



McCormick Reports Third Quarter Financial Results

September 29, 2002
SPRING, Md., Sept. 29, 2002 /PRNewswire-FirstCall via COMTEX/ - McCormick & Company, Incorporated (NYSE: MKC), today reported financial results for the third quarter ended August 31, 2002.

Sales in the third quarter were \$545 million, an increase of 2% versus the third quarter of 2001. Sales were impacted by favorable foreign exchange and higher volume. These increases were offset in part by the timing of certain customer purchases as projected at the end of the second quarter.

Gross profit margin for the third quarter was 34.8% compared to a margin of 35.2% in the third quarter of 2001. The timing of customer purchases reduced sales in the U.S. to retail and food service customers, which resulted in a reduction in gross profit margin. Margins were also negatively impacted this quarter from poor performance in the U.K. brokerage business.

Earnings per share reported for the third quarter was 25 cents, an increase of 1 cent versus earnings per share of 24 cents reported for the third quarter of 2001. Excluding goodwill amortization for the third quarter of 2001, earnings per share were 27 cents, which compares to 25 cents for this year's third quarter. The drivers of the third quarter earnings decrease were 2 cents from operations and 1 cent from special charges, offset by a favorable 1 cent from interest. The 2 cents from operations includes several factors as previously communicated by the Company:

- an unfavorable 2 cents from the timing of customer purchases in advance of the Beyond 2000 program implementation in several U.S. businesses;
- an unfavorable 2 cents from incremental costs associated with the Beyond 2000 program implementation;
- an unfavorable 1 cent from poor performance in the U.K. brokerage business.

The 1 cent from special charges for the period were costs associated with previously announced restructuring actions that could not be accrued last year. These actions include the write-off of an investment, costs of the consolidation of manufacturing in Canada and the closure of a U.S. distribution center.

Consumer Business (In thousands)	Three Months Ended	Three Months Ended	Three Months Ended
	8/31/02	8/31/01	8/31/02
Net sales	\$235,442	\$228,303	\$174,569
Operating income	28,770	27,385	14,823
Operating income, excluding special charges and goodwill amortization	28,960	30,134	16,353

In the third quarter, sales for McCormick's consumer business rose 2% above 2001. Excluding a favorable impact from foreign exchange, sales declined 1%. In local currency, consumer sales declined 4% in the Americas, increased 3% in Europe and were even with the prior year in the Asia/Pacific region. Sales in the Americas were reduced by customer purchases in advance of the Company's U.S. implementation of its Beyond 2000 program, which occurred at the end of the second quarter. Through the first nine months of 2002, industrial sales in the Americas rose up 4%, driven by higher volume. Operating income for the consumer business was \$28.8 million in the third quarter. Excluding special charges and goodwill amortization for both years, operating income for 2002 was \$21.7 million, compared to operating income of \$25.1 million in 2001. Operating income was impacted by lower sales in the U.S. related to the timing of customer purchases, costs associated with the implementation of Beyond 2000 and poor performance in the U.K. brokerage business. Through the first nine months of 2002, operating income for the consumer business, excluding special charges and goodwill amortization, rose 8%.

Industrial Business (In thousands)	Three Months Ended	Three Months Ended	Three Months Ended
	8/31/02	8/31/01	8/31/02
Net sales	\$247,515	\$241,749	\$173,434
Operating income	30,435	30,585	15,013
Operating income, excluding special charges and goodwill amortization	31,031	31,160	15,756

In the third quarter, industrial sales increased 2% versus last year. Excluding a favorable impact from foreign exchange, sales increased 1%. In local currency, industrial sales were unchanged from last year in the Americas, 1% higher in Europe and 12% higher in the Asia/Pacific region. Sales in the Americas were reduced by food service customer purchases in advance of the Company's U.S. implementation of its Beyond 2000 program, which occurred at the end of the second quarter. Through the first nine months of 2002, industrial sales in the Americas rose 8%. Operating income was impacted this quarter by lower margins on our European operations due in part to additional product development costs related to potential new business. Investment in product development also increased in other parts of the business this quarter. Costs associated with the Beyond 2000 implementation also lowered operating income for the industrial business in the third quarter. Through the first nine months of 2002, operating income for the industrial business, excluding special charges and goodwill amortization, rose 1%.

Packaging Business (In thousands)	Three Months Ended	Three Months Ended	Three Months Ended
	8/31/02	8/31/01	8/31/02
Net sales	\$44,054	\$46,871	\$12,034
Operating income	5,413	5,053	14,035
Operating income, excluding special charges and goodwill amortization	5,745	5,098	14,267

Packaging business sales remained weak this quarter with the lower demand for tube products supplied to the health and personal care industry. Operating income (including intersegment business) for the third quarter of 2002 was \$5.6 million. When special charges and goodwill amortization are excluded, operating income was \$5.7 million versus \$5.1 million in 2001, an increase of 13%. Actions taken to adjust production activities, including a reduction in workforce, drove a better margin when compared to year ago results.

Chairman's Comments
Commented Robert J. Lawless, Chairman, President & CEO, "McCormick has achieved good sales growth and margin improvement through the first nine months of our fiscal year. While the timing of pricing actions and Beyond 2000 implementation have caused our financial results by quarter to fluctuate when compared to last year, we are on track to meet our full year financial objectives for 2002. Excluding the impact of the U.K. brokerage business, our core consumer and industrial food businesses have had excellent performance. Year-to-date we increased sales 3%, achieved 1.0 percentage points of gross profit margin improvement and grew operating income 13% (on a comparable basis, excluding goodwill amortization and special charges)."

"The full year we expect our base business performance will reflect the financial challenges we encountered and to which our financial goals are both early in 2002 - 4% sales increase, 30 to 35 percentage points of gross margin improvement, and 3-4% earnings per share growth (on a comparable basis, excluding goodwill amortization and special charges). Given our results through the first three quarters and our outlook for the fourth quarter, we have more confidence at the lower end of our 3-4% earnings per share growth rate. Our long-term completed 18 months of planning and development of our Beyond 2000 program. Our key business units in the U.S. began operating with the new processes and systems in that date. Through these first fiscal months, our employees across every part of our organization have worked with perseverance and persistence to master new skills, refine workflow and improve customer service. As we look forward, we are beginning to move from implementation and adaptation to optimization of these businesses and to prepare for the conversion of our U.S. industrial businesses in 2003. Our ability to share knowledge, share information and improve operations will expand as we move each business to the Beyond 2000 platform."

"No further commitment to improving operations, we recently announced an organizational change which brings together the key components of our supply chain under Food Customer care has been provided to Executive Vice President, CFO & Supply Chain. The new organization will more closely align our strategic functions of finance, global business systems, operations, planning, marketing and logistics. With the new capabilities from Beyond 2000 and this organizational focus, we are on our way to achieving the highest level of customer satisfaction and cost optimization. We are beginning our significant fourth quarter, with a number of key marketing activities planned for the holiday season and a support of new products. Recent new products are designed to provide convenience and superior flavor to consumers, including our line of McCormick "One-Step" seasoning blends in the U.S. and new SoftServe brand "Sour" in the U.K. In our industrial business, we are working with manufacturers and other food processors to develop consumer preferred flavors. Flavors that are winners for our customers."

"In the first nine months of 2002 our business has performed well. The Company generates strong cash flow, and we have aggressively paid off the debt used to finance our DuPont acquisition. With this rapid pay down of debt, we have returned to our targeted, 45-55% debt-to-total capital range ahead of schedule. The new product and/or excellent third quarter. Beyond 2000 has been implemented in our first operating units, new products have been launched, strong support for our branded products is underway and we have a renewed focus on our supply chain. These initiatives will drive sales in our core businesses and continue our success in margin improvement. I am confident that 2002 will be another record year of sales and profits for McCormick."

Look Ahead
As previously announced, McCormick will hold a conference call with the analysts today at 11:00 a.m. EDT. The conference call will be webcast live via the McCormick corporate web site <http://www.mccormick.com>. Click on "Company Information" then "Investor Services," and follow directions to listen to the call. At the same location, a replay of the call will be available one week following the live call. Past press releases and additional information can be found at the Company's website.

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

About McCormick
McCormick & Company, Incorporated is the global leader in the manufacture, marketing and distribution of spices, seasonings and flavors to the entire food industry - to foodservice and food processing businesses as well as to retail outlets. In addition, the packaging group manufactures and markets specialty plastic bottles and tubes for personal care and other industries.

Third Quarter Report
McCormick & Company, Incorporated
Consolidated Income Statement (Unaudited)
(In thousands except per share data)

	Three Months Ended		Nine Months Ended	
	8/31/02	8/31/01	8/31/02	8/31/01
Net sales	\$545,011	\$535,901	\$1,616,537	\$1,566,516
Cost of goods sold	355,124	346,829	1,048,704	1,027,131
Gross profit	189,887	189,072	567,833	539,385
Gross profit margin	34.8%	35.3%	35.1%	34.4%
Selling, general & administrative expenses	129,765	132,633	398,085	388,437
Special charges	2,918	0	4,944	0
Operating income	57,204	56,439	164,804	150,948
Interest expense	10,613	12,541	32,794	40,286
Other (income)/expense	(384)	(1,212)	(1,034)	(1,398)
Income before income taxes	46,975	45,110	133,044	112,448
Income taxes	15,387	14,931	42,427	37,220
Net income from consolidated operations	31,588	30,179	90,617	75,228
Income from unconsolidated operations	4,376	4,609	14,195	13,899
Minority interest	(287)	(506)	(2,181)	(1,593)
Net income	\$35,177	\$34,312	\$102,631	\$87,534
Basic earnings per share:				
Net income	\$0.25	\$0.25	\$0.74	\$0.64
Net income excluding goodwill	\$0.25	\$0.27	\$0.74	\$0.70
Diluted earnings per share:				
Net income	\$0.25	\$0.24	\$0.72	\$0.63
Net income excluding goodwill	\$0.25	\$0.27	\$0.72	\$0.69
Average shares outstanding:				
Basic	139,958	138,170	139,388	137,618
Average shares outstanding assuming dilution	142,762	140,254	142,288	139,958

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

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

Condensed Consolidated Balance Sheet (Unaudited)
(in thousands)

	8/31/02	8/31/01
Assets		
Cash	\$23,329	\$32,134
Receivables	293,399	271,605
Inventory	316,492	295,083
Prepaid advertising	116,153	103,897
Property, plant and equipment, net	472,525	408,686
Other assets	685,244	619,188
Total assets	\$1,905,102	\$1,730,118
Liabilities and shareholders' equity		
Short-term borrowings	\$240,477	\$328,818
Other current liabilities	441,808	409,118
Long-term debt	493,961	454,212
Other liabilities	144,005	112,617
Shareholders' equity	584,883	425,299
Total liabilities and shareholders' equity	\$1,905,102	\$1,730,118

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SOURCE: McCormick & Company, Incorporated

CONTACT: McCormick & Company Corporate Communications, +1 410-771-7210

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