
McCormick & Company, Inc.
4th Quarter 2016 Financial
Results and Outlook
January 25, 2017

The following slides accompany a January 25, 2017 presentation to investment analysts. This information should be read in conjunction with the press release issued on that date.



Forward-looking information

Certain information contained in these materials and our remarks are “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934. These statements may be identified by the use of words such as “may,” “will,” “expect,” “should,” “anticipate,” “intend,” “believe” and “plan.” These statements may relate to: the expected results of operations of businesses acquired by us, the expected impact of raw material costs and our pricing actions on our results of operations and gross margins, the expected productivity and working capital improvements, expectations regarding growth potential in various geographies and markets, expected trends in net sales and earnings performance and other financial measures, the expectations of pension and postretirement plan contributions, the holding period and market risks associated with financial instruments, the impact of foreign exchange fluctuations, the adequacy of internally generated funds and existing sources of liquidity, such as the availability of bank financing, our ability to issue additional debt or equity securities and our expectations regarding purchasing shares of our common stock under the existing repurchase authorizations.

These and other forward-looking statements are based on management’s current views and assumptions and involve risks and uncertainties that could significantly affect expected results. Results may be materially affected by factors such as: damage to our reputation or brand name; loss of brand relevance; increased use of private label or other competitive products; product quality, labeling, or safety concerns; negative publicity about our products; business interruptions due to natural disasters or unexpected events; actions by, and the financial condition of, competitors and customers; our inability to achieve expected and/or needed cost savings or margin improvements; negative employee relations; the lack of successful acquisition and integration of new businesses; issues affecting our supply chain and raw materials, including fluctuations in the cost and availability of raw and packaging materials; government regulation, and changes in legal and regulatory requirements and enforcement practices; global economic and financial conditions generally, including the availability of financing, and interest and inflation rates; the investment return on retirement plan assets, and the costs associated with pension obligations; foreign currency fluctuations; the stability of credit and capital markets; risks associated with our information technology systems, including the threat of data breaches and cyber attacks; fundamental changes in tax laws; volatility in our effective tax rate; climate change; infringement of our intellectual property rights, and those of customers; litigation, legal and administrative proceedings; and other risks described in our filings with the Securities and Exchange Commission.

Actual results could differ materially from those projected in the forward-looking statements. We undertake no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by law.

Lawrence Kurzius

President & Chief Executive Officer

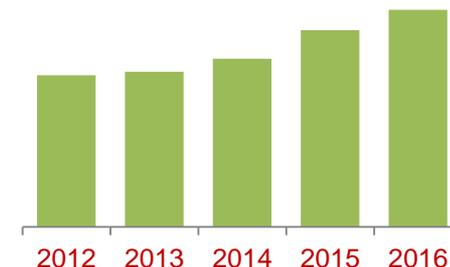


Strong finish to record 2016 performance

Growth in sales, adjusted operating income, adjusted earnings per share met long-term constant currency objectives

Exceeded \$100 million in annual cost savings

Delivered 5th consecutive year of **record cash flow**



McCormick employees around the world **engaged in success**

Effective strategies with a **balanced approach ...** to grow sales and improve productivity

See reconciliation of GAAP to non-GAAP financial measures on slides 32 to 35, including the impact of constant currency.

4Q 2016 Financial results

Grew net sales 4%*

- Acquisitions added 2 percentage points
- Strongest increase in consumer segment in Americas and Asia/Pacific regions

Grew adjusted operating income 6%*

Adjusted earnings per share \$1.27

- 8% increase from \$1.18 of adjusted earnings per share in 4Q 2015, including unfavorable currency impact

* In constant currency

Adjusted operating income and adjusted EPS exclude the impact of items affecting comparability in FY 2016 and 2015. See reconciliation of GAAP to non-GAAP financial measures on slides 32 to 35, including the impact of constant currency.

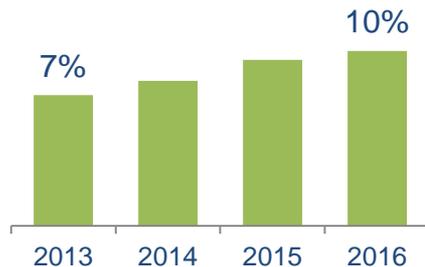
FY 2016 accomplishments

Grew sales **6%** in constant currency

Increased gross profit margin **110 bp**

Adjusted operating income margin up **60 bp**

Industrial segment adjusted operating income margin of **10%**



CCI generating fuel for growth

- Exceeded **\$100M** 2016 cost savings
- On-track to deliver **4-year \$400M** goal



Increased cash flow from operations at **14% CAGR** for 5-year period

- Raised dividend 9%; 31st consecutive annual increase
- Returned >2/3 cash from operations to shareholders in 2016

See reconciliation of GAAP to non-GAAP financial measures on slides 32 to 35, including the impact of constant currency.

FY 2016 accomplishments

Reached **>\$250M** in brand marketing ...
digital marketing 46% of advertising

Ranked **5th** of >100 brands in L2 Research
“Digital IQ Index”



Launched new products in last 3 years that
accounted for **9%** of 2016 sales

- ~50% of new product briefs in U.S. had health and wellness attribute, up from 40% in 2014
- Innovation with herb grinders recognized in U.S. and France



FY 2016 accomplishments

Acquired Gourmet Garden

- Retail consumption sales in U.S. up 22% in 4Q
- Direct distribution in Canada and 2017 plan to introduce in China



Signed agreement to acquire Giotti

- Leading flavor business in Europe; expertise in health and nutrition products
- Supports global industrial strategy to migrate portfolio to flavor globally

GIOTTI
Your Natural Flavor House



Celebrated **10 year anniversary**

of McCormick Science Institute



Spices and herbs included in
2016 dietary guidelines
for Americans

Ranked **14th** in 2017 **Global 100 Most Sustainable Corporations** Index by Corporate Knights; **No. 1** in consumer staples

“Noteworthy 25” by Diversity, Inc.

75th anniversary of McCormick’s “Charity Day”

2017 plans and outlook

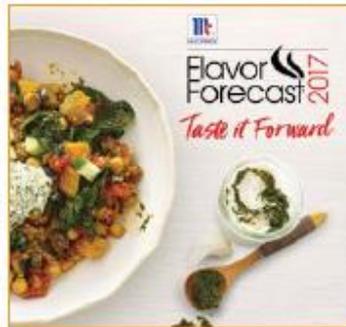
Plans to grow net sales 5% to 7%*

Global sales growth of spices and seasonings projected at **5% CAGR next 5 years**

- 4% in developed markets
- 8% in emerging markets

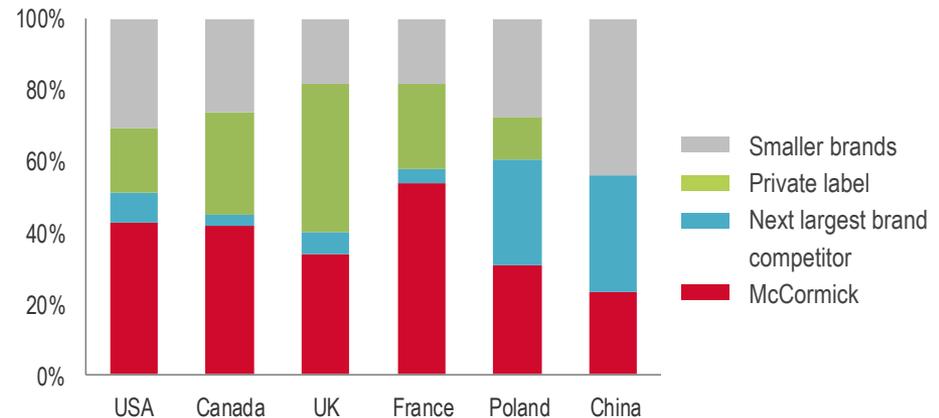
Growth strategies designed to build consumer interest and differentiate our brands

- Increased brand marketing
- Core renovation
- Flavor Forecast



* In constant currency

McCormick has strong lead in U.S. and several other top markets



2017 plans and outlook

Plans to grow net sales 5% to 7%*

Robust line-up of new products across regions...

Americas



Kitchen Basics
bone broth



Zatarain's
hot sauce
and biscuit
mixes



Grill Mates seasonings
and marinades



Billy Bee honey
for natural
channel



Stubb's dry
marinades

EMEA



UK gluten-free recipe mixes



France Vahiné brand
packaging and decorations



Russia BBQ
marinades

Asia/Pacific



China recipe mix varieties
and liquid sauces



Australia
re-sealable lightly
dried herbs and
seasonings



* In constant currency

2017 plans and outlook

Financial outlook

- Grow net sales 5% to 7%*
- Grow adjusted operating income 9% to 11%*
- Adjusted earnings per share 9% to 11%*

** In constant currency*

Adjusted operating income and adjusted EPS exclude the impact of items affecting comparability in FY 2017 versus FY 2016. See reconciliation of GAAP to non-GAAP financial measures on slides 32 to 35, including the impact of constant currency.

Summary



- Great progress in 2016 with growth strategies and delivering strong financial performance
- Uniquely positioned as a global leader in flavor
- Driving sales growth ... balanced with efforts to create fuel for growth
- Leaders and employees fully engaged
- Aggressive but achievable financial objectives for 2017



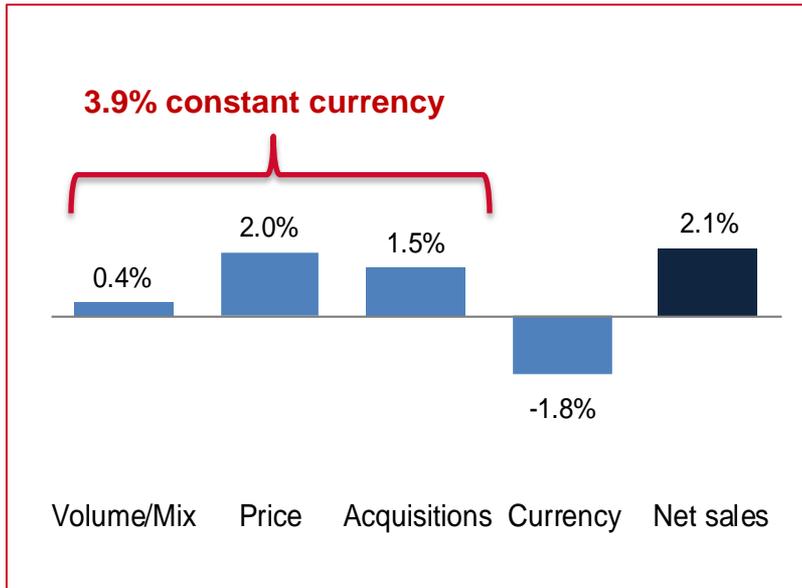
Mike Smith

Executive Vice President & CFO

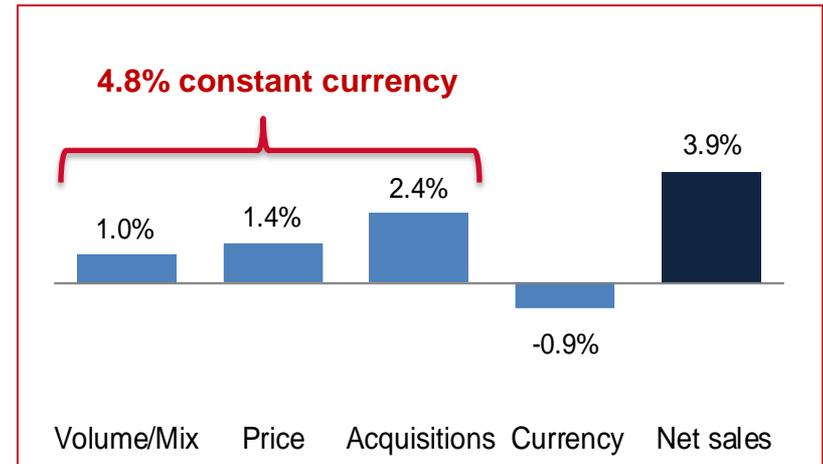


4Q 2016 Sales results

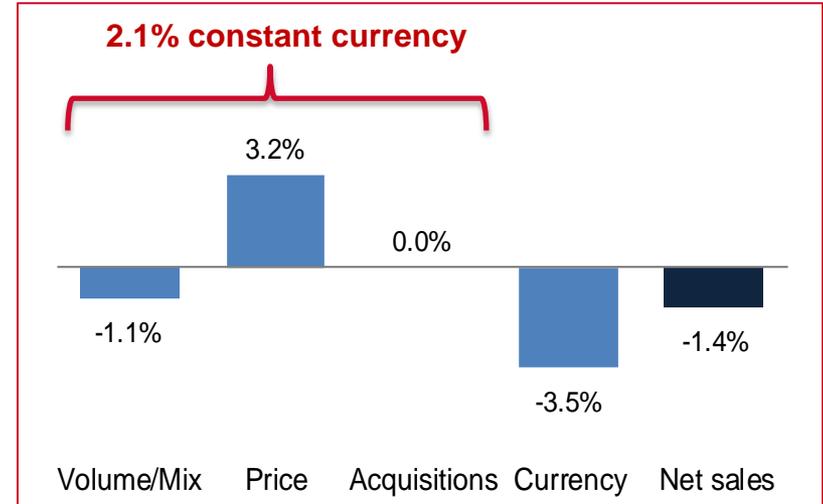
Total Company



Consumer



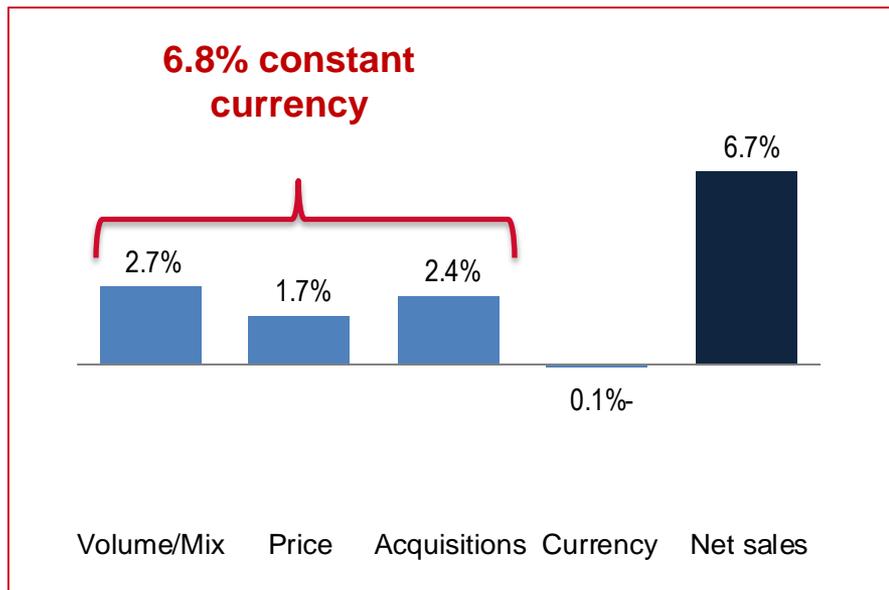
Industrial



See reconciliation of GAAP to non-GAAP financial measures on slides 32 to 35, including the impact of constant currency.

4Q 2016 Sales results: Consumer segment

Americas

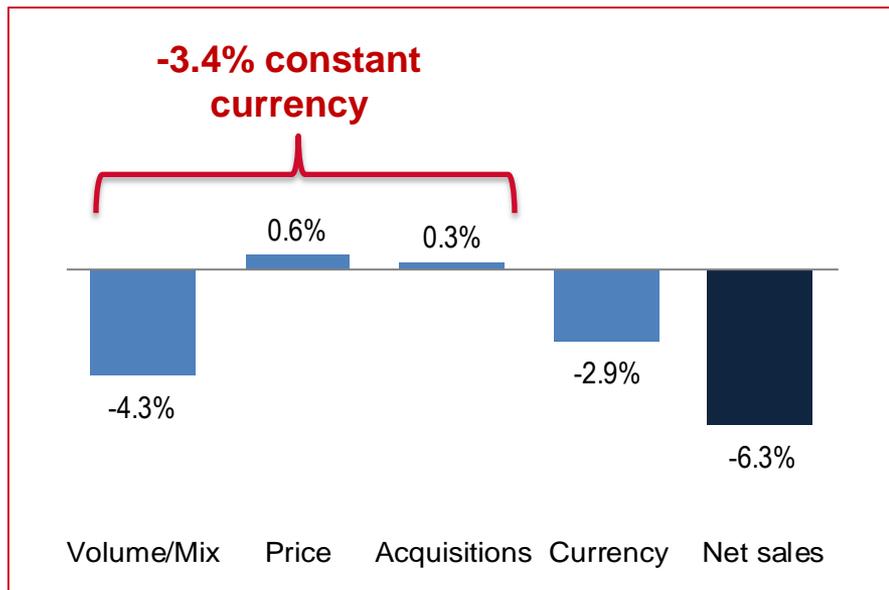


- Higher U.S. sales of McCormick and Lawry's brand spices and seasonings and recipe mixes, Simply Asia products
- Acquisition of Gourmet Garden and Cajun Injector contributed to growth

See reconciliation of GAAP to non-GAAP financial measures on slides 32 to 35, including the impact of constant currency.

4Q 2016 Sales results: Consumer segment

EMEA

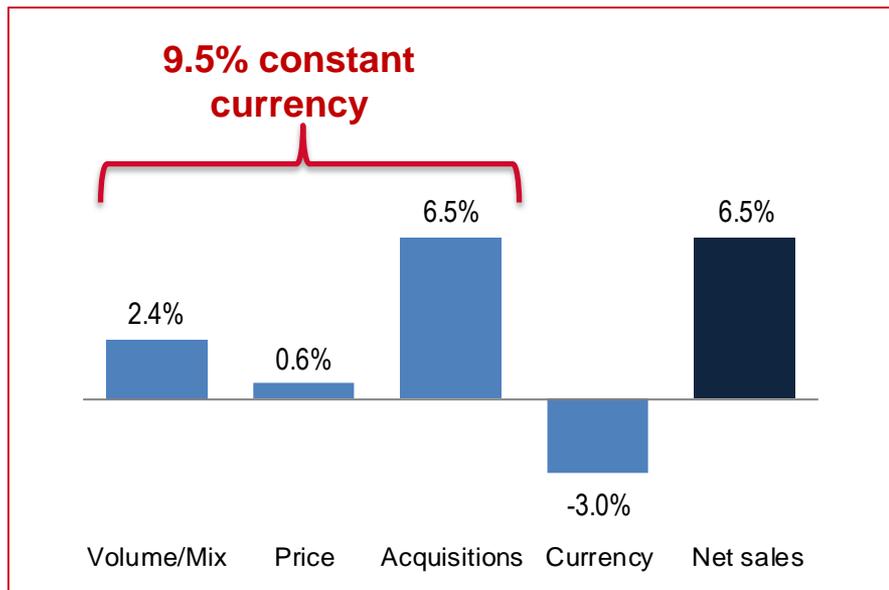


- Grew sales in France and Eastern Europe
- Deflationary retail environment in U.K. has continued; impact includes reduction in Schwartz brand products as part of move to more general merchandise by large U.K. retailer

See reconciliation of GAAP to non-GAAP financial measures on slides 32 to 35, including the impact of constant currency.

4Q 2016 Sales results: Consumer segment

Asia/Pacific



- April 2016 acquisition of Gourmet Garden contributed to growth
- Grew sales in China 9% in constant currency led by broad-based increase in volume and product mix
- Double-digit sales decline in India related to discontinuation of low margin products toward end of 2015

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4Q 2016 Operating income: Consumer segment

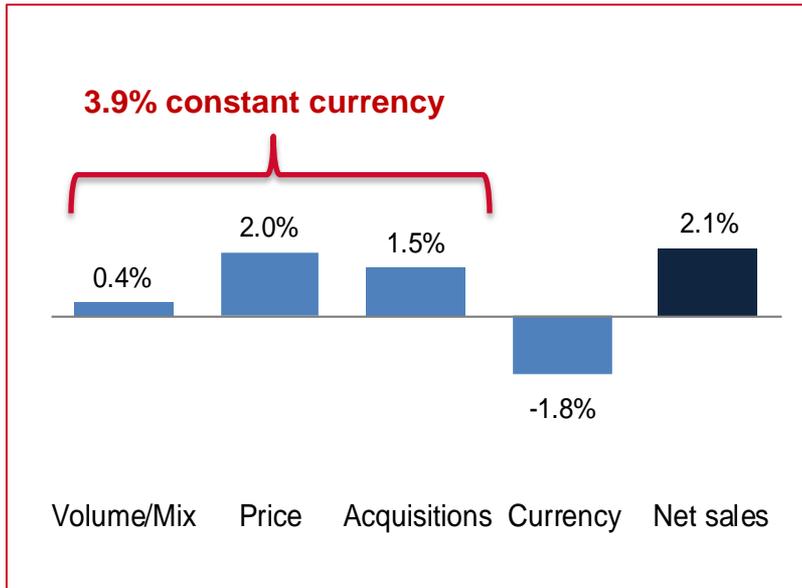
<i>(in millions)</i>	4Q 2016	4Q 2015	Fav(Unfav) Change
Operating income	\$180.8	\$166.0	9%
Operating income, excluding special charges*	182.8	169.2	8%

- Minimal impact from currency in operating income growth rate.*
- Sales growth and cost savings more than offset unfavorable impact of higher material costs

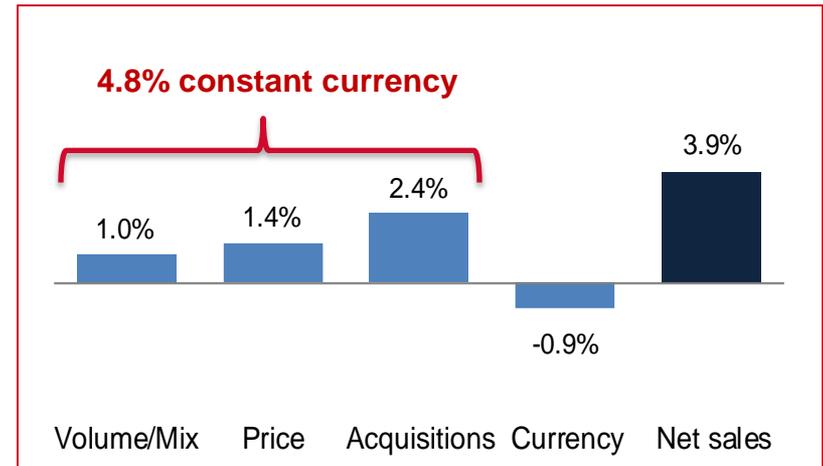
* Adjusted operating income and adjusted operating income growth rate exclude the impact of items affecting comparability in 4Q 2016 and 4Q 2015. See reconciliation of GAAP to non-GAAP financial measures on slides 32 to 35.

4Q 2016 Sales results

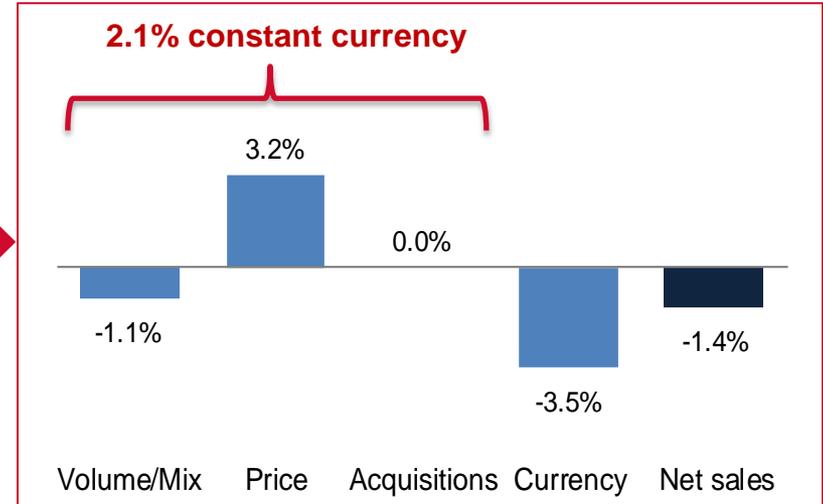
Total Company



Consumer



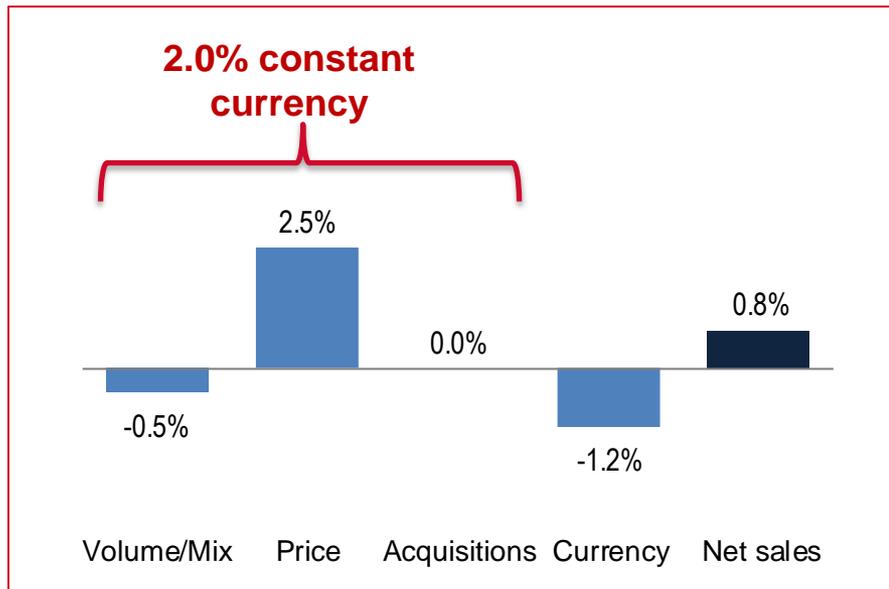
Industrial



See reconciliation of GAAP to non-GAAP financial measures on slides 32 to 35, including the impact of constant currency.

4Q 2016 Sales results: Industrial segment

Americas

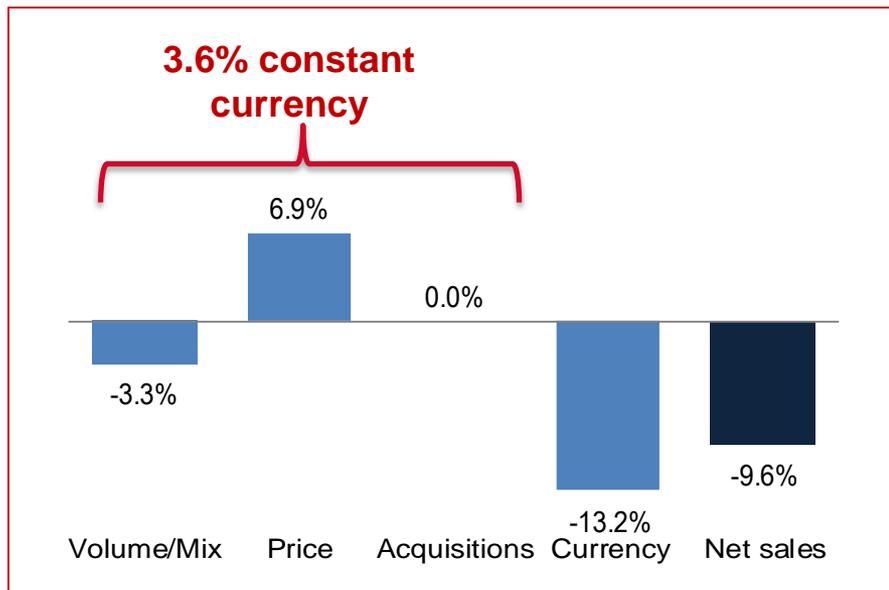


- In U.S., strong sales of U.S. branded food service products
- In Latin America, growing sales of snack seasonings and other products supplied from operation in Mexico
- Pass-through of higher costs in Canada - related in part to currency - offset by weaker volume

See reconciliation of GAAP to non-GAAP financial measures on slides 32 to 35, including the impact of constant currency.

4Q 2016 Sales results: Industrial segment

EMEA

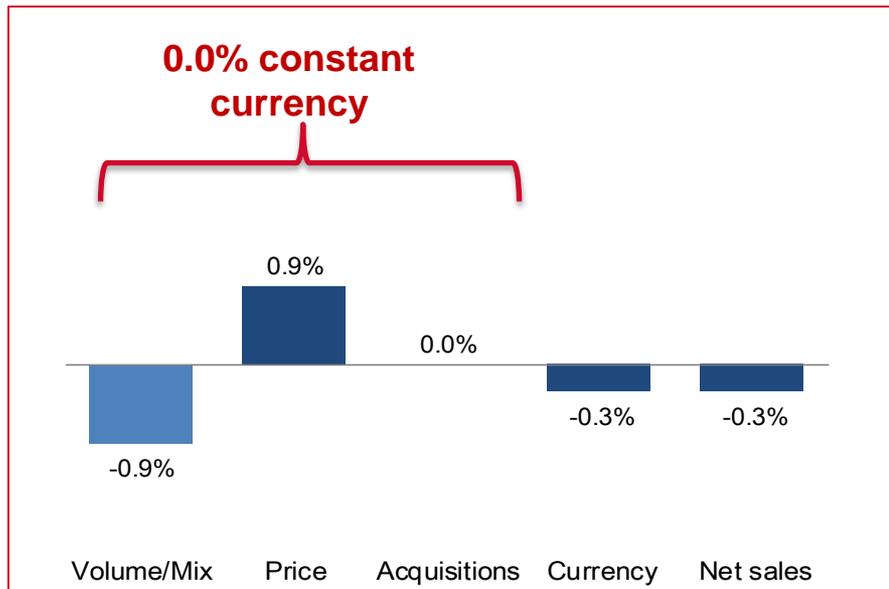


- Solid pricing-led sales growth with both packaged food customers and quick service restaurants

See reconciliation of GAAP to non-GAAP financial measures on slides 32 to 35, including the impact of constant currency.

4Q 2016 Sales results: Industrial segment

Asia/Pacific



- Strong growth in Australia and Southeast Asia, due in part to new product wins and promotional activity by quick service restaurant customers
- Unfavorable sales impact in China from customer decision to add secondary supply source

See reconciliation of GAAP to non-GAAP financial measures on slides 32 to 35, including the impact of constant currency.

4Q 2016 Operating income: Industrial segment

<i>(in millions)</i>	4Q 2016	4Q 2015	Fav (Unfav) Change
Operating income	\$38.3	\$46.2	(17%)
Operating income, excluding special charges*	42.5	46.0	(8%)

- In constant currency, adjusted operating income declined 2%*
- Quarter-to-quarter fluctuation throughout 2016 driven by sales mix across regions, customers and products
- FY 2016 grew adjusted operating income 12% in constant currency and reached 10% margin

* Adjusted operating income and adjusted operating income growth rate exclude the impact of items affecting comparability in 4Q 2016 and 4Q 2015. See reconciliation of GAAP to non-GAAP financial measures on slides 32 to 35.

Operating income, gross profit, SG&A

<i>(in millions)</i>	4Q 2016	4Q 2015	Fav (Unfav) Change
Operating income	\$219.1	\$212.2	3%
Operating income, excluding special charges*	225.3	215.2	5%
Gross profit margin	44.0%	43.4%	60 bps
Selling, general & administrative expenses as percent of net sales	25.6%	25.5%	(10 bps)
Promotion & advertising	79.2	81.0	2%

- Grew adjusted operating income 6% in constant currency
- Special charges were \$6 million in 4Q 2016 and \$3 million in 4Q 2015
- Higher gross profit margin driven by cost savings from CCI and streamlining actions, favorable mix, pricing actions taken to offset material cost inflation
- Selling, general and administrative expense in 4Q 2016 included impact of higher incentive compensation vs year-ago period

* Adjusted operating income and adjusted operating income growth rate exclude the impact of items affecting comparability in 4Q 2016 and 4Q 2015. See reconciliation of GAAP to non-GAAP financial measures on slides 32 to 35.

Income taxes

<i>(in millions)</i>	4Q 2016	4Q 2015
Income taxes	\$61.5	\$59.4
Income tax rate	29.7%	29.9%

- On GAAP basis, 4Q 2016 tax rate was comparable to the year-ago period
- Expect tax rate of approximately 28% in 2017, including benefit of change in accounting for equity awards

Income from unconsolidated operations

<i>(in millions)</i>	4Q 2016	4Q 2015	Fav (Unfav) Change
Income from unconsolidated operations	\$11.9	\$9.7	23%

- Income from unconsolidated operations in 4Q 2016 included \$2 million favorable impact from special charges attributable to joint venture partner 50% stake
- Excluding this impact, income from unconsolidated operations was comparable to year-ago period
- Unfavorable impact from currency offset solid underlying performance led by joint venture in Mexico
- Anticipate income from unconsolidated operations in 2017 to be comparable to 2016 due to further unfavorable currency impact

Earnings per share

	4Q 2016	4Q 2015	Fav(Unfav) Change
Earnings per share	\$1.24	\$1.16	7%
Adjusted earnings per share*	1.27	1.18	8%

Growth in adjusted operating income	\$0.06
Lower shares outstanding	0.02
Other, net	<u>0.01</u>
Change in adjusted earnings per share*	\$0.09

- Adjusted earnings per share \$0.09 above year-ago period, including impact of unfavorable currency rates
- Increase driven by higher adjusted operating income, other income and lower shares outstanding

* Adjusted earnings per share excludes the impact of items affecting comparability in 4Q 2016 and 4Q 2015. See reconciliation of GAAP to non-GAAP financial measures on slides 32 to 35.

Balance sheet and cash flow

FY 2016 cash flow from operations of \$658M vs \$590M in FY 2015

- Mainly due to increase in net income and working capital improvement
- Capital expenditures of \$154M in 2016
Expect 2017 capital expenditures of \$170M to \$190M
- Returned \$460 million of cash to shareholders through dividends and share repurchases
- At November 30, 2016, \$327M remained on \$600M share repurchase authorization



New Shanghai plant

Strong cash flow is providing the funds for continued investment in brand marketing, product innovation, acquisitions and other growth strategies.

Low debt leverage positions McCormick to finance these investments.

2017 Financial outlook

		<u>Including currency impact</u>
Sales growth in constant currency	5% to 7%	3% to 5%
Impact of acquisitions ~ 2%, pricing ~ 3%, currency ~ (2%)		
Adjusted operating income increase in constant currency *	9% to 11%	8% to 10%
CCI and additional cost savings	~ \$100M	
Material cost inflation	mid single digit rate	
Gross profit margin increase	0 to 50 bps	
Brand marketing increase	high single digit rate	
Income from unconsolidated operations	comparable to 2016	
Effective tax rate	approximately 28%	
Adjusted earnings per share **	\$4.05 - \$4.13	
Growth from 2016 adjusted EPS of \$3.78, excl currency **	9% to 11%	7% to 9%
Shares outstanding	~ 2% reduction	
Capital expenditures	\$170-\$190M	

* From adjusted operating income of \$657 million in 2016. See reconciliation of GAAP to non-GAAP financial measures on slides 32 to 35.

** See reconciliation of GAAP to non-GAAP financial metrics on slides 32 to 35.

Key Takeaways from 4Q 2016

4Q results a strong finish to 2016

Record sales, profit and cash

Executing on effective strategy

Driving sales and lowering costs.

Expect another year of success and growth in 2017



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Non-GAAP Financial Measures

The tables below include financial measures of adjusted operating income, adjusted income from unconsolidated operations, adjusted net income and adjusted diluted earnings per share, each excluding the impact of special charges for the periods presented. These represent non-GAAP financial measures which are prepared as a complement to our financial results prepared in accordance with United States generally accepted accounting principles. In our consolidated income statement, we include a separate line item captioned “special charges” in arriving at our consolidated operating income. Additionally, we recorded \$0.3 million in cost of goods sold in our income statement for the three and twelve months ended November 30, 2016 which we classified as special charges. We recorded \$0.6 million and \$4.0 million in cost of goods sold in our income statement, respectively, for the three and twelve months ended November 30, 2015, which we classified as special charges.

Special charges consist of expenses, including related impairment charges, associated with certain actions undertaken by the company to reduce fixed costs, simplify or improve processes, and improve our competitiveness and are of such significance in terms of both up-front costs and organizational/structural impact to require advance approval by our Management Committee, comprised of our President and Chief Executive Officer; Executive Vice President and Chief Financial Officer; President, Global Industrial Segment and McCormick International; President, Global Consumer Segment and North America; and Senior Vice President, Human Relations. Upon presentation of any such proposed action (including details with respect to estimated costs, which generally consist principally of employee severance and related benefits, together with ancillary costs associated with the action that may include a non-cash component or a component which relates to inventory adjustments that are included in cost of goods sold; impacted employees or operations; expected timing; and expected savings) to the Management Committee and the Committee’s advance approval, expenses associated with the approved action are classified as special charges upon recognition and monitored on an on-going basis through completion. Certain ancillary expenses related to these actions approved by our Management Committee do not qualify for accrual upon approval but are included as special charges as incurred during the course of the action.

We believe that these non-GAAP financial measures are important to investors. The exclusion of special charges provides additional information that enables enhanced comparisons to prior periods and, accordingly, facilitates the development of future projections and earnings growth prospects. This information is also used by management to measure the profitability of our ongoing operations and analyze our business performance and trends.

These non-GAAP financial measures may be considered in addition to results prepared in accordance with GAAP, but it should not be considered a substitute for, or superior to, GAAP results. In addition, these non-GAAP financial measures may not be comparable to similarly titled measures of other companies because other companies may not calculate them in the same manner that we do. We intend to continue to provide these non-GAAP financial measures as part of our future earnings discussions when applicable and, therefore, the inclusion of these non-GAAP financial measures will provide consistency in our financial reporting. A reconciliation of these non-GAAP financial measures to the related GAAP financial measures is provided on the following slides.

Non-GAAP Financial Measures

(in millions except per share data)	Three months ended		Twelve months ended	
	11/30/16	11/30/15	11/30/16	11/30/15
Operating income	\$ 219.1	\$ 212.2	\$ 641.0	\$ 548.4
Impact of special charges included in cost of goods sold	0.3	0.6	0.3	4.0
Impact of other special charges	5.9	2.4	15.7	61.5
Total special charges	6.2	3.0	16.0	65.5
Adjusted operating income	\$ 225.3	\$ 215.2	\$ 657.0	\$ 613.9
% increase versus prior period	4.7 %		7.0 %	
Income from unconsolidated operations	\$ 11.9	\$ 9.7	\$ 36.1	\$ 36.7
Impact of special charges attributable to non-controlling interests ⁽¹⁾	(1.9)	(0.1)	(1.9)	(2.0)
Adjusted income from unconsolidated operations	\$ 10.0	\$ 9.6	\$ 34.2	\$ 34.7
% increase (decrease) versus prior period	4.2 %		(1.4) %	
Net income	\$ 157.4	\$ 149.2	\$ 472.3	\$ 401.6
Impact of total special charges ⁽²⁾	5.6	3.1	13.0	49.9
Impact of total special charges attributable to non-controlling interests ⁽¹⁾	(1.9)	(0.1)	(1.9)	(2.0)
Adjusted net income	\$ 161.1	\$ 152.2	\$ 483.4	\$ 449.5
% increase versus prior period	5.8 %		7.5 %	
Earnings per share - diluted	\$ 1.24	\$ 1.16	\$ 3.69	\$ 3.11
Impact of total special charges	0.04	0.02	0.10	0.38
Impact of total special charges attributable to non-controlling interests	(0.01)	—	(0.01)	(0.01)
Adjusted earnings per share - diluted	\$ 1.27	\$ 1.18	\$ 3.78	\$ 3.48
% increase versus prior period	7.6 %		8.6 %	

(1) In 2016, represents the portion of the total special charge of \$2.8 million for the three and twelve months ended November 30, 2106 associated with our exit of a consolidated joint venture in South Africa, attributable to our former joint venture partner. In 2015, represents the portion of a Kohinoor total special charge of \$1.1 million and \$14.2 million for the three and twelve months ended November 30, 2015, respectively, attributable to Kohinoor's 15% minority stakeholder.

(2) Total special charges of \$6.2 million and \$16.0 million for the three and twelve months ended November 30, 2016 and \$3.0 million and \$65.5 million for the three and twelve months ended November 30, 2015 are net of taxes of \$0.6 million, \$3.0 million, \$(0.1) million and \$15.6 million, respectively.

Non-GAAP Financial Measures

Because we are a multi-national company, we are subject to variability of our reported U.S. dollar results as a result of changes in foreign currency exchange rates. Those changes have been volatile over the past several years. The exclusion of the effects of foreign currency exchange, or what we refer to as amounts expressed “on a constant currency basis”, is a non-GAAP measure. We believe that this non-GAAP measure provides additional information that enables enhanced comparison to prior periods excluding the translation effects of changes in rates of foreign currency exchange and provides additional insight into the underlying performance of our operations located outside of the U.S. It should be noted that our presentation herein of amounts and percentage changes on a constant currency basis does not exclude the impact of foreign currency transaction gains and losses (that is, the impact of transactions denominated in other than the local currency of any of our subsidiaries in their local currency reported results).

Percentage changes in sales and adjusted operating income expressed on a constant currency basis are presented excluding the impact of foreign currency exchange. To present this information for historical periods, current period results for entities reporting in currencies other than the U.S. dollar are translated into U.S. dollars at the average exchange rates in effect during the corresponding period of the prior fiscal year, rather than at the actual average exchange rates in effect during the current fiscal year. As a result, the foreign currency impact is equal to the current year results in local currencies multiplied by the change in the average foreign currency exchange rate between the current fiscal period and the corresponding period of the prior fiscal year. Constant currency growth rates follow:

Net sales		
Consumer segment		
Americas	6.7%	(0.1)%
EMEA	(6.3)%	(2.9)%
Asia/Pacific	6.5%	(3.0)%
Total consumer segment	3.9%	(0.9)%
Industrial segment		
Americas	0.8%	(1.2)%
EMEA	(9.6)%	(13.2)%
Asia/Pacific	(0.3)%	(0.3)%
Total industrial segment	(1.4)%	(3.5)%
Total net sales	2.1%	(1.8)%
Adjusted operating income		
Consumer segment	8.0%	(0.1)%
Industrial segment	(7.6)%	(5.4)%
Total adjusted operating income	4.7%	(1.2)%

Net sales		
Consumer segment		
Americas	5.8%	(0.5)%
EMEA	2.4%	(4.5)%
Asia/Pacific	1.5%	(4.8)%
Total consumer segment	4.5%	(1.9)%
Industrial segment		
Americas	1.7%	(2.0)%
EMEA	(6.4)%	(11.2)%
Asia/Pacific	(0.1)%	(3.9)%
Total industrial segment	(0.2)%	(4.1)%
Total net sales	2.7%	(2.8)%
Adjusted operating income		
Consumer segment	7.6%	(1.1)%
Industrial segment	5.3%	(6.3)%
Total adjusted operating income	7.0%	(2.4)%

Three months ended November 30, 2016		
Percentage change as reported	Impact of foreign currency exchange	Percentage change on constant currency basis
Net sales		
Consumer segment		
Americas	(0.1)%	6.8%
EMEA	(2.9)%	(3.4)%
Asia/Pacific	(3.0)%	9.5%
Total consumer segment	(0.9)%	4.8%
Industrial segment		
Americas	(1.2)%	2.0%
EMEA	(13.2)%	3.6%
Asia/Pacific	(0.3)%	—%
Total industrial segment	(3.5)%	2.1%
Total net sales	(1.8)%	3.9%
Adjusted operating income		
Consumer segment	(0.1)%	8.1%
Industrial segment	(5.4)%	(2.2)%
Total adjusted operating income	(1.2)%	5.9%

Twelve months ended November 30, 2016		
Percentage change as reported	Impact of foreign currency exchange	Percentage change on constant currency basis
Net sales		
Consumer segment		
Americas	(0.5)%	6.3%
EMEA	(4.5)%	6.9%
Asia/Pacific	(4.8)%	6.3%
Total consumer segment	(1.9)%	6.4%
Industrial segment		
Americas	(2.0)%	3.7%
EMEA	(11.2)%	4.8%
Asia/Pacific	(3.9)%	3.8%
Total industrial segment	(4.1)%	3.9%
Total net sales	(2.8)%	5.5%
Adjusted operating income		
Consumer segment	(1.1)%	8.7%
Industrial segment	(6.3)%	11.6%
Total adjusted operating income	(2.4)%	9.4%

Non-GAAP Financial Measures

To present the percentage change in projected 2017 adjusted earnings per share on a constant currency basis, projected sales and adjusted operating income for entities reporting in currencies other than the U.S. dollar are translated into U.S. dollars at the company's budgeted exchange rate for 2017 and are compared to the 2016 results, translated into U.S. dollars using the same 2017 budgeted exchange rate, rather than at the average actual exchange rates in effect during fiscal year 2016. This calculation is performed to arrive at adjusted net income, including an adjustment for the company's largest unconsolidated operation that is denominated in a currency other than the U.S. dollar and that represents greater than 80% of total income from unconsolidated operations, divided by projected shares outstanding for fiscal year 2017.

Fiscal year 2017 projections

(in millions except per share data)

	<u>2017 projection</u>
Percentage change in net sales	3% to 5%
Impact of foreign currency exchange rates	(2)%
Percentage change in net sales on constant currency basis	<u>5% to 7%</u>
Percentage change in adjusted operating income	8% to 10%
Impact of foreign currency exchange rates	(1)%
Percentage change in adjusted operating income on constant currency basis	<u>9% to 11%</u>
Earnings per share	\$4.02 to \$4.10
Impact of special charges	0.03
Adjusted earnings per share	<u>\$4.05 to \$4.13</u>
Percentage change in adjusted earnings per share	7% to 9%
Impact of foreign currency exchange rates	(2)%
Percentage change in adjusted earnings per share on constant currency basis	<u>9% to 11%</u>