



McCormick Announces Record Second Quarter Results

June 29, 2004

SPRING, Ill., June 29 /PRNewswire/—McCormick & Company, Incorporated (NYSE: MCC) today reported record sales, net income and earnings per share for the second quarter ended May 31, 2004.

Sales for the quarter were \$568 million, an increase of 13% versus the second quarter of 2003. Higher volume, pricing and product mix contributed 9% of the increase of which 6% was attributable to the 2003 acquisition of Zatarain's. An increase of 4% was added by favorable foreign exchange rates.

Earnings per share from continuing operations for the second quarter increased 11% to \$0.30 compared to \$0.27 in the second quarter of 2003. When comparing the two quarters, the \$0.03 increase was the net result of the following:

- An excellent performance from the Company's consumer and industrial businesses contributed an increase of \$0.02 in the second quarter of 2004 compared to the prior year. This was the net result of higher sales, improved gross profit margin and a 4% relative increase in advertising expense. Gross profit margin rose to 38.4% from 37.5% due to a profitable shift in sales mix and success with cost reduction initiatives.

- In the second quarter of 2004, the Company recorded income of \$4 million as a special credit related to the settlement of a class action lawsuit against suppliers of flavor enhancers, increasing earnings per share by \$0.04. The Company will use these funds for various sales growth and cost reduction initiatives throughout 2004. In this regard, the Company recorded \$0.02 of selling, general and administrative expense in connection with a plan to reorganize administrative and other functions in international locations.

- These increases in earnings per share were further offset by a \$0.01 increase in special charges as compared to the second quarter of 2003. These charges related to the restructuring actions announced in early 2003.

- Also, as compared to the second quarter of 2003, interest income for the second quarter of 2004 was \$0.03 less than in 2003, which was the period during which the Company recorded a one-time interest payment in connection with the final settlement of the purchase price for the Quince acquisition.

In summary, the \$0.03 increase in earnings per share for the second quarter of 2004 was the net result of a \$0.03 increase in operating results, a \$0.04 increase from the lawsuit settlement, a \$0.02 decrease from reorganization expense, a \$0.01 decrease from special charges and a \$0.03 decrease in interest income related to the 2003 purchase price settlement.

Results from McCormick's consumer and industrial businesses follow:

Consumer Business
(in thousands)

| | Three Months Ended | Six Months Ended |
|--|--------------------|------------------|
| | 5/31/04 | 5/31/03 |

| | | |
|------------------|-----------|-----------|
| Net sales | \$297,338 | \$347,772 |
| Operating income | 45,414 | 56,400 |

For the second quarter of 2004, sales for McCormick's consumer business rose 20% when compared to 2003. Zatarain's added 11% to sales, favorable foreign exchange added 5% and higher volume was the primary driver of an additional 4%. Consumer sales in the Americas rose 24% with 17% from the Zatarain's acquisition, 6% primarily from higher volumes and 1% from foreign exchange. Sales volumes in the U.S. benefited from new distribution gained in 2003 with a leading dufer store chain and a major grocery retailer. In addition to these volume increases, pricing was higher in the Americas for month products in response to higher weights base. Consumer sales in the quarter with 12% less to favorable foreign exchange. In the North Pacific region, industrial sales rose 12%, with 6% increase from foreign exchange and the remaining increase from higher volumes.

Operating income from continuing operations for the consumer business increased 20% to \$46 million for the second quarter of 2004. This increase was driven by strong sales performance and increased margins, offset in part by a \$4 million increase in advertising related to new product launches. Also affecting operating income in the second quarter were costs of \$3 million associated with the reorganization of administrative and other functions.

Industrial Business
(in thousands)

| | Three Months Ended | Six Months Ended |
|--|--------------------|------------------|
| | 5/31/04 | 5/31/03 |

| | | |
|------------------|-----------|-----------|
| Net sales | \$248,826 | \$280,140 |
| Operating income | 28,113 | 29,489 |

For the second quarter of 2004, sales for McCormick's industrial business increased 7% when compared to 2003. Price and product mix were the primary drivers of a 4% increase, and favorable foreign exchange added another 2%. Higher costs for certain raw materials including vanilla, cheese and soy oil led to higher prices. Continued emphasis on more value-added products continues to improve the product mix for this business. In the Americas, industrial sales rose 5% with a continuation of strong sales to restaurant customers driven in part by new products. Industrial sales in Europe increased 12% for the quarter, with foreign exchange contributing 14%, a 44% increase in higher margin food service products included in the sales mix. In the Asia-Pacific region, industrial sales rose 12%, with 6% increase from foreign exchange and the remaining increase from higher volumes. In the second quarter of 2004, industrial business operating income declined 2% to \$28 million. Higher sales and improved margins for the quarter led to an increase of \$3 million or 12% for this business. This was offset by a decrease of \$4 million in operating income due to costs associated with the reorganization of administrative and other functions and special charges related to restructuring actions announced early in 2003.

Chairman's comments

Robert J. Lanham, Chairman, President & CEO, commented, "We are pleased to report record sales, net income and earnings per share for the second quarter and first half of 2004. Employees throughout McCormick are working to grow sales and improve efficiency, and we are seeing the results of these efforts.

"We are excited our program into year 2004, we have made great strides in four key areas:

- "First, we have achieved impressive sales business results year to date. Net sales are up 13% with 5% from acquisitions, 5% from favorable foreign exchange and 6% from our core businesses. The core business increase is being driven by new products, new distribution, more effective marketing, pricing and a continued shift to more value-added products. Success with our sales growth initiatives, together with more efficient operations, added nearly a 4.4 percentage point to gross profit margin. Cash flow operations rose \$46 million, up from \$13 million in the first half of 2003. Our business, the goal is to increase our revenue by \$100 million by the end of 2004."

- "Second, we have completed the transition of our U.S. industrial businesses to the BOK program. This means both consumer and industrial facilities in the U.S. are using a common system and similar processes, positioning us to improve efficiency in all parts of our operations. With these capabilities and progress with supply chain initiatives, we are on track to achieve our \$15 million target of cost savings in 2004. The opportunity for future savings expands as we move international operations onto the SAP platform in 2005."

- "Third, the integration plans for our 2003 acquisitions are on track, and the sales and profit results from these businesses have exceeded our expectations. We continue to seek acquisitions that expand our brand delivery for both the consumer and industrial businesses."

- "And fourth, we received a settlement related to a class action

issued in March 2004 and recorded income of \$9 million in the second quarter. We have already begun to reinvest these funds to grow sales and improve operations. To that end, we have initiated a plan to reorganize administrative and other functions in international locations. We recorded costs of \$4 million associated with this action in the second quarter.

"We have reported great results for the first half of 2004 and are excited about our new products, marketing plans and cost improvements for the second half. We are highly confident that 2004 will be another record year for McCormick."

Live Interview
As previously announced, McCormick will hold a conference call with the analysts today at 10:00 a.m. ET. The conference call will be webcast live via the McCormick corporate web site <http://www.mccormick.com>, click on "Company Information" then "Investor Services," and follow directions to listen to the call. At this same location, a replay of the call will be available for one week following the live call. Past press releases and additional information can be found at the Company's website.
Forward-Looking Statement
Certain information contained in this release, including expected results or net sales and earnings performance, are "forward-looking statements" within the meaning of Section 27E 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: actions of competitors, customer relationships, market acceptance of new products, actual amount and timing of special charge items, removal and disposal costs, final negotiations of third-party contracts, the impact of the stock market conditions or its share repurchase program, fluctuations in the cost and availability of supply chain resources, global economic conditions, including interest and currency rate fluctuations, and inflation rates. The Company undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

About McCormick
McCormick & Company, Incorporated is the global leader in the manufacture, marketing and distribution of spices, seasonings and flavors to the entire food industry - in foodservice and food processing businesses as well as to retail outlets.

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

| Three Months Ended Six Months Ended | |
|---|---|
| 5/31/2004 | 5/31/2003 5/31/2004 5/31/2003 |
| Net sales | \$96,164 \$92,912 \$1,165,526 \$1,013,359 |
| Cost of goods sold | 34,328 332,138 714,913 629,455 |
| Gross profit | 231,926 199,774 453,613 383,904 |
| Gross profit margin | 38.9% 37.5% 38.8% 37.9% |
| Selling, general & administrative expense | 168,652 140,945 328,885 271,924 |
| Special charges / (income) | (6,448) 472 (6,379) 592 |
| Operating income | 49,722 56,357 131,107 111,388 |
| Interest expense | 9,695 9,679 19,267 19,190 |
| Other income, net | (534) (5,972) (684) (6,613) |
| Income from consolidated operations before income taxes | 85,563 52,650 112,524 96,811 |
| Income taxes | 18,713 15,682 34,769 29,888 |
| Net income from consolidated operations | 41,250 36,968 77,755 68,923 |
| Income from unconsolidated operations | 1,825 2,419 5,085 5,326 |
| Minority interest | (822) (951) (1,881) (2,324) |
| Net income from continuing operations | 42,853 38,496 80,959 71,923 |
| Discontinued operations, net of tax | - 1,463 - 3,175 |
| Net income | \$42,853 \$39,959 \$80,959 \$75,098 |

| | |
|---|-----------------------------|
| Earnings per share - basic: | |
| Net income from continuing operations | \$0.31 \$0.28 \$0.59 \$0.52 |
| Net income from discontinued operations | \$ - \$0.01 \$ - \$0.02 |
| Net income | \$0.31 \$0.29 \$0.59 \$0.54 |

| | |
|---|-----------------------------|
| Earnings per share - diluted: | |
| Net income from continuing operations | \$0.30 \$0.27 \$0.57 \$0.50 |
| Net income from discontinued operations | \$ - \$0.01 \$ - \$0.02 |
| Net income | \$0.30 \$0.28 \$0.57 \$0.53 |

| | |
|--|---------------------------------|
| Average shares outstanding basic: | |
| | 137,679 139,202 137,519 139,575 |
| Average shares outstanding assuming dilution | |
| | 142,494 142,410 142,133 142,427 |

Second Quarter Report McCormick & Company, Incorporated
Consolidated Balance Sheet (Unaudited)
(In thousands)

| 5/31/2004 | 5/31/2003 |
|---|-------------------------|
| Assets | |
| Current assets | |
| Cash and cash equivalents | \$16,175 \$26,994 |
| Receivables, net | 313,627 289,829 |
| Inventory, net | 373,614 318,400 |
| Prepaid expenses and other current assets | 37,416 37,298 |
| Current assets of discontinued operations | - 62,604 |
| Total current assets | 741,122 737,125 |
| Property, plant and equipment, net | 459,556 425,217 |
| Goodwill and intangible assets, net | 727,505 828,918 |
| Prepaid advances | 79,171 102,405 |
| Investments and other assets | 129,287 130,684 |
| Non-current assets of discontinued operations | 75,548 - |
| Total assets | \$2,134,181 \$2,035,897 |

| | |
|---|-------------------------|
| Liabilities and shareholders' equity | |
| Current liabilities | |
| Short-term borrowings and current portion of long-term debt | \$142,810 \$153,238 |
| Trade accounts payable | 166,388 182,544 |
| Other current liabilities | 299,382 270,172 |
| Current liabilities of discontinued operations | 25,627 - |
| Total current liabilities | 638,380 625,954 |
| Long-term debt | 495,884 451,329 |
| Other long-term liabilities | 294,004 209,139 |
| Long-term liabilities of discontinued operations | 113 - |
| Minority interest | 1,359 148 |
| Minority interest | 23,780 23,341 |
| Shareholders' equity | |
| Common stock | 312,102 246,725 |
| Retained earnings | 448,454 435,347 |
| Accumulated other comprehensive income (loss) | 40,562 3,940 |
| Total shareholders' equity | 801,233 721,214 |
| Total liabilities and shareholders' equity | \$2,134,181 \$2,035,897 |

Second Quarter Report McCormick & Company, Incorporated
Consolidated Statement of Cash Flows (Unaudited)
(In thousands)

| Six Months Ended | |
|--|-------------------|
| 5/31/2004 | 5/31/2003 |
| Cash flows from continuing operating activities | |
| Net income | \$80,959 \$75,098 |
| Net income from discontinued operations | - (3,175) |
| Net income from continuing operations | 80,959 71,923 |
| Adjustments to reconcile net income from continuing operations to net cash flow from continuing operating activities | |
| Depreciation and amortization | 94,102 30,990 |
| Gain / (loss) on sale of fixed assets | (2,777) 443 |
| Income from unconsolidated operations | (6,085) (5,327) |
| Change in operating assets and liabilities | (44,794) (92,105) |
| Dividends from unconsolidated affiliates | 900 6,697 |
| Net cash flow from continuing operating activities | 66,405 12,621 |
| Cash flows from continuing investing activities | |
| Acquisition of businesses | - (19,515) |
| Purchase price adjustment | - 50,007 |
| Capital expenditures | (27,654) (61,175) |
| Proceeds from sale of fixed assets | 1,271 2,567 |
| Net cash flow from continuing investing activities | (26,383) (7,605) |
| Cash flows from continuing financing activities | |
| Short-term borrowings, net | (28,886) 15,363 |
| Long-term debt borrowings | 49,738 - |
| Long-term debt repayments | (240) (146) |
| Common stock issued | 56,663 18,097 |
| Common stock acquired by purchase | (93,052) (35,075) |
| Dividends paid | (28,541) (25,277) |
| Net cash flow from continuing financing activities | (54,058) (32,508) |
| Effect of exchange rate changes on cash and cash equivalents | |
| Net cash flow from discontinued operations | 5,020 12,764 |
| Net cash flow from discontinued operations | - (3,615) |
| Decrease in cash and cash equivalents | (9,016) (22,138) |
| Cash and cash equivalents at beginning of period | 25,141 47,332 |
| Cash and cash equivalents at end of period | \$16,125 \$24,994 |

SOURCE: McCormick & Company, Incorporated
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