



THE MARKET

McCormick & Company is a global flavor leader with more than \$3.5 billion in annual sales. The company's portfolio of high-quality, innovative flavor brands helps people enjoy delicious meals around the world. Research shows that one thing consumers everywhere won't sacrifice is taste, and flavoring foods ensures great taste. A direct result of this quest for flavor has been the growth in the core herbs and spices business, which has seen an increase from 10 spices and seasonings in the U.S. pantry in the 1950s to an average of 40 today.

Founded and headquartered in the United States, McCormick has brands in more than 110 countries around the world, including high-growth markets such as China, Eastern Europe, Mexico, and India. The company expects more than 20 percent of sales to come from emerging markets by 2015.

ACHIEVEMENTS

McCormick has long been viewed as a leader, not only due to financial performance but also its unique collaborative culture — introduced long before it was the norm and maintained through difficult economic times. Started during the Great Depression, McCormick's Multiple Management process was revolutionary and has become the basis for the collaborative leadership model in place at McCormick today. The company's work in this area, which has grown over time, is noticed outside the company: its new Global Multiple Management Board was recognized by *Human Resource Executive Online* as one of the Best HR Ideas for 2012.

Also in 2012, McCormick was named to three important listings. McCormick was on the Fortune 1000, one of the most important rankings in U.S. business, which ranks the top 1,000 U.S. companies according to revenue. For the second year in a row, McCormick was included on the Forbes Global 2000, another highly respected business ranking. Moreover, as a testament to its long-term success, McCormick was named as part of the inaugural group of the New York Stock Exchange Century Club, which recognizes the

achievements and contributions of companies that have been in business for at least 100 years.

HISTORY

McCormick was started in 1889 in Baltimore, Maryland, in one room and a cellar, by 25-year-old Willoughby McCormick and his staff of three. The company's first products were root beer, flavoring extracts, and fruit syrups and juices. After just a few years, McCormick opened an export office in New York City in 1900; products went out to South and Central America, South Africa, the East and West Indies, and Europe. Business looked good.

Devastation hit when the Great Baltimore Fire of 1904 swept through the city, burning up all of the company's material assets and records. Through hard work and sheer determination, Willoughby was able to rebuild the company quickly. Within 10 months, a new five-story building was erected on the old site. When Willoughby died suddenly in 1932, his 36-year-old nephew Charles Perry (C. P.) McCormick was elected president and chairman of the board.

C.P. successfully led the company through the Great Depression and to great heights as a successful global enterprise by the time he retired in 1969. He was an active civic leader whose impact was felt locally, nationally, and globally. C.P. believed in helping others and was a driving force to support those in need and many worthy causes. His belief in giving back is a core value of McCormick & Company to this day. C.P. also created a formal system that became known as Multiple Management, offering employees the chance to help solve business issues and develop beyond their line jobs.

In 1947 McCormick acquired the A. Schilling & Company of San Francisco, a coffee, spice, and extract business established in 1881. McCormick was the largest spice business east

of the Mississippi River; Schilling was the largest west of the Mississippi. With the acquisition, McCormick became the largest nationally, with coast-to-coast distribution and the tagline, "United to serve the nation's good taste." In addition to parallels in product lines, the two businesses had a similar history in that Schilling survived the San Francisco Earthquake of 1906, which devastated that city, like McCormick endured with the Baltimore Fire of 1904.

Growth through acquisitions — gaining access to top brands in new geographies — is a strategy that remains today. Over the years, McCormick has made many acquisitions and formed subsidiaries in various locations, including the United States, Canada, and Central America.

McCormick stock began trading on the New York Stock Exchange in 1999.

The following year started a spurt of strategic acquisitions that broadened McCormick's flavor portfolio even further, including

- Zatarain's®, the leading New Orleans-style food brand in the United States
- Thai Kitchen®, authentic Thai-flavored meal kits, herbs, spices, and sauces
- Simply Asia®, Asian-inspired meal solutions from noodles and stir fry sauces to seasoning mixes and steamers
- Billy Bee® Honey Products Ltd. of Canada, pure clover honey products
- Lawry's®, spice blends, marinades, and seasoning mixes
- Kamis®, a market leader in Polish seasonings and spices
- Ducros®, a popular brand of spices and herbs in France

THE PRODUCT

Drawing upon McCormick's heritage in spices and herbs, McCormick has grown to a flavor company with a portfolio that includes seasoning blends, condiments, ethnic items, homemade desserts, and other flavorful products. With brands in more than 110 countries, the largest U.S. brands include McCormick, Zatarain's, Lawry's, Grill Mates, and OLD BAY.



Contributing to its great brands, McCormick's most popular flavors are enjoyed around the world. Black pepper, cinnamon, and vanilla are classic, all-around favorites. McCormick continues to develop flavors to meet the needs of the evolving, more sophisticated consumer palate.

Black pepper is the number-one-selling spice in the United States. Americans consumed more than 112 million pounds of pepper last year. Home cooks and culinary chefs alike make McCormick's black pepper a staple in flavoring meals. From the classic black pepper can to Black Peppercorn and Garlic Pepper Seasoning Grinders, McCormick's pepper products are enjoyed in meals every day.

The delicious flavor and delightful aroma of McCormick's cinnamon makes it the number-one choice for millions. McCormick's classic red cap cinnamon flavors everything from baked goods to a morning cup of coffee. The McCormick Gourmet Collection features Saigon

RECENT DEVELOPMENTS

For many cooks, yesterday's favorite flavors don't work. Foodies crave what's new, what's unexplored — what's next. McCormick has been on the forefront of identifying emerging culinary trends through its signature Flavor Forecast®. Since 2000 this report has played a distinctive role in shaping the future of flavor. An extension of McCormick's leadership in the food industry, the release of each Flavor Forecast report is highly anticipated, acting as a catalyst for innovation among food manufacturers and food-service professionals alike.

In 2012 McCormick introduced its first-ever global Flavor Forecast, pooling insights and expertise from McCormick employees around the world. Flavors showcased in past reports have moved once-edgy ingredients into mainstream popularity. Based on past Flavor Forecast reports and additional consumer insights, McCormick launched more than 200 new products around the world in 2011. These include recipe mixes, blends, extracts, rubs, and even frozen meals.

PROMOTION

McCormick practices an integrated approach to promote its products and brands. From Grill Mates and OLD BAY in the summer to McCormick baking products during the holidays, TV, radio, events, contests, promotions, and social media are all used to deliver McCormick's flavor message. Consider these examples:

- For the first time in the company's history, in August 2012, McCormick opened a retail destination at Baltimore's Inner Harbor, just steps away from the site of its plant and headquarters location from 1920 to 1989. A brand showcase, McCormick World of Flavors features McCormick's range of cooking, baking, and grilling products. In addition to McCormick's U.S. brands — such as Grill Mates, OLD BAY, and Zatarain's — global brands including France's Vahiné, Canada's Billy Bee, and McCormick Mexico are also available at the retail destination. At McCormick World of Flavors, visitors can enjoy interactive and educational displays, cooking demonstrations, and an array of culinary gift sets sure to enhance the flavor experience.
- McCormick has nearly 20 brands on Facebook. The engaged audience can get recipes, participate in brand promotions, learn more about products, and share flavor stories.
- Lawry's Digital Dinner Bell mobile Android app received an award from the Mobile Marketing Association. The campaign



focused on using technology to bring families together around the dinner table. Described as the 21st-century way to scream "Dinner is ready," the mobile app was designed to draw the attention of family members who were texting, on the phone, or on the computer during the dinner hour.

- OLD BAY brand is proud to call Baltimore its home. To highlight hometown pride and Baltimore's love for the seasoning, the OLD

BAY "Summer of Baytriotism" campaign was launched in 2012. An integrated campaign, OLD BAY used traditional and new media to speak to true Baytriot. The company was the first in the United States to use Blippar, an engaging technology that allowed Baltimoreans to bring their favorite OLD BAY products and packaging to life using their smartphones. Beyond traditional media, OLD BAY engaged the community through a special restaurant week; more than 30 local restaurants had special OLD BAY-themed menus.

BRAND VALUES

McCormick brings passion to its work, and the entire company pulls together to make the difference — with a passion for flavor, a uniquely collaborative culture, and high-quality and healthful flavors and spices. McCormick also makes a difference in the way people create and experience food. Making food more distinctive and enjoyable inspires the people at McCormick, who are deeply committed to producing only the safest and highest-quality products possible.

To this day, McCormick founder Willoughby McCormick's motto, "Build the best. Someone will buy it," is still a critical value for the company. At the foundation of McCormick's brand values are the company's five pillars of success:

- Passion for flavor*
- Power of people*
- Taste you trust*
- Inspiring healthy choices*
- Delivering high performance*

THINGS YOU DIDN'T KNOW ABOUT McCormick

- McCormick was one of the first companies to produce tea in tea bags versus loose tea and continues to be a large producer of tea in Mexico and El Salvador.
- McCormick is a global leader in flavor, with products as diverse as mustard in Poland, the leading mayonnaise in Mexico, and basmati rice in India.
- The company flavors some of the most popular snacks and foods through its Custom Flavor Solutions team, which works with top food manufacturers.

GREEN FOCUS

McCormick has long been focused on protecting the earth, from which herbs and spices are extracted. One of the key ways in which the company contributes to the world is to carefully consider the supply chain and minimize its impact on the planet. While the list of McCormick's environmental impact successes is long and broad, in just the first phase of its most recent greening of its operations, McCormick has reduced

- Global water usage by 26 percent
- Greenhouse gas emissions by 23 percent
- Solid waste by 22 percent
- Electricity usage by 17 percent

With this success, the company has new goals for a further 10 percent reduction in electricity, solid waste, and water consumption, and a 5 percent reduction for greenhouse gases by the end of 2015.

Cinnamon and Roasted Saigon Cinnamon, popular with cooks and chefs preparing dishes with more complex flavor.

During its 100 years in the vanilla business, McCormick has not only become the world's largest and most trusted supplier of vanilla extracts but has also accumulated a wealth of vanilla research, experience, and technology. In 1965 Dr. Richard Hall and McCormick worked closely with the U.S. Food and Drug Administration to establish the Standard of Identity for this very complex flavor. This federal standard established guidelines that describe both the manufacturing requirements as well as how a product containing vanilla may or may not be marketed, packaged, or advertised. In addition, McCormick scientists worked with the government and industry groups to establish standards to measure both the authenticity of and adulteration to pure vanilla extract.

Today, vanilla is considered one of the world's most popular flavors. McCormick's vanilla has become known as "America's Favorite Vanilla." The popularity goes beyond the taste to the classic bottle — so popular, in fact, that the McCormick vanilla bottle appears in the New York Museum of Modern Art.