock Non-Voting Shares	Common Stock Amount	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Non-controlling Interests	Total Shareholders' Equity
Balance, November 30, 2008	12.3	117.8	\$ 581.8	\$ 425.4	\$ 48.1	\$ 7.5	\$1,062.8
Comprehensive income:	12.0	117.0	Ψ 001.0	ψ 120.1	Ψ 10.1	Ψ 7.0	ψ1,002.0
Net income				299.8			299.8
Net income attributable to non-controlling interest						0.6	0.6
Currency translation adjustment					187.0	0.8	187.8
Change in derivative financial instruments, net of tax of \$1.8					(4.6)		(4.6)
Unrealized components of pension plans, net of tax of \$55.8					(121.4)		(121.4)
Comprehensive income Dividends				(128.5)			362.2 (128.5)
Adjustment for new pension accounting				(1.5)			(1.5)
Stock-based compensation			12.7				12.7
Shares retired	(0.1)	_	(3.1)	(3.7)			(6.8)
Shares issued, including tax benefit of \$7.2	1.3	0.5	42.6				42.6
Equal exchange	(1.2)	1.2					_
Balance, November 30, 2009	12.3	119.5	\$ 634.0	\$ 591.5	\$ 109.1	\$ 8.9	\$1,343.5
Comprehensive income:  Net income				370.2			370.2
Net income attributable to non-controlling interest						0.6	0.6
Currency translation adjustments					(108.5)	0.1	(108.4)
Change in derivative financial instruments, net of tax of \$1.2					(0.1)		(0.1)
Unrealized components of pension plans, net of tax of \$3.6					(4.2)		(4.2)
Comprehensive income				(1.41.0)			258.1
Dividends				(141.3)		(O.C)	(141.3)
Dividends attributable to non-controlling interest Stock-based compensation			11.9			(0.6)	(0.6) 11.9
Shares purchased and retired	(1.5)	(2.3)	(38.8)	(119.5)			(158.3)
Shares issued, including tax benefit of \$17.5	3.8	1.3	149.4	(113.5)			149.4
Equal exchange	(2.1)	2.1	140.4				140.4
Balance, November 30, 2010	12.5	120.6	\$ 756.5	\$ 700.9	\$ (3.7)	\$ 9.0	\$1,462.7
Comprehensive income:	12.0	120.0	Ψ / σσ.σ	ψ / σσ.σ	Ψ (σ., )	Ψ 0.0	Ψ.,.οΣ
Net income				374.2			374.2
Net income attributable to non-controlling interest						0.8	0.8
Currency translation adjustments Change in derivative financial instruments,					(3.9)	(4.3)	(8.2)
net of tax of \$1.0  Unrealized components of pension plans,					2.8		2.8
net of tax of \$26.8 Comprehensive income					(54.2)		(54.2)
Non-controlling interest of acquired business						11.9	11.9
Dividends				(152.5)		71.0	(152.5)
Dividends attributable to non-controlling interest				(.02.0)		(0.6)	(0.6)
Stock-based compensation			13.0			(0.0)	13.0
Shares purchased and retired	(0.3)	(1.8)	(12.6)	(83.8)			(96.4)
Shares issued, including tax benefit of \$12.5	1.4	0.5	65.0	,/			65.0
Equal exchange	(1.2)	1.2					_
Balance, November 30, 2011	12.4	120.5	\$ 821.9	\$ 838.8	\$ (59.0)	\$16.8	\$1,618.5
San Notes to Consolidated Financial Statements					- (2000)		- ,

# **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### **Consolidation**

The financial statements include the accounts of our majority-owned or controlled subsidiaries and affiliates. Intercompany transactions have been eliminated. Investments in unconsolidated affiliates, over which we exercise significant influence, but not control, are accounted for by the equity method. Accordingly, our share of net income or loss of unconsolidated affiliates is included in net income.

#### **Use of Estimates**

Preparation of financial statements that follow accounting principles generally accepted in the U.S. requires us to make estimates and assumptions that affect the amounts reported in the financial statements and notes. Actual amounts could differ from these estimates.

#### **Cash and Cash Equivalents**

All highly liquid investments purchased with an original maturity of three months or less are classified as cash equivalents.

#### **Inventories**

Inventories are stated at the lower of cost or market. Cost is determined using standard or average costs which approximate the first-in, first-out costing method.

# **Property, Plant and Equipment**

Property, plant and equipment is stated at historical cost and depreciated over its estimated useful life using the straight-line method for financial reporting and both accelerated and straight-line methods for tax reporting. The estimated useful lives range from 20 to 40 years for buildings and 3 to 12 years for machinery, equipment and computer software. Repairs and maintenance costs are expensed as incurred.

We capitalize costs of software developed or obtained for internal use. Capitalized software development costs include only (1) direct costs paid to others for materials and services to develop or buy the software, (2) payroll and payroll-related costs for employees who work directly on the software development project and (3) interest costs while developing the software. Capitalization of these costs stops when the project is substantially complete and ready for use. Software is amortized using the straight-line method over a range of 3 to 8 years, but not exceeding the expected life of the product. We capitalized \$17.3 million of software during the year ended November 30, 2010 and \$20.1 million during the year ended November 30, 2009.

## **Goodwill and Other Intangible Assets**

We review the carrying value of goodwill and indefinite-lived intangible assets and conduct tests of impairment on an annual basis as described below. We also test goodwill for impairment if events or circumstances indicate it is more likely than not that the fair value of a reporting unit is below its carrying amount and test indefinite-lived intangible assets for impairment if events or changes in circumstances indicate that the asset might be impaired.

Separable intangible assets that have finite useful lives are amortized over those lives.

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 unpredictable and inherently uncertain. Actual future results may differ from these estimates.

#### **Goodwill Impairment**

Our reporting units used to assess potential goodwill impairment are the same as our business segments. We calculate fair value of a reporting unit by using a discounted cash flow model and then compare that 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.

### Indefinite-lived Intangible Asset Impairment

Our indefinite-lived 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 indefinite-lived intangible asset. If the carrying amount of the indefinite-lived intangible asset exceeds its fair value, an impairment charge would be recorded to the extent the recorded indefinite-lived intangible asset exceeds the fair value.

#### **Revenue Recognition**

We recognize revenue when we have an agreement with the customer, the product has been delivered to the customer, the sales price is fixed and collectability is reasonably assured. We reduce revenue for estimated product returns, allowances and price discounts based on historical experience and contractual terms.

Trade allowances, consisting primarily of customer pricing allowances, merchandising funds and consumer coupons, are offered through various programs to customers and consumers. Revenue is recorded net of trade allowances.

Trade accounts receivable are amounts billed and currently due from customers. We have an allowance for doubtful accounts to reduce our receivables to their net realizable value. We estimate the allowance for doubtful accounts based on our history of collections and the aging of our receivables.

# **Shipping and Handling**

Shipping and handling costs on our products sold to customers are included in selling, general and administrative expense in the income statement. Shipping and handling expense was \$89.4 million, \$77.7 million and \$73.5 million for 2011, 2010 and 2009, respectively.

## **Research and Development**

Research and development costs are expensed as incurred and are included in selling, general and administrative expense in the income statement. Research and development expense was \$58.1 million, \$52.7 million and \$48.9 million for 2011, 2010 and 2009, respectively.

# **Brand Marketing Support**

Total brand marketing support costs, which are included in selling, general and administrative expense in the income statement, were \$187.3 million, \$167.2 million and \$146.5 million for 2011, 2010 and 2009, respectively. Brand marketing support costs include advertising, promotions and customer trade funds used for cooperative advertising. Promotion costs include consumer promotions, point of sale materials and sampling programs. Advertising costs include the development, production and communication of advertisements through print, television, radio, digital and in-store displays. These advertisements are expensed in the period in which they first run. Advertising expense was \$77.2 million, \$71.7 million and \$63.8 million for 2011, 2010 and 2009, respectively.

## **Recently Issued Accounting Pronouncements**

In September 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2011-08, Intangibles—Goodwill and Other (Topic 350): Testing Goodwill for Impairment. This standard simplifies how entities test goodwill for impairment by permitting entities to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the two-step goodwill impairment test. This new pronouncement is effective for goodwill impairment tests performed for our fiscal year 2013. Early adoption is permitted. We have not currently elected to early adopt this standard. We do not expect the adoption of this standard to have a significant impact on our financial statements.

In June 2011, the FASB issued ASU No. 2011-05 *Comprehensive Income (Topic 220): Presentation of Comprehensive Income.*This guidance is intended to increase the prominence of other comprehensive income in financial statements by presenting it in either a single statement or two-statement approach. This new accounting pronouncement is effective for our first quarter of 2013 and we do not expect any material impact on our financial statements from adoption.

In December 2007, the FASB issued a standard on business combinations. This standard establishes principles and requirements for how an acquirer recognizes and measures the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree and the goodwill acquired. It became effective for our acquisitions made after November 30, 2009. One of the major effects of the new standard is that transaction-related expenses are no longer capitalized as part

of a business combination and are expensed as incurred. We have applied this standard to our acquisitions made in fiscal year 2010 and 2011 and have disclosed the amount of transaction-related expenses recorded in our income statement in note 2.

#### 2. ACQUISITIONS

Acquisitions are part of our strategy to increase sales and profits.

In July 2011, we purchased the assets of Kitchen Basics, Inc. (Kitchen Basics) for \$40.0 million, financed with a combination of cash and debt. Kitchen Basics sells a brand of ready-to-serve, shelf stable stock in North America with annual sales of approximately \$25 million at the time of the acquisition. Kitchen Basics is included in our consumer business segment from the date of acquisition. A preliminary valuation of the assets of Kitchen Basics resulted in \$6.5 million allocated to tangible net assets, \$8.6 million allocated to other intangible assets and \$24.9 million allocated to goodwill.

In September 2011, we entered into a joint venture with Kohinoor Foods Ltd. in India whereby we invested \$113 million for an 85% interest in the joint venture, Kohinoor Speciality Foods India Private Limited (Kohinoor), financed with a combination of cash and debt. This joint venture is consolidated and included in our consumer business segment from the date of acquisition. Kohinoor sells branded basmati rice and other food products in India and had annual sales of approximately \$85 million at the time of the formation of the joint venture. A preliminary valuation of the assets for Kohinoor resulted in \$5.9 million allocated to tangible net assets, \$48.9 million allocated to other intangible assets, \$70.1 million allocated to goodwill and \$11.9 million allocated to non-controlling interests.

In September 2011, we also purchased all of the outstanding shares of Kamis S.A. (Kamis), which produces and sells branded spices, seasonings and mustards in Poland. Kamis also distributes products into Russia and parts of Central and Eastern Europe and had annual net sales of approximately \$105 million at the time of acquisition. The purchase price was \$287.1 million, which was financed with a combination of cash and debt. Kamis is included in our consumer business segment from the date of acquisition. A preliminary valuation of the assets for Kamis resulted in \$42.4 million allocated to tangible net assets, \$77.8 million allocated to other intangible assets and \$166.9 million allocated to goodwill.

These three acquisitions added \$52.6 million to sales in 2011. Excluding costs related to the completion of the transactions, the impact on earnings per share in 2011 from these acquisitions was not material.

Our share of undistributed earnings of unconsolidated affiliates was \$81.2 million at November 30, 2011. Royalty income from unconsolidated affiliates was \$16.1 million, \$14.5 million and \$12.8 million for 2011, 2010 and 2009, respectively.

Our principal earnings from unconsolidated affiliates is from our 50% interest in McCormick de Mexico, S.A. de C.V.

#### **5. FINANCING ARRANGEMENTS**

Our outstanding debt is as follows:

(millions)	2011	2010
Short-term borrowings		
Commercial paper	\$ 216.0	_
Other	1.0	\$ 0.2
	\$ 217.0	\$ 0.2
Weighted-average interest rate of short-term		
borrowings at year-end	0.2%	8.8%
Long-term debt		
5.80% notes due 2011	_	\$100.0
5.25% notes due 2013 <sup>(1)</sup>	\$ 250.0	250.0
5.20% notes due 2015 <sup>(2)</sup>	200.0	200.0
5.75% notes due 2017 <sup>(3)</sup>	250.0	250.0
3.90% notes due 2021 <sup>(4)</sup>	250.0	_
7.63%–8.12% notes due 2024	55.0	55.0
Other	15.8	8.9
Unamortized discounts and fair value adjustments	14.3	16.2
	1,035.1	880.1
Less current portion	5.4	100.2
	\$1,029.7	\$779.9

- (1) Interest rate swaps, settled upon the issuance of these notes in 2008, effectively fixed the interest rate on the \$250 million notes at a weightedaverage fixed rate of 5.54%.
- (2) The fixed interest rate on \$100 million of the 5.20% notes 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 (our effective rate as of November 30, 2011 was 0.30%).
- (3) Interest rate swaps, settled upon the issuance of these notes in 2007, effectively fixed the interest rate on the \$250 million notes at a weightedaverage fixed rate of 6.25%.
- (4) Interest rate swaps, settled upon the issuance of these notes in 2011, effectively fixed the interest rate on the \$250 million notes at a weightedaverage fixed rate of 4.01%.

Maturities of long-term debt during the years subsequent to November 30, 2012 are as follows (in millions):

2013	\$252.3
2014	1.3
2015	200.5
2016	0.5
Thereafter	560.8

In July 2011, we issued \$250 million of 3.90% notes due 2021, with net cash proceeds received of \$247.5 million. Interest is payable semiannually in arrears in January and July of each year. Of these notes, \$200 million were subject to interest rate hedges as further disclosed in note 6. The net proceeds from this offering were used to fund, in part, our acquisition of Kamis in 2011.

We have available credit facilities with domestic and foreign banks for various purposes. Some of these lines are committed lines and others are uncommitted lines and could be withdrawn at various times. In June 2011, we entered into a new five-year \$600 million revolving credit facility. The new facility expires in June 2016 and replaced our previous \$500 million revolving credit facility, which was due to expire in July 2012. The pricing for this new credit facility, on a fully drawn basis, is LIBOR plus 0.875%. This credit facility supports our commercial paper program and we have \$384 million of capacity at November 30, 2011, after \$216 million was used to support issued commercial paper. In addition, we have several uncommitted lines which have a total unused capacity at November 30, 2011 of \$54.6 million. These lines by their nature can be withdrawn based on the lenders' discretion. Committed credit facilities require a fee and annual commitment fees at November 30, 2011 and 2010 were \$0.4 million.

Rental expense under operating leases (primary buildings and equipment) was \$31.9 million in 2011, \$27.3 million in 2010 and \$26.8 million in 2009. Future annual fixed rental payments for the years ending November 30 are as follows (in millions):

2012	\$24.9
2013	20.6
2014	17.6
2015	13.5
2016	8.9
Thereafter	26.3

At November 30, 2011, we had guarantees outstanding of \$0.7 million with terms of one year or less. At November 30, 2011 and 2010, we had outstanding letters of credit of \$53.6 million and \$28.7 million, respectively. These letters of credit typically act as a guarantee of payment to certain third parties in accordance with specified terms and conditions. The unused portion of our letter of credit facility was \$19.9 million at November 30, 2011.

#### **6. FINANCIAL INSTRUMENTS**

We use derivative financial instruments to enhance our ability to manage risk, including foreign currency 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 and all derivatives are designated as hedges. The use of derivative financial instruments is monitored through regular communication with senior management and the use of written guidelines.

#### **Foreign Currency**

We are potentially exposed to foreign currency fluctuations affecting net investments, transactions and earnings denominated in foreign currencies. We selectively hedge the potential effect of these foreign currency fluctuations by entering into foreign currency exchange contracts with highly-rated financial institutions.

Contracts which are designated as hedges of anticipated purchases denominated in a foreign currency (generally purchases of raw materials in U.S. dollars by operating units outside the U.S.) are considered cash flow hedges. The gains and losses on these contracts are deferred in other comprehensive income until the

hedged item is recognized in cost of goods sold, at which time the net amount deferred in other comprehensive income is also recognized in cost of goods sold. Gains and losses from hedges of assets, liabilities or firm commitments are recognized through income, offsetting the change in fair value of the hedged item.

At November 30, 2011, we had foreign currency exchange contracts to purchase or sell \$127.6 million of foreign currencies versus \$208.2 million at November 30, 2010. All of these contracts were designated as hedges of anticipated purchases denominated in a foreign currency or hedges of foreign currency denominated assets or liabilities. Hedge ineffectiveness was not material. At November 30, 2011, we had \$47.7 million of notional contracts that have durations of less than 7 days that are used to hedge short-term cash flow funding. The remaining contracts have durations of one to twelve months.

#### **Interest Rates**

We finance a portion of our operations with both fixed and variable rate debt instruments, primarily commercial paper, notes and bank loans. We utilize interest rate swap agreements to minimize worldwide financing costs and to achieve a desired mix of variable and fixed rate debt.

In May and June 2011, we entered into a total of \$200 million of forward U.S. Treasury rate lock agreements to manage the U.S. Treasury portion of our interest rate risk associated with the anticipated issuance of fixed rate notes in July 2011. We cash settled all of these agreements, which were designated as cash flow hedges, for a loss of \$0.2 million simultaneous with the issuance of the notes at an effective fixed rate of 4.01% on the full \$250 million of debt. The loss on these agreements is deferred in other comprehensive income and will be amortized to interest expense over the ten-year life of the notes. Hedge ineffectiveness of these agreements was not material.

In March 2006, we entered into interest rate swap contracts for a total notional amount of \$100 million to receive interest at 5.20% and pay a variable rate of interest based on three-month LIBOR minus .05%. We designated these swaps, which expire in December 2015, as fair value hedges of the changes in fair value of \$100 million of the \$200 million 5.20% medium-term notes due 2015 that we issued in December 2005. Any unrealized gain or loss on these swaps will be offset by a corresponding increase or decrease in the value of the hedged debt. No hedge ineffectiveness is recognized as the interest rate swaps qualify for the "shortcut" treatment as defined under U.S. Generally Accepted Accounting Principles.

The following tables disclose the derivative instruments on our balance sheet as of November 30, 2011 and 2010, which are all recorded at fair value:

#### As of November 30, 2011:

(millions)	Asset Derivatives Liability Derivatives					
Derivatives	Balance sheet location	Notional amount	Fair value	Balance sheet location	Notional amount	Fair value
Interest rate contracts	Other current assets	\$100.0	\$18.9	_	_	_
Foreign exchange contracts	Other current assets	97.4	2.7	Other accrued liabilities	\$ 30.2	\$0.4
Total			\$21.6			\$0.4

As of November 30, 2010:

(millions)	As	set Derivatives		Liability Derivatives			
Derivatives	Balance sheet location	Notional amount	Fair value	Balance sheet location	Notional amount	Fair value	
Interest rate contracts	Other current assets	\$100.0	\$19.2	_	_	_	
Foreign exchange contracts	Other current assets	4.5	0.2	Other accrued liabilities	\$203.7	\$2.8	
Total			\$19.4			\$2.8	

The following tables disclose the impact of derivative instruments on other comprehensive income (OCI), accumulated other comprehensive income (AOCI) and our income statement for the years ended November 30, 2011, 2010 and 2009:

Fair value hedges (millions)

	Income statement	Income (expe		nse)
Derivative	location	2011	2010	2009
Interest rate contracts	Interest expense	\$4.9	\$4.9	\$4.1

Cash flow hedges (millions)

	Gain (loss)					Gain (loss)			
	recognized in OCI		Income statement	reclassified from AOCI					
Derivative	2011	2010	2009	location	2011	2010	2009		
Terminated interest rate contracts	_	_	_	Interest expense	\$(1.4)	\$(1.4)	\$(1.4)		
Foreign exchange contracts	\$(0.4)	\$(0.9)	\$(3.0)	Cost of goods sold	(3.4)	(0.1)	5.3		
Total	\$(0.4)	\$(0.9)	\$(3.0)		\$(4.8)	\$(1.5)	\$ 3.9		

The amount of gain or loss recognized in income on the ineffective portion of derivative instruments is not material. The net amount of other comprehensive income expected to be reclassified into income in the next 12 months is a \$0.2 million increase to earnings.

#### **Fair Value of Financial Instruments**

The carrying amount and fair value of financial instruments at November 30, 2011 and 2010 were as follows:

	20	011	2010		
	Carrying	Fair	Carrying	Fair	
(millions)	amount	value	amount	value	
Long-term investments	\$ 71.4	\$ 71.4	\$ 65.8	\$ 65.8	
Long-term debt	1,035.1	1,136.6	880.1	959.4	
Derivatives related to:					
Interest rates (assets)	18.9	18.9	19.2	19.2	
Foreign currency (assets)	2.7	2.7	0.2	0.2	
Foreign currency (liabilities)	0.4	0.4	2.8	2.8	

Because of their short-term nature, the amounts reported in the balance sheet for cash and cash equivalents, receivables, short-term borrowings and trade accounts payable approximate fair value.

Investments in affiliates are not readily marketable, and it is not practicable to estimate their fair value. Long-term investments are comprised of fixed income and equity securities held on behalf of employees in certain employee benefit plans and are stated at fair value on the balance sheet. The cost of these investments was \$59.7 million and \$54.6 million at November 30, 2011 and 2010, respectively.

# **Concentrations of 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. We are potentially exposed to concentrations of credit risk with trade accounts receivable, prepaid allowances and financial instruments. Because we have a large and diverse customer base with no single customer accounting for a significant percentage of trade accounts receivable, there was no material concentration of credit risk in these accounts at November 30, 2011. Current credit markets are highly volatile and some of our customers and counterparties are highly leveraged. We continue to closely monitor the credit worthiness of our customers and counterparties. We believe that the allowance for doubtful accounts properly recognized trade receivables at realizable value. We consider nonperformance credit risk for other financial instruments to be insignificant.

#### 7. FAIR VALUE MEASUREMENTS

Fair value can be measured using valuation techniques, such as the market approach (comparable market prices), the income approach (present value of future income or cash flow) and the cost approach (cost to replace the service capacity of an asset or replacement cost). Accounting standards utilize a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. The following is a brief description of those three levels:

- Level 1: Observable inputs such as quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. These include quoted prices for similar assets or liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active.
- Level 3: Unobservable inputs that reflect management's own assumptions.

Our population of assets and liabilities subject to fair value measurements on a recurring basis at November 30, 2011 and 2010 are as follows:

Fair value measurements using fair value hierarchy as of November 30, 2011

Fair value	Level 1	Level 2	Level 3
\$ 53.9	\$53.9	_	_
59.1	_	\$59.1	_
12.3	12.3	_	_
18.9	_	18.9	_
2.7	_	2.7	_
\$146.9	\$66.2	\$80.7	_
\$ 0.4	_	\$ 0.4	_
\$ 0.4	_	\$ 0.4	_
	\$ 53.9 59.1 12.3 18.9 2.7 \$146.9	\$ 53.9 \$53.9 59.1 — 12.3 12.3 18.9 — 2.7 — \$146.9 \$66.2	\$ 53.9 \$53.9 — 59.1 — \$59.1 12.3 12.3 — 18.9 — 18.9 2.7 — 2.7 \$146.9 \$66.2 \$80.7

Fair value measurements using fair value hierarchy as of November 30, 2010

		value iniciality as of Neverillari 66, 2016			
(millions)	Fair value	Level 1	Level 2	Level 3	
Assets					
Cash and cash equivalents	\$ 50.8	\$50.8	_	_	
Insurance contracts	52.8	_	\$52.8	_	
Bonds & other long-term investments	13.0	13.0	_	_	
Interest rate derivatives	19.2	_	19.2	_	
Foreign currency derivatives	0.2	_	0.2	_	
Total	\$136.0	\$63.8	\$72.2	_	
Liabilities					
Foreign currency derivatives	\$ 2.8	_	\$ 2.8	_	
Total	\$ 2.8	_	\$ 2.8	_	

The fair values of insurance contracts are based upon the underlying values of the securities in which they are invested and are from quoted market prices from various stock and bond exchanges for similar type assets. The fair values of bonds and other long-term investments are based on quoted market prices from various stock and bond exchanges. The fair values for interest rate and foreign currency derivatives are based on values for similar instruments using models with market based inputs.

#### **8. EMPLOYEE BENEFIT AND RETIREMENT PLANS**

We sponsor defined benefit pension plans in the U.S. and certain foreign locations. In addition, we sponsor 401(k) retirement plans in the U.S. and contribute to government-sponsored retirement plans in locations outside the U.S. We also currently provide postretirement medical and life insurance benefits to certain U.S. employees.

In 2011, we modified our U.S. defined benefit pension plan. Any new employee hired in the U.S. after December 31, 2011 will participate in a new defined contribution retirement plan rather than our existing defined benefit pension plan. The new employees will receive an annual contribution equal to 3% of their salary and bonus. The defined benefit pension plan for existing employees as of December 31, 2011 will not be impacted by these changes.

Included in accumulated other comprehensive income at November 30, 2011 was \$351.2 million (\$236.0 million net of tax) related to net unrecognized actuarial losses and

unrecognized prior service credit that have not yet been recognized in net periodic pension or postretirement benefit cost. We expect to recognize \$18.2 million (\$12.4 million net of tax) of actuarial losses, net of prior service credit in net periodic pension and postretirement benefit expense during 2012.

#### **Defined Benefit Pension Plans**

The significant assumptions used to determine benefit obligations are as follows:

	United States		Interna	ational
	<b>2011</b> 2010		2011	2010
Discount rate—funded plan	5.5%	6.0%	5.1%	5.6%
Discount rate—unfunded plan	5.4%	5.8%	_	_
Salary scale	3.8%	3.8%	3.0-3.8%	3.0-3.8%
Expected return on plan assets	8.3%	8.3%	7.2%	7.2%

Annually, we undertake a process, with the assistance of our external investment consultants, to evaluate the appropriate projected rates of return to use for our pension plans' assumptions. We engage our investment consultant's research team to develop capital market assumptions for each asset category in our plans to project investment returns into the future. The specific methods used to develop expected return assumptions vary by asset category. We adjust the outcomes for the fact that plan assets are invested with actively managed funds and subject to tactical asset reallocation.

Our pension expense was as follows:

		United States			International	
(millions)	2011	2010	2009	2011	2010	2009
Service cost	\$ 15.1	\$ 12.8	\$ 8.4	\$ 6.2	\$ 5.6	\$ 4.7
Interest costs	30.3	29.2	27.9	12.5	11.5	10.3
Expected return on plan assets	(34.1)	(32.0)	(28.0)	(15.8)	(13.7)	(11.7)
Amortization of prior service costs	0.1	0.1	_	0.7	0.3	0.3
Recognized net actuarial loss	13.3	11.8	1.0	2.2	1.5	_
Other	_	_	_	0.3	0.1	_
	\$ 24.7	\$ 21.9	\$ 9.3	\$ 6.1	\$ 5.3	\$ 3.6

Rollforward of the benefit obligation, fair value of plan assets and a reconciliation of the pension plans' funded status as of November 30, the measurement date, follows:

	Unit	ed States	International	
(millions)	2011	2010	2011	2010
Change in benefit obligation				
Benefit obligation at beginning of year	\$ 515.6	\$ 478.5	\$223.7	\$203.3
Service cost	15.1	12.8	6.2	5.6
Interest costs	30.3	29.2	12.5	11.5
Employee contributions	_	_	1.7	1.6
Plan changes and other	_	_	1.4	(0.2)
Actuarial loss	47.1	14.3	13.6	12.2
Benefits paid	(19.6)	(19.2)	(8.8)	(7.8)
Expenses paid	_	_	(0.6)	(0.6)
Net transfers in	_	_	_	4.6
Foreign currency impact	_	_	1.4	(6.5)
Benefit obligation at end of year	\$ 588.5	\$ 515.6	\$251.1	\$223.7
Change in fair value of plan assets:				
Fair value of plan assets at beginning of year	\$ 383.3	\$ 335.5	\$199.2	\$178.1
Actual return on plan assets	8.1	36.8	8.3	13.1
Employer contributions	29.1	30.2	13.6	19.3
Employee contributions	_	_	1.7	1.6
Benefits paid	(19.6)	(19.2)	(8.8)	(7.8)
Expenses paid	_	_	(0.6)	(0.6)
Net transfers in	_	_	_	1.2
Foreign currency impact	_	_	1.5	(5.7)
Fair value of plan assets at end of year	\$ 400.9	\$ 383.3	\$214.9	\$199.2
Funded status	\$(187.6)	\$(132.3)	\$ (36.2)	\$ (24.5)
Pension plans in which accumulated benefit obligation exceeded plan assets				
Accumulated benefit obligation	\$ 530.4	\$ 455.8	\$144.2	\$126.0
Fair value of plan assets	400.9	383.3	121.6	109.7

Included in the U.S. in the preceding table is a benefit obligation of \$72.4 million and \$63.0 million for 2011 and 2010, respectively, related to a nonqualified defined benefit plan pursuant to which we will pay supplemental pension benefits to certain key employees upon retirement based upon employees' years of service and compensation. The accrued liability related to this plan was \$67.7 million and \$57.9 million as of November 30, 2011 and 2010, respectively. The assets related to this plan are helecelch66eees upon

The accumulated benefit obligation is the present value of pension benefits (whether vested or unvested) attributed to employee service rendered before the measurement date and based on employee service and compensation prior to that date. The accumulated benefit obligation differs from the projected benefit obligation in that it includes no assumption about future compensation levels. The accumulated benefit obligation for the U.S. pension plans was \$530.4 million and \$455.8 million as of November 30, 2011 and 2010, respectively. The accumulated benefit obligation for the international pension plans was \$225.3 million and \$203.6 million as of November 30, 2011 and 2010, respectively.

The investment objectives of the defined benefit pension plans are to provide assets to meet the current and future obligations of the plans at a reasonable cost to us. The goal is to optimize the longterm return across the portfolio of investments at a moderate level of risk. Higher-returning assets include mutual, co-mingled and other funds comprised of equity securities, utilizing both active and passive investment styles. These more volatile assets are balanced with less volatile assets, primarily mutual, co-mingled and other funds comprised of fixed income securities. Professional investment firms are engaged to provide advice on the selection and monitoring of investment funds, and to provide advice on the allocation of plan assets across the various fund managers. This advice is based in part on the duration of each plan's liability as some of our plans are active while others are frozen. The investment return performances are evaluated guarterly against specific benchmark indices and against a peer group of funds of the same asset classification.

Our allocations of U.S. pension plan assets as of November 30, 2011 and 2010, by asset category, were as follows:

	Act	2011	
Asset Category	2011	2010	Target
Equity securities	66.2%	67.3%	70%
Fixed income securities	26.4%	26.5%	25%
Other	7.4%	6.2%	5%
Total	100.0%	100.0%	100%

The allocations of the international pension plans' assets as of November 30, 2011 and 2010, by asset category, were as follows:

	Act	2011	
Asset Category	2011	2010	Target
Equity securities	54.8%	55.0%	54%
Fixed income securities	45.2%	44.3%	46%
Other	0.0%	0.7%	0%
Total	100.0%	100.0%	100%

The following tables set forth by level, within the fair value hierarchy as described in note 7, pension plan assets at their fair value as of November 30, 2011 and 2010 for the United States and international plans:

As of November 30, 2011	United States			
	Total fair			
(millions)	value	Level 1	Level 2	Level 3
Cash and cash equivalent	\$ 5.4	\$ 5.4		
Equity securities:				
U.S. equity securities (a)	196.3	81.2	\$115.1	_
International equity				
securities <sup>(b)</sup>	69.1	69.1		
Fixed income securities:				
U.S./government/				
corporate bonds <sup>(c)</sup>	65.2	65.2	_	_
High yield bonds <sup>(d)</sup>	23.0		23.0	_
International/government/				
corporate bonds <sup>(e)</sup>	16.3	16.3	_	_
Insurance contracts <sup>(f)</sup>	1.0		1.0	_
Other types of investments:				
Hedge fund of funds (g)	19.8	_	_	\$19.8
Private equity funds <sup>(h)</sup>	4.8	_	_	4.8
Total investments	\$400.9	\$237.2	\$139.1	\$24.6

As of November 30, 2011	International				
	Total				
	fair				
(millions)	value	Level 1	Level 2	Level 3	
Cash and cash equivalent	\$ 0.1	\$ 0.1			
International equity securities <sup>(b)</sup>	117.8	_	\$117.8	_	
Fixed income securities:					
U.S./government/					
corporate bonds <sup>(c)</sup>	78.9	_	78.9	_	
Insurance contracts <sup>(f)</sup>	18.1	_	18.1	_	
Total investments	\$214.9	\$ 0.1	\$214.8	_	

As of November 30, 2010		United	States	
	Total			
	fair			
(millions)	value	Level 1	Level 2	Level 3
Cash and cash equivalent	\$ 1.5	\$ 1.5	_	_
Equity securities:				
U.S. equity securities(a)	190.9	79.2	\$111.7	_
International equity				
securities <sup>(b)</sup>	67.1	67.1	_	_
Fixed income securities:				
U.S./government/				
corporate bonds <sup>(c)</sup>	63.4	63.4	_	_
High yield bonds <sup>(d)</sup>	21.1	_	21.1	_
International/government/				
corporate bonds <sup>(e)</sup>	16.2	16.2	_	_
Insurance contracts <sup>(f)</sup>	1.0	_	1.0	_
Other types of investments:				
Hedge fund of funds <sup>(g)</sup>	18.9	_	_	\$18.9
Private equity funds(h)	3.2	_	_	3.2
Total investments	\$383.3	\$227.4	\$133.8	\$22.1

As of November 30, 2010	International				
	Total				
	fair				
(millions)	value	Level 1	Level 2	Level 3	
Cash and cash equivalent	\$ 1.4	\$ 1.4	_	_	
International equity securities(b)	109.7	_	\$109.7	_	
Fixed income securities:					
U.S./government/					
corporate bonds <sup>(c)</sup>	70.7	_	70.7	_	
Insurance contracts <sup>(f)</sup>	17.4	_	17.4	_	
Total investments	\$199.2	\$ 1.4	\$197.8	_	

- (a) This category comprises equity funds and collective equity trust funds that most closely track the S&P index and other equity indices.
- (b) This category comprises international equity funds with varying benchmark indices
- (c) This category comprises funds consisting of U.S. government and U.S. corporate bonds and other fixed income securities. An appropriate benchmark is the Barclays Capital Aggregate Bond Index.
- (d) This category comprises funds consisting of real estate related debt securities with an appropriate benchmark of the Barclays Investment Grade CMBS Index.
- (e) This category comprises funds consisting of international government/corporate bonds and other fixed income securities with varying benchmark indices.
- (f) This category comprises insurance contracts, the majority of which have a guaranteed investment return.
- (g) This category comprises hedge fund of funds investing in strategies represented in the HFRI Fund of Funds Index.
- (h) This category comprises private equity, venture capital and limited partnerships.

The change in fair value of the plans' Level 3 assets for 2011 is summarized as follows:

			Unrealized	Net,	
	Beginning	Realized	(losses)	purchases	End of
(millions)	of year	gains	gains	and sales	year
Hedge fund of funds	\$18.9	\$0.6	\$(0.3)	\$0.6	\$19.8
Private equity funds	3.2	0.2	0.5	0.9	4.8
Total	\$22.1	\$0.8	\$ 0.2	\$1.5	\$24.6

The change in fair value of the plans' Level 3 assets for 2010 is summarized as follows:

				Net,	
(millions)	Beginning of year	Realized gains	Unrealized gains	purchases and sales	End of year
Hedge fund of funds	\$16.3	_	\$ 0.6	\$2.0	\$18.9
Private equity funds	2.2	_	0.1	0.9	3.2
Total	\$18.5	_	\$ 0.7	\$2.9	\$22.1

The value for the Level 3 hedge fund of funds' assets is determined by an administrator using financial statements of the underlying funds or estimates provided by fund managers. The value for the Level 3 private equity funds' assets is determined by the general partner or the general partner's designee. In addition, for the plans' Level 3 assets we engage an independent advisor to compare the funds'returns to other funds with similar strategies. Each fund is required to have an annual audit by an independent accountant, which is provided to the independent advisor. This provides a basis of comparability relative to similar assets in this category.

Equity securities in the U.S. plan included McCormick stock with a fair value of \$22.2 million (0.5 million shares and 5.6% of total U.S. pension plan assets) and \$20.0 million (0.5 million shares

and 5.2% of total U.S. pension plan assets) at November 30, 2011 and 2010, respectively. Dividends paid on these shares were \$0.5 million and \$0.5 million in 2011 and in 2010, respectively.

Pension benefit payments in our most significant plans are made from assets of the pension plans. It is anticipated that future benefit payments for the U.S. plans for the next 10 fiscal years will be as follows:

	United States
(millions)	expected payments
2012	\$ 21.3
2013	22.8
2014	24.6
2015	27.2
2016	29.1
2017–2021	181.5

It is anticipated that future benefit payments for the international plans for the next 10 fiscal years will be as follows:

(millions)	International expected payments
2012	\$ 7.4
2013	7.9
2014	8.6
2015	9.4
2016	10.6
2017–2021	67.1

In 2012, we expect to contribute approximately \$49 million to our U.S. pension plans and approximately \$12 million to our international pension plans.

## **401(k) Retirement Plans**

For the U.S. McCormick 401(k) Retirement Plan, we match 100% of a participant's contribution up to the first 3% of the participant's salary, and 50% of the next 2% of the participant's salary. Certain of our smaller U.S. subsidiaries sponsor separate 401(k) retirement plans. Our contributions charged to expense under all 401(k) retirement plans were \$7.0 million, \$6.8 million and \$6.5 million in 2011, 2010 and 2009, respectively.

At the participant's election, 401(k) retirement plans held 2.8 million shares of McCormick stock, with a fair value of \$134.3 million, at November 30, 2011. Dividends paid on these shares in 2011 were \$3.1 million.

#### **Postretirement Benefits Other Than Pensions**

We currently provide postretirement medical and life insurance benefits to certain U.S. employees who were covered under the active employees' plan and retire after age 55 with at least 5 years of service. The subsidy provided under these plans is based primarily on age at date of retirement. These benefits are not pre-funded but paid as incurred. Employees hired after December 31, 2008 are not eligible for a company subsidy. They are eligible for coverage on an access-only basis.

Our other postretirement benefit expense follows:

(millions)	2011	2010	2009
Service cost	\$ 3.8	\$ 5.0	\$ 3.1
Interest costs	4.5	5.0	6.7
Amortization			

A summary of our RSU activity for the years ended November 30 follows:

(shares in thousands)	2	2011	2	2010	2	2009
		Weighted- average		Weighted- average		Weighted- average
	Shares	price	Shares	price	Shares	price
Beginning of year	289	\$35.42	353	\$32.40	370	\$36.78
Granted	133	47.40	177	38.36	223	29.89
Vested	(183)	34.04	(238)	33.15	(237)	36.27
Forfeited	(6)	40.91	(3)	32.71	(3)	32.67
Outstanding—end of year	233	\$43.23	289	\$35.42	353	\$32.40

#### **Stock Options**

Stock options are granted with an exercise price equal to the market price of the stock on the date of grant. Substantially all of the options granted vest ratably over a four-year period or upon retirement and are exercisable over a ten-year period. Upon exercise of the option, shares would be issued from our authorized and unissued shares.

The fair value of the options are estimated using a lattice option pricing model which uses the assumptions in the table below. We believe the lattice model provides a better estimated fair value of our options as it uses a range of possible outcomes over an option term and can be adjusted for changes in certain assumptions over time. Expected volatilities are based on the historical performance of our stock. We also use historical data to estimate the timing and amount of option exercises and forfeitures within the valuation model. The expected term of the options is an output of the option pricing model and estimates the period of time that options are expected to remain unexercised. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant.

The per share weighted-average fair value for all options granted was \$7.99, \$6.88 and \$5.04 in 2011, 2010 and 2009, respectively. These fair values were computed using the following range of assumptions for our various stock compensation plans for the years ended November 30:

	2011	2010	2009
Risk-free interest rates	0.1-3.5%	0.2-3.8%	0.2-2.7%
Dividend yield	2.4%	2.7%	3.2%
Expected volatility	15.2-22.2%	20.4-24.2%	24.9%
Expected lives	6.4 years	6.2 years	6.2 years

Under our stock option plans, we may issue shares on a net basis at the request of the option holder. This occurs by netting the option cost in shares from the shares exercised.

A summary of our stock option activity for the years ended November 30 follows:

(shares in millions)		2011		2010		2009
		Weighted-		Weighted-		Weighted-
		average		average		average
		exercise		exercise		exercise
	Shares	price	Shares	price	Shares	price
Beginning of year	7.4	\$32.01	11.3	\$29.45	11.9	\$28.33
Granted	1.0	47.40	1.0	38.39	1.2	29.89
Exercised	(1.7)	29.35	(4.8)	27.25	(1.7)	20.89
Forfeited	(0.1)	30.08	(0.1)	33.97	(0.1)	35.71
End of year	6.6	34.98	7.4	32.01	11.3	29.45
Exercisable—end of year	4.2	\$32.26	5.2	\$30.86	9.5	\$28.97

As of November 30, 2011, the intrinsic value (the difference between the exercise price and the market price) for the options outstanding was \$90.1 million and for options exercisable was \$69.8 million. The total intrinsic value of all options exercised during the years ended November 30, 2011, 2010 and 2009 was \$32.4 million, \$63.9 million and \$21.9 million, respectively. A summary of our stock options outstanding and exercisable at November 30, 2011 follows:

(shares in millions)		Options outstanding			Options exercisable		
		Weighted-	Weighted-		Weighted-	Weighted-	
		average	average		average	average	
Range of		remaining	exercise		remaining	exercise	
exercise price	Shares	life (yrs)	price	Shares	life (yrs)	price	
\$21.28-\$28.43	0.7	0.9	\$22.02	0.7	0.9	\$22.02	
\$28.44-\$35.58	2.3	4.7	30.43	1.7	3.8	30.62	
\$35.59-\$42.73	2.6	5.7	38.23	1.8	4.7	38.20	
\$42.74–\$49.88	1.0	9.3	47.40	_	_	_	
	6.6	5.3	\$34.98	4.2	3.6	\$32.26	

# **10. RESTRUCTURING ACTIVITIES**

In November 2005, the Board of Directors approved a restructuring plan to consolidate our global manufacturing, rationalize our distribution facilities, improve our go-to-market strategy, eliminate administrative redundancies and rationalize our joint venture partnerships. From 2005 through 2009, we recorded total pre-tax charges of \$128.7 million for this program.

As of November 30, 2009 this restructuring program was completed.

The following is a summary of restructuring activities for 2009:

(millions)	2009
Pre-tax restructuring charges	
Other restructuring charges	\$13.7
Recorded in cost of goods sold	2.5
Reduction in operating income	16.2
Income tax effect	(5.3)
Reduction in net income	\$10.9

In 2009, we recorded \$8.2 million of severance costs, primarily associated with the reduction of administrative personnel in Europe and the planned closure of a manufacturing facility in The Netherlands. In addition, we recorded \$2.5 million of other exit costs and \$5.5 million for asset write-downs related to The Netherlands plant closure. The asset write-downs were for accelerated depreciation and inventory write-offs.

The business segment components of the restructuring charges recorded in 2009 are as follows:

(millions)	2009
Consumer	\$12.3
Industrial	3.9
Total restructuring charges	\$16.2

# 11. INCOME TAXES

The provision for income taxes consists of the following:

(millions)	2011	2010	2009
Income taxes			
Current			
Federal	\$ 76.5	\$ 78.0	\$ 83.4
State	10.5	10.6	10.9
International	17.6	18.9	14.7
	104.6	107.5	109.0
Deferred			
Federal	32.0	9.4	24.5
State	4.1	2.1	2.7
International	1.9	(1.0)	(3.2)
	38.0	10.5	24.0
Total income taxes	\$142.6	\$118.0	\$133.0

The components of income from consolidated operations before income taxes follow:

(millions)	2011	2010	2009
Pretax income			
United States	\$338.7	\$357.4	\$338.3
International	152.7	105.3	78.2
	\$491.4	\$462.7	\$416.5

A reconciliation of the U.S. federal statutory rate with the effective tax rate follows:

	2011	2010	2009
Federal statutory tax rate	35.0%	35.0%	35.0%
State income taxes, net of			
federal benefits	1.9	1.8	2.1
International tax at different			
effective rates	(7.0)	(4.4)	(4.0)
U.S. tax on remitted and			
unremitted earnings	0.2	(1.6)	0.4
U.S. manufacturing deduction	(1.6)	(1.3)	(0.8)
Changes in prior year			
tax contingencies	(0.1)	(3.8)	(0.4)
Other, net	0.6	(0.2)	(0.4)
Total	29.0%	25.5%	31.9%

Deferred tax assets and liabilities are comprised of the following:

(millions)	2011	2010
Deferred tax assets		
Employee benefit liabilities	\$152.3	\$127.5
Other accrued liabilities	16.6	24.6
Inventory	14.6	9.5
Net operating and capital loss carryforwards	22.8	24.2
Other	18.7	20.0
Valuation allowance	(26.6)	(22.9)
	198.4	182.9
Deferred tax liabilities		
Depreciation		

The following table sets forth the stock options and RSUs for the years ended November 30, 2011, 2010 and 2009 which were not considered in our earnings per share calculation since they were antidilutive.

(millions)	2011	2010	2009
Antidilutive securities	0.5	0.6	4.4

#### 13. CAPITAL STOCK

Holders of Common Stock have full voting rights except that (1) the voting rights of persons who are deemed to own beneficially 10% or more of the outstanding shares of Common Stock are limited to 10% of the votes entitled to be cast by all holders of shares of Common Stock regardless of how many shares in excess of 10% are held by such person; (2) we have the right to redeem any or all shares of stock owned by such person unless such person acquires more than 90% of the outstanding shares of each class of our common stock; and (3) at such time as such person controls more than 50% of the vote entitled to be cast by the holders of outstanding shares of Common Stock, automatically, on a share-for-share basis, all shares of Common Stock Non-Voting will convert into shares of Common Stock.

Holders of Common Stock Non-Voting will vote as a separate class on all matters on which they are entitled to vote. Holders of Common Stock Non-Voting are entitled to vote on reverse mergers and statutory share exchanges where our capital stock is converted into other securities or property, dissolution of the Company and the sale of substantially all of our assets, as well as forward mergers and consolidation of the Company.

## 14. COMMITMENTS AND CONTINGENCIES

During the normal course of our business, we are occasionally involved with various claims and litigation. Reserves are established in connection with such matters when a loss is probable and the amount of such loss can be reasonably estimated. At November 30, 2011 and 2010, no material reserves were recorded. No reserves are established for losses which are only reasonably possible. The determination of probability and the estimation of the actual amount of any such loss is inherently unpredictable, and it is therefore possible that the eventual outcome of such claims and litigation could exceed the estimated reserves, if any. However, we believe that the likelihood that any such excess might have a material adverse effect on our financial statements is remote.

#### 15. BUSINESS SEGMENTS AND GEOGRAPHIC AREAS

#### **Business Seaments**

We operate in two business segments: consumer and industrial. The consumer and industrial segments manufacture, market and distribute spices, seasoning mixes, condiments and other flavorful products throughout the world. Our consumer segment sells to retail outlets, including grocery, mass merchandise, warehouse clubs, discount and drug stores under the "McCormick" brand and a variety of brands around the world, including "Lawry's", "Zatarain's", "Simply Asia", "Thai Kitchen", "Ducros", "Vahiné", "Schwartz", "Club House", "Kamis" and "Koohinor". Our industrial segment sells to food manufacturers and the foodservice industry both directly and indirectly through distributors.

In each of our segments, we produce and sell many individual products which are similar in composition and nature. With their primary attribute being flavor, we regard the products within each of our segments to be fairly homogenous. It is impracticable to segregate and identify sales and profits for each of these individual product lines.

We measure segment performance based on operating income excluding restructuring charges from our restructuring programs as this activity is managed separately from the business segment. Although the segments are managed separately due to their distinct distribution channels and marketing strategies, manufacturing and warehousing are often integrated to maximize cost efficiencies. We do not segregate jointly utilized assets by individual segment for internal reporting, evaluating performance or allocating capital. Therefore, asset-related information has been disclosed in the aggregate.

We have a large number of customers for our products. Sales to one of our industrial business customers, PepsiCo, Inc., accounted for 11% of consolidated sales in 2011, 10% of consolidated sales in 2010 and 11% of consolidated sales in 2009. Sales to one of our consumer business customers, Wal-Mart Stores, Inc., accounted for 11% of consolidated sales in 2011, 2010 and 2009. Accounting policies for measuring segment operating income and assets are consistent with those described in note 1. Because of integrated manufacturing for certain products within the segments, products are not sold from one segment to another but rather inventory is transferred at cost. Inter-segment sales are not material. Corporate assets include cash, deferred taxes, investments and certain fixed assets.

# **Business Segment Results**

			Total	Corporate	
(millions)	Consumer	Industrial	segments	& other	Total
2011					
Net sales	\$2,199.9	\$1,497.7	\$3,697.6	_	\$3,697.6
Operating income	428.4	111.9	540.3	_	540.3
Income from unconsolidated operations	20.5	4.9	25.4	_	25.4
Goodwill	1,550.7	143.5	1,694.2	_	1,694.2
Assets	_	_	3,895.6	\$192.2	4,087.8
Capital expenditures	_	_	74.8	21.9	96.7
Depreciation and amortization	_	_	76.2	22.1	98.3
2010					
Net sales	\$1,999.0	\$1,337.8	\$3,336.8	_	\$3,336.8
Operating income	402.4	107.4	509.8	_	509.8
Income from unconsolidated operations	20.2	5.3	25.5	_	25.5
Goodwill	1,273.2	144.2	1,417.4	_	1,417.4
Assets	_	_	3,211.8	\$207.9	3,419.7
Capital expenditures	_	_	66.1	22.9	89.0
Depreciation and amortization	_	_	75.4	19.7	95.1
2009					
Net sales	\$1,911.2	\$1,280.9	\$3,192.1	_	\$3,192.1
Operating income excluding restructuring charges	397.9	85.2	483.1	_	483.1
Income from unconsolidated operations	12.1	4.2	16.3	_	16.3
Goodwill	1,334.5	145.2	1,479.7	_	1,479.7
Assets	_	_	3,207.4	\$180.4	3,387.8
Capital expenditures	_	_	64.4	18.0	82.4
Depreciation and amortization	_	_	77.8	16.5	94.3

A reconciliation of operating income excluding restructuring charges (which we use to measure segment profitability) to operating income is as follows:

(millions)	Total
2009	
Operating income, excluding restructuring charges	\$483.1
Less: Restructuring charges	16.2
Operating income	\$466.9

# **Geographic Areas**

We have net sales and long-lived assets in the following geographic areas:

	United		Other	
(millions)	States	EMEA	countries	Total
2011				
Net sales	\$2,220.8	\$770.8	\$706.0	\$3,697.6
Long-lived assets	1,284.1	968.3	314.9	2,567.3
2010				
Net sales	\$2,041.3	\$681.8	\$613.7	\$3,336.8
Long-lived assets	1,240.9	690.3	206.7	2,137.9
2009				
Net sales	\$1,981.5	\$671.0	\$539.6	\$3,192.1
Long-lived assets	1,230.0	778.3	198.5	2,206.8

Long-lived assets include property, plant and equipment, goodwill and intangible assets, net of accumulated depreciation and amortization.

# **16. SUPPLEMENTAL FINANCIAL STATEMENT DATA**

Supplemental income statement, balance sheet and cash flow information follows:

(millions)	2011	2010
Inventories	2011	2010
	\$ 268.8	\$ 234.1
Finished products	344.9	243.5
Raw materials and work-in-process		
	\$ 613.7	\$ 477.6
Prepaid expenses	\$ 17.8	\$ 13.6
Other current assets	110.5	87.2
	\$ 128.3	\$ 100.8
Property, plant and equipment		
Land and improvements	\$ 39.2	\$ 29.5
Buildings	306.9	282.6
Machinery and equipment	620.6	567.6
Software	257.0	244.3
Construction-in-progress	45.5	39.3
Accumulated depreciation	(746.1)	(675.3)
	\$ 523.1	\$ 488.0
Investments and other assets		
Investments in affiliates	\$ 130.5	\$ 121.2
Long-term investments	71.4	65.8
Prepaid allowances	36.0	24.0
Other assets	59.7	54.9
	\$ 297.6	\$ 265.9
Other accrued liabilities		
Payroll and employee benefits	\$ 135.5	\$ 139.5
Sales allowances	128.1	138.8
Other	140.7	153.4
	\$ 404.3	\$ 431.7
Other long-term liabilities		
Pension	\$ 223.8	\$ 154.7
Postretirement benefits	91.0	92.9
Deferred taxes	71.5	48.5
Income taxes payable	34.9	21.9
Other	25.1	24.3

(millions)	2011	2010	2009
Depreciation	\$ 58.1	\$54.0	\$ 56.0
Software amortization	24.4	25.0	24.8
Interest paid	49.6	49.3	54.3
Income taxes paid	103.5	83.2	107.1

(millions)	2011	2010
Accumulated other comprehensive loss, net of tax where applicable		
Foreign currency translation adjustment U refB.32 0w 2.6A184.7A184.7A184.7	\$ 180.9	\$ 184.7

# ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

#### ITEM 9A. CONTROLS AND PROCEDURES

#### Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of our disclosure controls and procedures, as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934, as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective.

#### Internal Control over Financial Reporting

Management's report on our internal control over financial reporting and the report of our Independent Registered Public Accounting Firm on internal control over financial reporting are included in our 2011 financial statements in Item 8 of this Report under the captions entitled "Report of Management" and "Report of Independent Registered Public Accounting Firm." No change occurred in our "internal control over financial reporting" (as defined in Rule 13a-15(f)) during our last fiscal quarter which has materially affected or is reasonably likely to materially affect, our internal control over financial reporting.

#### **ITEM 9B. OTHER INFORMATION**

On January 24, 2012, the Board of Directors approved amendments to our By-Laws. The amendments, among other things, provide that executive officers of the Company are elected by the Board of Directors, while the President may appoint and remove other officers of the Company.

The remaining amendments to the By-Laws are minor in nature and are designed to update our By-Laws and conform with standard practices. These additional amendments, among other things,

- Provide that the executive officers of the Company are the President and any other officer determined by the Board of Directors to be an executive officer.
- Provide that certain officers may also be considered executive officers and that certain executive officers may also serve as the chief operating officer.

This description is qualified in its entirety by reference to the text of the amended and restated By-Laws filed as an Exhibit to this Report, which are incorporated herein by reference.

#### PART III.

# ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Information responsive to this item is set forth in the sections titled "Corporate Governance," "Election of Directors" and "Section 16(a) Beneficial Ownership Reporting Compliance" in our 2012 Proxy Statement, incorporated by reference herein, to be filed within 120 days after the end of our fiscal year.

In addition to the executive officers described in the 2012 Proxy Statement incorporated by reference in this Item 10 of this Report, the following individuals are also executive officers of McCormick: W. Geoffrey Carpenter, Kenneth A. Kelly, Jr., Cecile K. Perich and Michael R. Smith.

Mr. Carpenter is 59 years old and, during the last five years, has held the following positions with McCormick: December 2008 to present—Vice President, General Counsel & Secretary; April 1996 to December 2008—Associate General Counsel & Assistant Secretary.

Mr. Kelly is 57 years old and, during the last five years, has held the following positions with McCormick: April 2008 to present—Senior Vice President & Corporate Controller; February 2000 to April 2008—Vice President & Corporate Controller.

Ms. Perich is 60 years old and, during the last five years, has held the following positions with McCormick: April 2010 to present—Senior Vice President—Human Relations; January 2007 to April 2010—Vice President—Human Relations; January 1997 to January 2007—Vice President—Human Relations, U.S. Industrial Group.

Mr. Smith is 47 years old and, during the last five years, has held the following positions with McCormick: September 2011 to present—Vice President—Treasury and Investor Relations; April 2005 to September 2011—Vice President—Finance & Administration, U.S. Consumer.

We have adopted a code of ethics that applies to all employees, including our principal executive officer, principal financial officer, principal accounting officer, and our Board of Directors. A copy of the code of ethics is available on our internet website at www.mccormickcorporation.com. We will satisfy the disclosure requirement under Item 5.05 of Form 8-K regarding any material amendment to our code of ethics, and any waiver from a provision of our code of ethics that applies to our principal executive officer, principal financial officer, principal accounting officer, or persons performing similar functions, by posting such information on our website at the internet website address set forth above.

#### **ITEM 11. EXECUTIVE COMPENSATION**

Information responsive to this item is incorporated herein by reference to the sections titled "Compensation of Directors," "Compensation Discussion and Analysis," "Compensation Committee Report," "Summary Compensation Table," "Grants of Plan-Based Awards," "Narrative to the Summary Compensation Table," "Outstanding Equity Awards at Fiscal Year-End," "Option Exercises and Stock Vested in Last Fiscal Year," "Pension Benefits," "Non-Qualified Deferred Compensation," "Potential Payments Upon Termination or Change in Control," "Compensation Committee Interlocks and Insider Participation" and "Equity Compensation Plan Information" in the 2012 Proxy Statement.

# ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Information responsive to this item is incorporated herein by reference to the sections titled "Principal Stockholders," "Election of Directors" and "Equity Compensation Plan Information" in the 2012 Proxy Statement.

# ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Information responsive to this Item is incorporated herein by reference to the section entitled "Corporate Governance" in the 2012 Proxy Statement.

# ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information responsive to this item is incorporated herein by reference to the section titled "Report of Audit Committee and Fees of Independent Registered Public Accounting Firm" in the 2012 Proxy Statement.

# PART IV.

# ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES

List of documents filed as part of this Report.

# 1. Consolidated Financial Statements

The Consolidated Financial Statements for McCormick & Company, Incorporated and related notes, together with the Report of Management, and the Report of Ernst & Young LLP dated January 27, 2012, are included herein in Part II, Item 8.

# 2. Consolidated Financial Statement Schedule

Included in Part IV of this Annual Report:

Supplemental Financial Schedule:

II—Valuation and Qualifying Accounts

Schedules other than those listed above are omitted because of the absence of the conditions under which they are required or because the information called for is included in the consolidated financial statements or notes thereto.

# 3. Exhibits required to be filed by Item 601 of Regulation S-K

The information called for by this Item is incorporated herein by reference from the Exhibit Index included in this Report.

# **SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons, being a majority of the Board of Directors of McCormick & Company, Incorporated, on the date indicated:

THE BOARD OF DIRECTORS:	DATE:
/s/ JOHN P. BILBREY	January 27, 2012
John P. Bilbrey	
/s/ JAMES T. BRADY	January 27, 2012
James T. Brady	
/s/ J. Michael Fitzpatrick	January 27, 2012
J. Michael Fitzpatrick	
/s/ Freeman A. Hrabowski, III	January 27, 2012
Freeman A. Hrabowski, III	
/s/ Patricia Little	January 27, 2012
Patricia Little	
/s/ Michael D. Mangan	January 27, 2012
Michael D. Mangan	
/s/ Margaret M.V. Preston	January 27, 2012
Margaret M.V. Preston	
/s/ George A. Roche	January 27, 2012
George A. Roche	
/s/ GORDON M. STETZ, JR.	January 27, 2012
Gordon M. Stetz, Jr.	
/s/ WILLIAM E. STEVENS	January 27, 2012
William E. Stevens	
/s/ Alan D. Wilson	January 27, 2012
Alan D. Wilson	

# Supplemental Financial Schedule II Consolidated

# McCORMICK & COMPANY, INCORPORATED VALUATION AND QUALIFYING ACCOUNTS (IN MILLIONS)

Column A	Column B	Column C	Additions	Column D	Column E
	Balance at	Charged to	Charged to		
	Beginning of	Costs and	Other		Balance at
Description	Period	Expenses	Accounts	Deductions	End of Period
Deducted from asset accounts:					
Year ended November 30, 2011:					
Allowance for doubtful receivables	\$ 2.9	\$ 1.1	\$ 1.7	\$(1.2)	\$ 4.5
Valuation allowance on net deferred tax assets	22.9	5.2	0.9	(2.4)	26.6
	\$25.8	\$ 6.3	\$ 2.6	\$(3.6)	\$31.1
Deducted from asset accounts:					
Year ended November 30, 2010:					
Allowance for doubtful receivables	\$ 4.5	_	\$(0.2)	\$(1.4)	\$ 2.9
Valuation allowance on net deferred tax assets	20.5	\$ 4.7	(1.8)	(0.5)	22.9
	\$25.0	\$ 4.7	\$(2.0)	\$(1.9)	\$25.8
Deducted from asset accounts:					
Year ended November 30, 2009:					
Allowance for doubtful receivables	\$ 4.6	\$ 8.2	\$ 0.5	\$(8.8)	\$ 4.5
Valuation allowance on net deferred tax assets	7.5	7.9	5.1	_	20.5
	\$12.1	\$16.1	\$ 5.6	\$(8.8)	\$25.0

#### **EXHIBIT INDEX**

The following exhibits are attached or incorporated herein by reference:

Exhibit Number Description (3) (i) Articles of Incorporation and By-Laws Restatement of Charter of McCormick & Company. Incorporated by reference from Exhibit 4 of Registration Form Incorporated dated April 16, 1990 S-8, Registration No. 33-39582 as filed with the Securities and Exchange Commission on March 25, 1991. Articles of Amendment to Charter of McCormick & Company. Incorporated by reference from Exhibit 4 of Registration Form S-8, Registration Statement No. 33-59842 as filed with the Incorporated dated April 1, 1992 Securities and Exchange Commission on March 19, 1993. Articles of Amendment to Charter of McCormick & Company. Incorporated by reference from Exhibit 4 of Registration Form Incorporated dated March 27, 2003 S-8, Registration Statement No. 333-104084 as filed with the Securities and Exchange Commission on March 28, 2003. (ii) By-Laws By-Laws of McCormick & Company, Incorporated Amended Filed herewith and Restated on January 24, 2012

- (4) Instruments defining the rights of security holders, including indentures
  - (i) See Exhibit 3 (Restatement of Charter and By-Laws)
  - (ii) Summary of Certain Exchange Rights, incorporated by reference from Exhibit 4.1 of McCormick's Form 10-Q for the quarter ended August 31, 2001, File No. 0-748, as filed with the Securities and Exchange Commission on October 12, 2001.
  - (iii) Indenture dated December 5, 2000 between McCormick and SunTrust Bank, incorporated by reference from Exhibit 4(iii) of McCormick's Form 10-Q for the quarter ended August 31, 2003, File No. 1-14920, as filed with the Securities and Exchange Commission on October 14, 2003.
  - (iv) Indenture dated December 7, 2007 between McCormick and The Bank of New York, incorporated by reference from Exhibit 4.1 of McCormick's Form 8-K dated December 4, 2007, File No. 0-748, as filed with the Securities and Exchange Commission on December 10, 2007.
  - (v) Indenture dated July 8, 2011 between McCormick and U.S. Bank National Association, incorporated by reference from Exhibit 4.1 of McCormick's Form 8-K dated July 5, 2011, File No. 1-14920, as filed with the Securities and Exchange Commission on July 8, 2011.
  - (vi) Form of 5.20% notes due 2015, incorporated by reference from Exhibit 4.2 of McCormick's Form 8-K dated December 1, 2005, File No. 0-748, as filed with the Securities and Exchange Commission on December 6, 2005.
  - (vii) Form of 5.75% notes due 2017, incorporated by reference from Exhibit 4.2 of McCormick's Form 8-K dated December 4, 2007, File No. 0-748, as filed with the Securities and Exchange Commission on December 10, 2007.
  - (viii) Form of 5.25% notes due 2013 (issued pursuant to an Indenture between McCormick and The Bank of New York Mellon, formerly known as The Bank of New York, as trustee, a copy of which was filed with the Securities and Exchange Commission as Exhibit 4.1 to McCormick's Form 8-K on December 10, 2007, File No. 0-748), incorporated by reference from Exhibit 4.1 of McCormick's Form 8-K dated September 3, 2008, File No. 1-14920, as filed with the Securities and Exchange Commission on September 4, 2008.
  - (ix) Form of 3.90% notes due 2021, incorporated by reference from Exhibit 4.2 of McCormick's Form 8-K dated July 5, 2011, File No. 1-14920, as filed with the Securities and Exchange Commission on July 8, 2011.

#### (10) Material contracts

- (i) McCormick's supplemental pension plan for certain senior and executive officers, amended and restated with an effective date of January 1, 2005, adopted by the Compensation Committee of the Board of Directors on November 28, 2008, which agreement is incorporated by reference from Exhibit 10(i) of McCormick's 10-K for the fiscal year ended November 30, 2009, File No. 1-14920, as filed with the Securities and Exchange Commission on January 28, 2010.\*
- (ii) The 2001 Stock Option Plan, in which officers and certain other management employees participate, is set forth on pages 33 through 36 of McCormick's definitive Proxy Statement dated February 15, 2001, File No. 1-14920, as filed with the Securities and Exchange Commission on February 14, 2001, and incorporated by reference herein.\*

Exhibit Number Description

iii) The 1997 Stock Option Plan, in which officers and certain other management employees participate, is set forth in Exhibit B of McCormick's definitive Proxy Statement dated February 19, 1997, File No. 0-748, as filed with the Securities and Exchange Commission on February 18, 1997, and incorporated by reference herein.\*

- (iv) 2004 Long-Term Incentive Plan, in which officers and certain other management employees participate, is set forth in Exhibit A of McCormick's definitive Proxy Statement dated February 17, 2004, File No. 1-14920, as filed with the Securities and Exchange Commission on February 17, 2004, and incorporated by reference herein.\*
- (v) 1999 Directors' Non-Qualified Stock Option Plan, provided to members of McCormick's Board of Directors who are not also employees of McCormick, is set forth in Exhibit A of McCormick's definitive Proxy Statement dated February 16, 1999, File No. 0-748, as filed with the Securities and Exchange Commission on February 16, 1999, and incorporated by reference herein.\*
- (vi) 2004 Directors' Non-Qualified Stock Option Plan, provided to members of McCormick's Board of Directors who are not also employees of McCormick, is set forth in Exhibit B of McCormick's definitive Proxy Statement dated February 17, 2004, File No. 1-14920, as filed with the Securities and Exchange Commission on February 17, 2004, and incorporated by reference herein.\*
- (vii) Directors' Share Ownership Program, provided to members of McCormick's Board of Directors who are not also employees of McCormick, is set forth on page 28 of McCormick's definitive Proxy Statement dated February 17, 2004, File No. 1-14920, as filed with the Securities and Exchange Commission on February 17, 2004, and incorporated by reference herein.\*
- (viii) Deferred Compensation Plan, as restated on January 1, 2000, and amended on August 29, 2000, September 5, 2000 and May 16, 2003, in which directors, officers and certain other management employees participate, a copy of which Plan document and amendments was attached as Exhibit 10(viii) of McCormick's Form 10-Q for the quarter ended August 31, 2003, File No. 1-14920, as filed with the Securities and Exchange Commission on October 14, 2003, and incorporated by reference herein.\*
- (ix) 2005 Deferred Compensation Plan, amended and restated with an effective date of January 1, 2005, in which directors, officers and certain other management employees participate, which agreement is incorporated by reference from Exhibit 4.1 of McCormick's Form S-8, Registration No. 333-155775, as filed with the Securities and Exchange Commission on November 28, 2008.\*
- (x) The 2007 Omnibus Incentive Plan, in which directors, officers and certain other management employees participate, is set forth in Exhibit A of McCormick's definitive Proxy Statement dated February 20, 2008, File No. 1-14920, as filed with the Securities and Exchange Commission on February 20, 2008, and incorporated by reference herein, as amended by Amendment No. 1 thereto, which Amendment is incorporated by reference from Exhibit 10(xi) of McCormick's 10-K for the fiscal year ended November 30, 2008, File No. 1-14920, as filed with the Securities and Exchange Commission on January 28, 2009.\*

(21) Subsidiaries of McCormick Filed herewith
 (23) Consents of experts and counsel Filed herewith
 (31) Rule 13a-14(a)/15d-14(a) Certifications Filed herewith
 (32) Section 1350 Certifications Filed herewith

- (101) The following financial information from the Annual Report on Form 10-K of McCormick for the year ended November 30, 2011, furnished electronically herewith, and formatted in XBRL (Extensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets; (ii) Condensed Consolidated Statements of Income; (iii) Condensed Consolidated Statement of Stockholders' Equity and Comprehensive Income; (iv) Condensed Consolidated Statements of Cash Flows; and (v) Notes to the Condensed Consolidated Financial Statements.\*\*
  - \* Management contract or compensatory plan or arrangement.
  - \*\* In accordance with Rule 406T of Regulation S-T, the XBRL related information in Exhibit 101 to this Annual Report on Form 10-K shall not be deemed to be "filed" for purposes of Section 18 of the Exchange Act, or otherwise subject to the liability of that section, and shall not be incorporated by reference into any registration statement or other document filed under the Securities Act of 1933, as amended, or the Exchange Act, except as shall be expressly set forth by specific reference in such filing.

McCormick hereby undertakes to furnish to the Securities and Exchange Commission, upon its request, copies of additional instruments of McCormick with respect to long-term debt that involve an amount of securities that do not exceed 10 percent of the total assets of McCormick and its subsidiaries on a consolidated basis.

# END OF ANNUAL REPORT ON FORM 10-K

#### INVESTOR INFORMATION

# **World Headquarters**

McCormick & Company, Incorporated 18 Loveton Circle Sparks, MD 21152-6000 U.S.A. (410) 771-7301 www.mccormickcorporation.com

#### **Stock Listing**

New York Stock Exchange Symbol: MKC

## Anticipated Dividend Dates—2012

Record Date	Payment Date
4/09/12	4/23/12
7/09/12	7/23/12
10/08/12	10/22/12
12/31/12	1/14/13

McCormick has paid dividends every year since 1925.

#### **Independent Registered Public Accounting Firm**

Ernst & Young LLP 621 East Pratt Street Baltimore. MD 21202

#### **Investor Inquiries**

Our investor website, ir.mccormick.com, contains our annual reports, Securities & Exchange Commission (SEC) filings, press releases, webcasts, corporate governance principles and other information.

To obtain **without cost** a copy of the annual report filed with the SEC on Form 10-K or for general questions about McCormick or the information in our annual or quarterly reports, contact Investor Relations at the world headquarters address, investor website or telephone:

Report ordering:

Proxy materials: (800) 579-1639

Other materials: (800) 424-5855, (410) 771-7537

or ir.mccormick.com

Investor and securities analysts' inquiries:

(410) 771-7244



# Investor Services Plan (Dividend Reinvestment and Direct Purchase Plan)

We offer an Investor Services Plan which provides shareholders of record the opportunity to automatically reinvest dividends, make optional cash purchases of stock, place stock certificates into safekeeping and sell shares. Individuals who are not current shareholders may purchase their initial shares directly through the Plan. All transactions are subject to the limitations set forth in the Plan prospectus, which may be obtained by contacting our transfer agent.

#### **Registered Shareholder Inquiries**

For questions on your account, statements, dividend payments, reinvestment and direct deposit, and for address changes, lost certificates, stock transfers, ownership changes or other administrative matters, contact our transfer agent.

#### **Transfer Agent and Registrar**

Wells Fargo Bank, N.A.
Shareowner Services
161 North Concord Exchange Street
South St. Paul, MN 55075-1139
(877) 778-6784 or (651) 450-4064
www.shareowneronline.com

#### **Annual Meeting**

The annual meeting of shareholders will be held at 10 a.m., Wednesday, March 28, 2012, at **Martin's Valley Mansion, 594 Cranbrook Road, Hunt Valley, MD 21030.** 

# **Electronic Delivery of Annual Report and Proxy Statement**

If you would like to receive next year's annual report and proxy statement electronically, you may enroll on the website below:

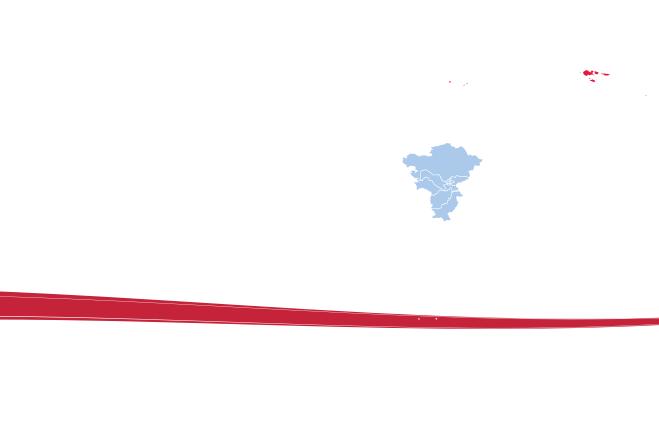
http://enroll.icsdelivery.com/mkc

#### **Trademarks**

Use of  $^{\circledR}$  or  $^{\intercal M}$  in this annual report indicates trademarks including those owned or used by McCormick & Company, Incorporated and its subsidiaries and affiliates.

#### McCormick Worldwide

In 2011, McCormick acquired a business based in Poland and entered into an 85% joint venture interest in India. We now serve customers from nearly 50 locations in 24 countries around the world.



#### Multiple Management at McCormick

As a pioneer in participative management, McCormick established a Multiple Management philosophy that is the cornerstone of our culture and continues to be a driving force in our growth as a global industry leader.

Begun in 1932, Multiple Management is part professional development program and part business improvement process. Multiple Management Boards at numerous McCormick global locations engage our employees in action-learning projects in which they bring their innovative ideas, take part in decision-making and implement plans to grow the business. Multiple Management offers an environment for employees to develop core skills crucial for career development including project management, communication, research, critical analysis and leadership. Concurrently, the Boards offer a pipeline of impactful recommendations that improve the business.

One former Multiple Management participant said, "The philosophy of Multiple Management created a spirit which has become our inner strength. It augments and transcends goals, strategies and business plans." Multiple Management embodies the McCormick credo of The Power of People.





























