MCCORMICK & CO INC
Form 10-Q
July 02, 2012
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF

THE SECURITIES EXCHANGE ACT OF 1934

May 31, 2012 For Quarterly Period Ended May 31, 2012

Commission File Number 001-14920

McCORMICK & COMPANY, INCORPORATED

(Exact name of registrant as specified in its charter)

MARYLAND	**52-0408290**
(State or other jurisdiction of	**(I.R.S. Employer**

incorporation or organization)	**Identification No.)**

18 Loveton Circle, P. O. Box 6000,

Sparks, MD	**21152-6000**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code (410) 771-7301

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to filing requirements for the past 90 days. Yes x No ¨

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 (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No ¨

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 definition of accelerated filer, large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer	x	Accelerated Filer	¨
Non-Accelerated Filer	¨	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 x

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

	Shares Outstanding May 31, 2012
Common Stock	12,427,112
Common Stock Non-Voting	120,206,780

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PART I FINANCIAL INFORMATION

ITEM 1 FINANCIAL STATEMENTS

McCORMICK & COMPANY, INCORPORATED

CONDENSED CONSOLIDATED INCOME STATEMENT (UNAUDITED)

(in millions except per share amounts)

	Three months ended May 31,		Six months ended May 31,	
	2012	2011	2012	2011
Net sales	$ 984.0	$ 883.7	$ 1,890.7	$ 1,666.5
Cost of goods sold	595.6	533.0	1,147.0	987.6
Gross profit	388.4	350.7	743.7	678.9
Selling, general and administrative expense	267.1	241.4	509.8	459.0
Operating income	121.3	109.3	233.9	219.9
Interest expense	13.9	12.3	27.4	24.5
Other (expense) income, net	(0.1)	0.9	0.7	1.4
Income from consolidated operations before income taxes	107.3	97.9	207.2	196.8
Income taxes	30.8	30.4	60.8	60.4
Net income from consolidated operations	76.5	67.5	146.4	136.4
Income from unconsolidated operations	3.9	6.1	8.5	14.0
Net income	$ 80.4	$ 73.6	$ 154.9	$ 150.4
Earnings per common share basic	$ 0.61	$ 0.56	$ 1.17	$ 1.13
Average shares outstanding basic	132.6	132.4	132.8	132.7
Earnings per common share diluted	$ 0.60	$ 0.55	$ 1.15	$ 1.12
Average shares outstanding diluted	134.1	134.1	134.3	134.3
Cash dividends paid per common share	$ 0.31	$ 0.28	$ 0.62	$ 0.56

See notes to condensed consolidated financial statements (unaudited).

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McCORMICK & COMPANY, INCORPORATED

CONDENSED CONSOLIDATED BALANCE SHEET

(in millions)

	May 31, 2012 (unaudited)	May 31, 2011 (unaudited)	November 30, 2011
ASSETS			
Current Assets			
Cash and cash equivalents	$ 61.4	$ 47.9	$ 53.9
Trade accounts receivables, net	378.0	342.6	427.0
Inventories			
Finished products	279.2	274.0	268.8
Raw materials and work-in-process	331.8	303.3	344.9
	611.0	577.3	613.7
Prepaid expenses and other current assets	116.8	111.8	128.3
Total current assets	1,167.2	1,079.6	1,222.9
Property, plant and equipment	1,281.3	1,228.8	1,269.2
Less: accumulated depreciation	(773.8)	(734.0)	(746.1)
Total property, plant and equipment, net	507.5	494.8	523.1
Goodwill, net	1,651.8	1,480.3	1,694.2
Intangible assets, net	341.1	234.7	350.0
Investments and other assets	298.1	300.0	297.6
Total assets	$ 3,965.7	$ 3,589.4	$ 4,087.8
LIABILITIES AND SHAREHOLDERS EQUITY			
Current Liabilities			
Short-term borrowings	$ 242.2	$ 108.2	$ 217.0
Current portion of long-term debt	2.2	100.3	5.4
Trade accounts payable	321.9	301.8	366.6
Other accrued liabilities	334.0	336.2	404.3
Total current liabilities	900.3	846.5	993.3
Long-term debt	1,027.7	781.2	1,029.7
Other long-term liabilities	398.8	319.6	446.3
Total liabilities	2,326.8	1,947.3	2,469.3
Shareholders Equity			
Common stock	313.9	292.6	303.5
Common stock non-voting	548.8	495.2	518.4
Retained earnings	885.9	732.7	838.8
Accumulated other comprehensive (loss) income	(127.3)	112.4	(59.0)
Non-controlling interest	17.6	9.2	16.8
Total shareholders equity	1,638.9	1,642.1	1,618.5
Total liabilities and shareholders equity	$ 3,965.7	$ 3,589.4	$ 4,087.8

See notes to condensed consolidated financial statements (unaudited).

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McCORMICK & COMPANY, INCORPORATED

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UNAUDITED)

(in millions)

	Six months ended May 31, 2012	Six months ended May 31, 2011
Cash flows from operating activities		
Net income	$ 154.9	$ 150.4
Adjustments to reconcile net income to net cash flow provided by operating activities:		
Depreciation and amortization	50.6	48.5
Stock-based compensation	8.7	7.6
Income from unconsolidated operations	(8.5)	(14.0)
Changes in operating assets and liabilities	(72.6)	(166.7)
Dividends from unconsolidated affiliates	11.3	10.5
Net cash flow provided by operating activities	144.4	36.3
Cash flows from investing activities		
Capital expenditures	(35.2)	(33.4)
Proceeds from sale of property, plant and equipment	0.3	0.3
Net cash flow used in investing activities	(34.9)	(33.1)
Cash flows from financing activities		
Short-term borrowings, net	25.3	107.9
Long-term debt borrowings		2.1
Long-term debt repayments	(4.2)	
Proceeds from exercised stock options	29.6	31.1
Common stock acquired by purchase	(68.6)	(89.2)
Dividends paid	(82.4)	(74.3)
Net cash flow used in financing activities	(100.3)	(22.4)
Effect of exchange rate changes on cash and cash equivalents	(1.7)	16.3
Increase (decrease) in cash and cash equivalents	7.5	(2.9)
Cash and cash equivalents at beginning of period	53.9	50.8
Cash and cash equivalents at end of period	$ 61.4	$ 47.9

See notes to condensed consolidated financial statements (unaudited).

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McCORMICK & COMPANY, INCORPORATED

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. ACCOUNTING POLICIES

Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all the information and notes required by United States generally accepted accounting principles for complete financial statements. In our opinion, the accompanying condensed consolidated financial statements contain all adjustments, which are of a normal and recurring nature, necessary to present fairly the financial position and the results of operations for the interim periods presented.

The results of consolidated operations for the three and six month periods ended May 31, 2012 are not necessarily indicative of the results to be expected for the full year. Historically, our net sales, net income and cash flow from operations are lower in the first half of the fiscal year and increase in the second half. The typical increase in net sales, net income and cash flow from operations in the second half of the year is largely due to the consumer business cycle in the U.S., where customers typically purchase more products in the fourth quarter due to the Thanksgiving and Christmas holiday season.

For further information, refer to the consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended November 30, 2011.

Accounting and Disclosure Changes

In June 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update 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. Early adoption is permitted, however we have not currently elected to early adopt this standard. We do not expect any material impact on our financial statements from adoption.

2. ACQUISITIONS

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

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approximately $25 million at the time of the acquisition. Kitchen Basics is included in our consumer business segment from the date of acquisition. As of May 31, 2012, a preliminary valuation of the assets of Kitchen Basics resulted in $6.2 million allocated to tangible net assets, $8.0 million allocated to other intangible assets and $25.8 million allocated to goodwill.

In September 2011, we entered into a joint venture with Kohinoor Foods Ltd. in India whereby we invested $113.0 million for an 85% interest in the joint venture, Kohinoor Speciality Foods India Private Limited (Kohinoor), which was 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. As of May 31, 2012, 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. As of May 31, 2012, 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 $50.2 million and $102.8 million to net sales for the three and six months ended May 31, 2012, respectively.

3. 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 instruments. The use of derivative financial instruments is monitored through regular communication with senior management and the use of written guidelines.

As of May 31, 2012, the maximum time frame for our foreign exchange forward contracts is 7 months. For all derivatives, the net amount of accumulated other comprehensive income expected to be reclassified in the next 12 months is $0.9 million as a reduction of earnings.

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All derivatives are recognized at fair value in the balance sheet and recorded in either current or noncurrent other assets or other accrued liabilities or other long-term liabilities depending upon nature and maturity.

The following table discloses the fair values of derivative instruments on our balance sheet (in millions):

As of May 31, 2012

	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	Notional Amount	Fair Value	Balance Sheet Location	Notional Amount	Fair Value
Interest rate contracts	Other current assets	$ 100.0	$ 17.9			
Foreign exchange contracts	Other current assets	30.3	1.7	Other accrued liabilities	$ 142.4	$ 2.7
Total			$ 19.6			$ 2.7

As of May 31, 2011

	Asset Derivatives			Liability Derivatives		
	Balance Sheet Location	Notional Amount	Fair Value	Balance Sheet Location	Notional Amount	Fair Value
Interest rate contracts	Other current assets	$ 100.0	$ 17.7	Other accrued liabilities	$ 150.0	$ 0.9
Foreign exchange contracts	Other current assets	187.3	3.5	Other accrued liabilities	38.2	2.7
Total			$ 21.2			$ 3.6

As of November 30, 2011

	Asset Derivatives			Liability 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

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The following tables disclose the impact of derivative instruments on our other comprehensive income (OCI), accumulated other comprehensive income (AOCI) and our income statement for the three and six month periods ending May 31, 2012 and 2011 (in millions):

Fair Value Hedges

Derivative	Income statement location	Expense			
		For the 3 months ended 5/31/12	For the 3 months ended 5/31/11	For the 6 months ended 5/31/12	For the 6 months ended 5/31/11
Interest rate contracts	Interest expense	$ 1.2	$ 1.3	$ 2.4	$ 2.5

Cash Flow Hedges For the 3 months ended May 31,

Derivative	Gain or (Loss) recognized in OCI		Income statement location	Gain or (Loss) reclassified from AOCI	
	2012	2011		2012	2011
Interest rate contracts		$ (0.9)	Interest expense	$ (0.4)	$ (0.4)
Foreign exchange contracts	$ 0.5		Cost of goods sold	0.2	(1.0)
Total	$ 0.5	$ (0.9)		$ (0.2)	$ (1.4)

Cash Flow Hedges For the 6 months ended May 31,

Derivative	Gain or (Loss) recognized in OCI		Income statement location	Gain or (Loss) reclassified from AOCI	
	2012	2011		2012	2011
Interest rate contracts		$ (0.9)	Interest expense	$ (0.7)	$ (0.7)
Foreign exchange contracts	(0.4)	(1.8)	Cost of goods sold	0.6	(1.6)
Total	$ (0.4)	$ (2.7)		$ (0.1)	$ (2.3)

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The amount of gain or loss recognized in income on the ineffective portion of derivative instruments is not material. The amounts noted in the tables above for OCI do not include any adjustments for the impact of deferred income taxes.

4. 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 the reporting entity s own assumptions.

Our population of financial assets and liabilities subject to fair value measurements on a recurring basis are as follows (in millions):

		Fair value measurements using fair value hierarchy As of May 31, 2012		
	Fair Value	Level 1	Level 2	Level 3
Assets				
Cash and cash equivalents	$ 61.4	$ 61.4	$	$
Insurance contracts	63.3		63.3	
Bonds & other long-term investments	12.3	12.3		
Interest rate derivatives	17.9		17.9	
Foreign currency derivatives	1.7		1.7	
Total	$ 156.6	$ 73.7	$ 82.9	$
Liabilities				
Foreign currency derivatives	$ 2.7	$	$ 2.7	$

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	Fair Value	Level 1	Level 2	Level 3
	Fair value measurements using fair value hierarchy As of May 31, 2011			
Assets				
Cash and cash equivalents	$ 47.9	$ 47.9	$	$
Insurance contracts	61.9		61.9	
Bonds & other long-term investments	12.9	12.9		
Interest rate derivatives	17.7		17.7	
Foreign currency derivatives	3.5		3.5	
Total	$ 143.9	$ 60.8	$ 83.1	$
Liabilities				
Foreign currency derivatives	$ 2.7		$ 2.7	
Interest rate derivatives	0.9		0.9	
Total	$ 3.6	$	$ 3.6	$

	Fair Value	Level 1	Level 2	Level 3
	Fair value measurements using fair value hierarchy As of November 30, 2011			
Assets				
Cash and cash equivalents	$ 53.9	$ 53.9	$	$
Insurance contracts	59.1		59.1	
Bonds & other long-term investments	12.3	12.3		
Interest rate derivatives	18.9		18.9	
Foreign currency derivatives	2.7		2.7	
Total	$ 146.9	$ 66.2	$ 80.7	$
Liabilities				
Foreign currency derivatives	$ 0.4	$	$ 0.4	$

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.

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5. EMPLOYEE BENEFIT AND RETIREMENT PLANS

The following table presents the components of our pension expense of the defined benefit plans for the three months ended May 31 (in millions):

	United States		International	
	2012	2011	2012	2011
Defined benefit plans				
Service cost	$ 4.4	$ 3.8	$ 1.7	$ 1.6
Interest costs	8.0	7.6	3.3	3.2
Expected return on plan assets	(9.5)	(8.5)	(4.1)	(4.0)
Amortization of prior service costs			0.1	0.1
Recognized net actuarial loss	4.5	3.3	0.9	0.6
Total pension expense	$ 7.4	$ 6.2	$ 1.9	$ 1.5

The following table presents the components of our pension expense of the defined benefit plans for the six months ended May 31 (in millions):

	United States		International	
	2012	2011	2012	2011
Defined benefit plans				
Service cost	$ 8.7	$ 7.6	$ 3.4	$ 3.1
Interest costs	15.9	15.1	6.4	6.3
Expected return on plan assets	(18.9)	(17.0)	(8.1)	(7.9)
Amortization of prior service costs			0.2	0.2
Recognized net actuarial loss	9.1	6.6	1.8	1.2
Total pension expense	$ 14.8	$ 12.3	$ 3.7	$ 2.9

During the six months ended May 31, 2012 and 2011, we made $54.7 million and $39.0 million, respectively, in total contributions to our pension plans. Total contributions to our pension plans in 2012 are expected to be approximately $66 million. Total contributions to our pension plans in fiscal year 2011 were $42.7 million.

The following table presents the components of our other postretirement benefits expense (in millions):

	Three months ended May 31,		Six months ended May 31,	
	2012	2011	2012	2011
Other postretirement benefits				
Service cost	$ 1.1	$ 0.8	$ 2.2	$ 1.9
Interest costs	1.2	1.1	2.4	2.2
Amortization of prior service costs	(1.0)	(1.5)	(2.0)	(3.0)
Amortization of losses	0.1	0.1	0.1	0.4
Total other postretirement expense	$ 1.4	$ 0.5	$ 2.7	$ 1.5

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6. STOCK-BASED COMPENSATION

The following table sets forth the stock-based compensation recorded in selling, general and administrative (SG&A) expense (in millions):

	Three months ended May 31,		Six months ended May 31,	
	2012	2011	2012	2011
Stock-based compensation expense	$ 6.1	$ 5.5	$ 8.7	$ 7.6

Our 2012 annual grant of stock options and restricted stock units (RSU) occurred in the second quarter, similar to the 2011 annual grant. The weighted-average grant-date fair value of an option granted in 2012 was $7.17 and in 2011 was $7.99 as calculated under a lattice pricing model. The fair values of option grants in the stated periods were computed using the following range of assumptions for our various stock compensation plans:

	2012	2011
Risk-free interest rates	0.1 - 2.2%	0.1 - 3.5%
Dividend yield	2.3%	2.4%
Expected volatility	16.5 - 21.6%	15.2 - 22.2%
Expected lives	6.1	6.4

The following is a summary of all option activity for the six months ended May 31, 2012 and 2011:

	2012		2011	
(shares in millions)	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
Outstanding at beginning of period	6.6	$ 34.98	7.4	$ 32.01
Granted	0.8	54.24	0.9	47.40
Exercised	(1.0)	28.46	(1.0)	28.11
Outstanding at end of May	6.4	38.71	7.3	34.62
Exercisable at end of May	4.1	$ 34.56	5.0	$ 32.11

As of May 31, 2012 the intrinsic value (the difference between the exercise price and the market price) for all options outstanding was $113.1 million and for exercisable options was $89.3 million. The total intrinsic value of all options exercised during the six months ended May 31, 2012 and 2011 was $32.0 million and $19.6 million, respectively.

The following is a summary of all of our RSU activity for the six months ended May 31, 2012 and 2011:

	2012		2011	
(shares in thousands)	Number of Shares	Weighted-Average Grant-Date Fair Value	Number of Shares	Weighted-Average Grant-Date Fair Value
Outstanding at beginning of period	233	$ 43.23	289	$ 35.42
Granted	112	54.24	134	47.40
Vested	(146)	42.78	(183)	34.03
Forfeited	(5)	46.09	(3)	37.20

Outstanding at end of period	194	$ 49.86	237	$ 43.24

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7. INCOME TAXES

Other than additions for current year tax positions, there were no significant changes to unrecognized tax benefits during the six months ended May 31, 2012.

In 2010 the Internal Revenue Service (IRS) commenced an examination of our US federal income tax return for the 2007 and 2008 tax years. During the course of the examination we have held discussions with the IRS on certain issues and in June 2012 we received Notices of Proposed Adjustments (NOPAs) for these tax years. We believe we have established appropriate deferred taxes or tax accruals under US GAAP for these issues in prior periods. While it is often difficult to predict the final outcome or the timing of resolution of uncertain tax positions, we believe that our unrecognized tax benefits reflect the most likely outcome. We will continue to update these unrecognized tax benefits, and the related interest, in light of changing facts and circumstances in the future.

Income taxes for the three and six months ended May 31, 2012 include a $1.5 million discrete tax benefit. The benefit was due to the reversal of a portion of a valuation allowance originally established against a subsidiary s net operating losses. This subsidiary has established a pattern of profitability which resulted in us concluding during the quarter that a portion of the valuation allowance should be reversed. Income taxes for the three months ended May 31, 2011 did not include any discrete tax adjustments. Income taxes for the six months ended May 31, 2011 include a $0.8 million discrete tax benefit for the adjustment of an estimate used in a prior year tax provision.

8. EARNINGS PER SHARE AND STOCK ISSUANCES

The following table sets forth the reconciliation of average shares outstanding (in millions):

	Three months ended May 31,		Six months ended May 31,	
	2012	2011	2012	2011
Average shares outstanding basic	132.6	132.4	132.8	132.7
Effect of dilutive securities:				
Stock options/Restricted Stock Units (RSUs)	1.5	1.7	1.5	1.6
Average shares outstanding diluted	134.1	134.1	134.3	134.3

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The following table sets forth the stock options and RSUs for the three and six months ended May 31, 2012 and 2011 which were not considered in our earnings per share calculation since they were anti-dilutive.

	Three months ended May 31,		Six months ended May 31,	
	2012	2011	2012	2011
Anti-dilutive securities	0.7	0.5	0.6	0.4

The following table sets forth the common stock activity for the three and six months ended May 31, 2012 and 2011 under the Company s stock option and employee stock purchase plans and the repurchases of common stock under its stock repurchase program (in millions):

	Three months ended May 31,		Six months ended May 31,	
	2012	2011	2012	2011
Shares issued under stock option, employee stock purchase plans and RSUs	0.5	0.5	1.0	1.1
Shares repurchased in connection with the stock repurchase program	0.5	0.8	1.3	1.9

As of May 31, 2012, $201 million remained of the $400 million share repurchase authorization that was authorized by the Board of Directors in June 2010.

9. COMPREHENSIVE INCOME

The following table sets forth the components of comprehensive income (in millions):

	Three months ended May 31,		Six months ended May 31,	
	2012	2011	2012	2011
Net income	$ 80.4	$ 73.6	$ 154.9	$ 150.4
Net income attributable to non-controlling interest	0.5	0.2	1.3	0.5
Other comprehensive income (loss), (net of tax):				
Unrealized components of Pension plans, net of tax	5.9	1.3	7.4	1.0
Currency translation adjustments	(98.3)	47.0	(75.5)	115.5
Change in derivative financial instruments, net of tax	0.7		(0.2)	(0.4)
Comprehensive (loss) income	$ (10.8)	$ 122.1	$ 87.9	$ 267.0

The other comprehensive income (loss) amounts in the table above are net of tax expense of $1.5 million and $0.8 million for the three months ended May 31, 2012 and 2011, respectively, and net of tax expense of $3.0 million and $1.6 million for the six months ended May 31, 2012 and 2011, respectively.

The following table sets forth the components of accumulated other comprehensive income, net of tax where applicable (in millions):

	May 31, 2012	May 31, 2011	November 30, 2011
Foreign currency translation adjustment	$ 105.4	$ 300.2	$ 180.9
Unrealized gain (loss) on foreign currency exchange contracts	0.8	(1.2)	1.1
Unamortized value of settled interest rate swaps	(4.9)	(5.8)	(5.0)
Pension and other postretirement costs	(228.6)	(180.8)	(236.0)
Accumulated other comprehensive income	$ (127.3)	$ 112.4	$ (59.0)

10. BUSINESS SEGMENTS

We operate in two business segments: consumer and industrial. The consumer and industrial segments manufacture, market and distribute spices, herbs, 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 , Vahine , Schwartz , Club House , Kamis and Kohino 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 individual product lines.

We measure segment performance based on operating income. 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. Because of manufacturing integration for certain products within the segments, products are not sold from one segment to another but rather inventory is transferred at cost. Intersegment sales are not material.

	Consumer	Industrial (in millions)	Total
Three months ended May 31, 2012			
Net sales	$ 568.8	$ 415.2	$ 984.0
Operating income	88.6	32.7	121.3
Income from unconsolidated operations	2.6	1.3	3.9
Three months ended May 31, 2011			
Net sales	$ 499.0	$ 384.7	$ 883.7
Operating income	77.0	32.3	109.3
Income from unconsolidated operations	4.5	1.6	6.1

	Consumer	Industrial (in millions)	Total
Six months ended May 31, 2012			
Net sales	$ 1,102.9	$ 787.8	$ 1,890.7
Operating income	170.0	63.9	233.9
Income from unconsolidated operations	6.4	2.1	8.5
Six months ended May 31, 2011			
Net sales	$ 953.1	$ 713.4	$ 1,666.5
Operating income	163.9	56.0	219.9
Income from unconsolidated operations	10.5	3.5	14.0

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ITEM 2 MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

Our Business

We are a global leader in flavor, with the manufacturing, marketing and distribution of spices, seasoning mixes, condiments and other flavorful products to the entire food industry. Customers range from retail outlets and food manufacturers to food service 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. Annually, approximately 40% of our sales have been outside of the United States.

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 consumers a range of products from premium to value-priced.

Our Strategy

Our strategy is straightforward we invest in the business to drive sales and profits and to fund these investments with cost savings from our Comprehensive Continuous Improvement (CCI) program. This simple strategy has been the driver of our success and is our plan for growth in the future.

Increasing Sales and Profits Our long-term goals are to grow sales 4 to 6%, increase operating income 7 to 9% and increase earnings per share 9 to 11%. Long-term, we expect to achieve mid-single digit sales growth with one-third from category growth, share gains and new distribution, one-third from product

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innovation and one-third from acquisitions. While no new acquisitions are included in our 2012 sales projections, we expect a 4% increase in 2012 from acquisitions completed in 2011 and a favorable impact from our pricing actions, in response to higher material costs. As a result, we project 10 to 12% sales growth in local currency for 2012, with an estimated 2% reduction in growth from unfavorable currency exchange rates based on prevailing rates. Also in 2012, we expect to achieve earnings per share of $3.01 to $3.06. This estimate includes the anticipated benefit of higher sales and CCI cost savings in 2012, along with a favorable comparison to 2011 when $10.9 million of acquisition-related transaction costs were recorded. We anticipate that these increases in profit will be offset in part by higher material costs, with anticipated increases at a high single digit range, as well as $9 million of increased retirement benefit expense. In addition to increased sales and profit, our business generates strong cash flow (we generated $340 million in cash flow from operations in 2011). Long-term, we expect higher cash flow and more efficient asset utilization as we anticipate growth in net income and further reductions in our working capital. We are increasing shareholder return with consistent dividend payments. We have paid dividends every year since 1925 and increased the dividend in each of the past 26 years.

Investing in the Business   We are investing in our consumer business with new products, new packaging and greater marketing support. In 2011, we increased brand marketing by $20 million, or 12%, to support additional digital marketing (one of our highest return investments in brand marketing), Hispanic products in the U.S. and other new products. We have planned increases of approximately $15 million in incremental brand marketing support for 2012 over 2011 levels, with the majority already incurred through the first half of the year.

As an industry leader, McCormick brings innovative ideas to consumers and to industrial customers. Our 2012 new products for our consumer business include Grill Mates rubs, marinades, seasoning blends and additional varieties of Zatarian s frozen entrees in the U.S., recipe mixes in the U.K. and new Ducros brand and Vahine dessert items in France. In China, new varieties of recipe mixes, jams and sauces are among our new product launches. On the industrial side of our business we have a robust new product pipeline in each of our three regions, the Americas, EMEA and Asia/Pacific. Customers continue to turn to McCormick for great taste as they work to improve the health profile of their products. Through the McCormick Science Institute, founded by McCormick in 2007, we are funding the advancement of scientific knowledge of the potential health benefits of culinary spices and herbs. This Institute is also committed to educating consumers, nutritionists and dietitians about these potential health benefits. In 2012, we broke ground in China to create our Asian center for technical innovation, similar to our centers for North America and EMEA, where customers come to collaborate with us on the development of on-trend, consumer preferred products.

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Through acquisitions we are adding leading brands to extend our reach into new geographic regions where we currently have little or no distribution. We have a particular interest in emerging markets that offer high growth potential, such as India and China. In our developed markets, we are seeking consumer brands that have a defensible market position and meet a growing consumer trend.

Cost Savings from CCI   CCI is our ongoing initiative to improve productivity and reduce costs throughout the company. With CCI, each business unit develops cost reduction opportunities and sets specific goals. Our projects fall into the areas of cost optimization, cost avoidance and productivity that includes streamlining processes. However, the only amounts we report are actual cost reductions where costs have decreased from the prior year. CCI cost savings totaled $65 million in 2011, of which $45 million lowered cost of goods sold. In 2012 CCI-related cost savings are projected to be at least $45 million, with a large portion impacting our cost of goods sold.

While we continue to experience an environment of volatile costs for many raw and packaging materials, we have offset this impact with a combination of pricing and cost savings initiatives.

RESULTS OF OPERATIONS - COMPANY

	Three months ended May 31,		Six months ended May 31,	
(in millions)	2012	2011	2012	2011
Net sales	$ 984.0	$ 883.7	$ 1,890.7	$ 1,666.5
Percent increase	11.3%		13.5%	
Gross profit	$ 388.4	$ 350.7	$ 743.7	$ 678.9
Gross profit margin	39.5%	39.7%	39.3%	40.7%

The sales increase of 11.3% for the second quarter of 2012 included a 5.7% increase due to acquisitions and a 1.5% unfavorable impact from foreign currency exchange rates. Excluding acquisitions and the foreign currency impact, we grew sales 7.1%. This was the result of pricing actions, which added 5.0% to net sales, taken in response to increased raw and packaging material costs and higher volume and product mix of 2.1%, when compared to the prior year period. For the consumer business, sales rose 14.0%, which included a 1.3% unfavorable impact from foreign exchange rates. Acquisitions completed in 2011 accounted for 10.1% of the increase and the remaining increase was largely due to pricing actions. For the industrial business, net sales rose 7.9%, which included a 1.6% unfavorable impact from foreign exchange rates. Approximately two-thirds of the industrial sales increase was from higher volume and product mix and one-third was the result of pricing actions.

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Gross profit for the second quarter of the year increased by 10.7% over the comparable period from last year, while our gross profit margin declined by 20 basis points. Gross profit margin this quarter improved sharply from the first quarter of 2012, which saw our gross profit margin decline by 270 basis points from the first quarter of 2011. Our pricing actions and CCI cost savings are not only offsetting the impact of higher material costs dollar-for-dollar, but also leading to a more stable gross profit margin result. We expect this more stable gross profit margin to continue in the second half of the year. For the full year 2012 we expect material cost increases to be in the high single-digit range.

	Three months ended May 31,		Six months ended May 31,	
(in millions)	2012	2011	2012	2011
Selling, general & administrative expense (SG&A)	$ 267.1	$ 241.4	$ 509.8	$ 459.0
Percent of net sales	27.2%	27.3%	26.9%	27.5%

The decrease in SG&A as a percent of net sales was primarily driven by a leveraging effect of our higher sales on selling, distribution and administrative costs. The decrease for the quarter was achieved despite a $3.9 million or 8% increase in our marketing support spending over the prior year. For the six months ended May 31, 2012, marketing support was $12.9 million or 15% higher than the prior period. For the full year 2012, we anticipate increasing our incremental marketing support by approximately $15 million over the prior year.

	Three months ended May 31,		Six months ended May 31,	
(in millions)	2012	2011	2012	2011
Interest expense	$ 13.9	$ 12.3	$ 27.4	$ 24.5
Other (expense) income, net	(0.1)	0.9	0.7	1.4

With higher average debt balances due to our 2011 acquisitions, interest expense for the three and six months May 31, 2012 was higher by $1.6 million and $2.9 million, respectively, than the same period in the prior year. The impact of higher average debt balances in 2012 compared to 2011 was partially offset by the impact of slightly lower interest rates for 2012 compared to 2011.

	Three months ended May 31,		Six months ended May 31,	
(in millions)	2012	2011	2012	2011
Income from consolidated operations before income taxes	$ 107.3	$ 97.9	$ 207.2	$ 196.8
Income taxes	30.8	30.4	60.8	60.4
Effective tax rate	28.7%	31.1%	29.3%	30.7%

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Income taxes for the three and six months ended May 31, 2012 include a $1.5 million discrete tax benefit. The benefit was due to the reversal of a portion of a valuation allowance originally established against a subsidiary s net operating losses. This subsidiary has established a pattern of profitability which resulted in us concluding during the quarter that a portion of the valuation allowance should be reversed. Income taxes for the three months ended May 31, 2011 did not include any discrete tax adjustments. Income taxes for the six months ended May 31, 2011 include $0.8 million in discrete tax benefits for the adjustment of an estimate used in a prior year tax provision. The decrease in the effective tax rate for the second quarter and first half of 2012 as compared to the same period for 2011 results from a reduction in the underlying tax rate due to a change in earnings mix and the increased discrete tax benefits. We are projecting a tax rate of approximately 30% for the remainder of 2012.

	Three months ended May 31,		Six months ended May 31,	
(in millions)	2012	2011	2012	2011
Income from unconsolidated operations	$ 3.9	$ 6.1	$ 8.5	$ 14.0

Income from unconsolidated operations for the second quarter 2012 decreased $2.2 million compared to the same period in 2011. The primary reason for the decline was the unfavorable foreign exchange rate between the Mexican peso and the U.S. dollar. This effect is negatively impacting the translation of earnings from our McCormick de Mexico joint venture, and is also having a negative transaction impact on our purchase of soybean oil (a main ingredient for mayonnaise which is the leading product for this joint venture). For the six months ended May 31, 2012, the decrease of $5.5 million in income from unconsolidated operations is attributable mostly to McCormick de Mexico. For the full year 2012, we believe we will have at least a 20% decline in income from unconsolidated operations compared to the full year 2011.

The following table outlines the major components of the change in diluted earnings per share from 2011 to 2012:

	Three months ended May 31,	Six months ended May 31,
2011 Earnings per share diluted	$ 0.55	$ 1.12
Higher operating income	.06	.07
Effect of lower tax rate	.02	.02
Lower unconsolidated income	(.02)	(.04)
Higher interest expense	(.01)	(.02)
2012 Earnings per share diluted	$ 0.60	$ 1.15

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RESULTS OF OPERATIONS SEGMENTS

CONSUMER BUSINESS

	Three months ended May 31,		Six months ended May 31,	
(in millions)	2012	2011	2012	2011
Net sales	$ 568.8	$ 499.0	$ 1,102.9	$ 953.1
Percent growth	14.0%		15.7%	
Operating income	88.6	77.0	170.0	163.9
Operating income margin	15.6%	15.4%	15.4%	17.2%

The 14.0% increase in sales in the second quarter of 2012 as compared to the second quarter of 2011 included a favorable impact of 10.1% from acquisitions and 1.3% unfavorable impact from foreign currency rates. Excluding acquisitions and the foreign currency impact, we grew sales 5.2%, with increased pricing of 4.4% and higher volume and product mix of 0.8%.

In the Americas, sales increased 6.2% in the second quarter of 2012, compared to the second quarter of 2011, including a 1.1% increase from the Kitchen Basics acquisition and a 0.4% decrease due to unfavorable foreign exchange rates. Excluding the Kitchen Basics acquisition and foreign exchange impact, we grew sales 5.5%. Sales rose 5.4% this period as a result of our pricing actions taken in the fourth quarter of 2011. During this period volume and product mix was about even with the second quarter of 2011. This was an improvement from the first quarter of 2012 when we reported a 1.4% decline in volume and product mix in the period immediately following our pricing action.

As consumers continue to adjust to the higher prices, we look for this stabilization in our core business to continue. We are supporting our brands with marketing activity in the U.S. behind everyday cooking and baking items, as well as programs for Hispanic consumers. Our new products are another important growth driver and have had early success with a number of items including Zatarain s frozen Meals for Two, Grill Mates blends, marinades and barbeque sauces, as well as McCormick gourmet and McCormick recipe mixes that allow consumers to easily prepare wholesome, traditional meals for their families. In Canada, we have gained great retail acceptance for over 35 new products.

Second quarter 2012 sales in EMEA increased 26.5% compared to the second quarter of 2011, including 27.3% from the Kamis acquisition and an unfavorable impact of 5.5% from foreign exchange rates. Favorable volume and product mix increased sales by 3.5% while the impact from higher pricing added 1.2%. This was another period of improved sales results in our base business. The increase was primarily from higher volume and product mix in France, the U.K and smaller markets. Underpinning our sales growth is product innovation, including Recipe Inspirations, Slow Cookers and limited

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edition recipe mixes, along with a number of new dessert items. We are supporting these new items with brand marketing. Our initiatives behind new products and incremental marketing, along with distribution gains, are growing sales of our brands and helping drive positive category growth.

In the Asia/Pacific region, sales increased 66.2% in the second quarter of 2012, compared to the second quarter of 2011, with a 58.8% increase from the Kohinoor acquisition and a 2.5% increase coming from favorable foreign exchange rates. Excluding the acquisition and foreign currency impact, we grew sales 4.9% with 4.4% from pricing actions and higher volume and product mix adding 0.5%. Our business in the Asia/Pacific region tends to have more quarter-to-quarter variability due in part to the timing of holiday seasons and marketing programs. We had very strong performance in the first quarter of 2012 with consumer sales in this region up 20.7%, excluding the impact of Kohinoor and foreign currency. On this basis, sales for the first half of 2012 increased 12.5% with strong results in both China and Australia.

For the six months ended May 31, 2012, the total consumer business sales increase of 15.7% included 10.8% from acquisitions and 0.6% from unfavorable foreign exchange rates. The remaining 5.5% increase was driven by pricing actions which added 4.9% and higher volume and product mix which added 0.6%.

Second quarter 2012 operating income for our consumer business increased $11.6 million, or 15.1%, compared to the second quarter of 2011, which includes the impact of a $4 million increase in our brand marketing support. This is a significant improvement from the first quarter of 2012 when the year-on-year increase in material costs led to a 6.3% decline in operating income.

For the six months ended May 31, 2012, consumer business operating income increased by 3.7% compared to the same period of 2011. The growth in operating income was the result of higher sales and cost savings from CCI.

INDUSTRIAL BUSINESS

	Three months ended May 31,		Six months ended May 31,	
	2012	2011	2012	2011
(in millions)				
Net sales	$ 415.2	$ 384.7	$ 787.8	$ 713.4
Percent increase	7.9%		10.4%	
Operating income	32.7	32.3	63.9	56.0
Operating income margin	7.9%	8.4%	8.1%	7.8%

The 2012 second quarter sales increase of 7.9% from the second quarter of 2011 includes an unfavorable foreign exchange rate impact of 1.6%. Excluding this impact of foreign currency, sales increased 9.5%. Higher pricing added 5.8% to sales, while volume and product mix increased sales by 3.7%.

In the Americas, sales increased 9.2%, which included an unfavorable impact of 1.1% from foreign currency rates. Volume and product mix increased sales by 3.1%, while higher pricing added 7.2% to sales. During this period, the volume and product mix increase was led by new products and increased demand for customized seasoning blends for snacks and other products in the U.S., Canada and Mexico. For food service customers, volume and product mix was comparable to the results from the same period in the prior year.

Our second quarter 2012 industrial sales result in EMEA was a fourth consecutive quarter of strong sales growth. EMEA industrial sales increased 6.4%, and increased 12.1% excluding the impact from unfavorable foreign exchange rates. Volume and product mix was the primary driver, accounting for a 9.2% increase. Pricing actions added 2.9% to sales for the quarter. Demand from quick service restaurants remains robust and we are meeting this demand with products supplied from our operations in the U.K., Turkey and South Africa.

In the Asia/Pacific region, industrial sales increased 2.6% in the second quarter of 2012 compared to the second quarter of 2011, which included a favorable foreign exchange rate impact of 1.9%. Excluding this impact of foreign currency, sales increased 0.7%. Our industrial Asia/Pacific business has some quarter-to-quarter variability due in part to customer promotional activity and new product roll-outs. In local currency, when compared to the prior year, we grew sales 22.4% in the first quarter of 2012, followed by a 0.7% increase in the second quarter of 2012. Also in local currency, sales for the six months ended May 31, 2012 were up 10.4% with increases in China and in Australia of sales to our multi-national customers, including quick service restaurants that continue to expand in this region.

For the six months ended May 31, 2012, the total industrial business sales increase of 10.4% included 1.4% from unfavorable foreign exchange rates. Excluding the impact from foreign currency, the total increase was 11.8%, driven by favorable volumes and product mix of 6.3% and higher pricing of 5.5%.

Second quarter 2012 operating income for our industrial business increased $0.4 million compared to the second quarter of 2011. While we delivered strong sales growth and CCI cost savings, these gains were largely offset by factors that included a less favorable mix of sales and higher benefit costs.

For the six months ended May 31, 2012, industrial business operating income increased by 14.1% and operating income margin was 30 basis points higher than the first half of 2011. The growth in

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operating income was mostly the result of higher sales and cost savings from CCI. For the full year, we expect to achieve increases in both operating income and operating income margin for our industrial business.

MARKET RISK SENSITIVITY

Foreign Exchange Risk

We utilize foreign currency exchange contracts to enhance our ability to manage foreign currency exchange risk. 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 following table sets forth the notional values and unrealized gain or (loss) of the portfolio of our forward foreign currency contracts (in millions):

	May 31, 2012	May 31, 2011	November 30, 2011
Notional value	$ 172.7	$ 225.5	$ 127.6
Unrealized (loss) gain	(1.0)	0.8	2.3

The quarterly fluctuation in notional value is a result of our decisions on foreign currency exposure coverage, based on our foreign currency exposures.

Interest Rate Risk

We manage our interest rate exposure by entering into both fixed and variable rate debt arrangements. In addition, we use interest rate swaps to minimize worldwide financing costs and to achieve a desired mix of fixed and variable rate debt. 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. As of May 31, 2012, we had a total of $100 million, notional value, of interest rate swap contracts outstanding. The fair value of our interest rate swaps was a $17.9 million gain as of May 31, 2012, compared to an $18.9 million gain as of November 30, 2011. The change in fair values is due to changes in interest rates.

Commodity Risk

We 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 products, pepper, 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

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number of ways, including strategic raw material purchases, purchases of raw material for future delivery and customer price adjustments. We generally 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 material to our business.

Credit Risk

The customers of our consumer business are predominantly food retailers and food wholesalers. Consolidations in these industries have created larger customers, some of which are highly leveraged. 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 continue to closely monitor the credit worthiness of our customers and counterparties. We feel that our allowance for doubtful accounts properly recognizes trade receivables at net realizable value. We consider nonperformance credit risk for other financial instruments to be insignificant.

CONTRACTUAL OBLIGATIONS AND COMMERCIAL COMMITMENTS

As of May 31, 2012, there have been no material changes in our contractual obligations and commercial commitments outside the ordinary course of business since November 30, 2011.

LIQUIDITY AND FINANCIAL CONDITION

	Six months ended May 31,	
	2012	2011
	(in millions)	
Net cash provided by operating activities	$ 144.4	$ 36.3
Net cash used in investing activities	(34.9)	(33.1)
Net cash used in financing activities	(100.3)	(22.4)

In the statement of cash flows, the changes in operating assets and liabilities are presented excluding the translation effects of changes in foreign currency exchange rates, as these do not reflect actual cash flows. Accordingly, the amounts in the statement of cash flows do not agree with changes in the operating assets and liabilities that are presented in the balance sheet.

Due to the cyclical nature of a portion of our business, we generate much of our cash flow in the fourth quarter of the fiscal year.

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Operating Cash Flow Cash from operations is typically lower in the first and second quarters and then builds in the third and fourth quarters of our fiscal year. For the first half of 2012 cash flow from operations was $108.1 million higher than that from same period of 2011. The improvement was mainly due to a lower increase in inventory in the first six months of 2012 as compared to the first six months of the prior year. This improvement in cash flow was despite an unfavorable impact from a $16 million increase in our pension plan contributions in 2012 as compared to 2011.

At May 31, 2012 inventory levels declined from the preceding quarter. Part of this decrease was due to our working down the levels of certain strategic inventory. In addition, the steps that we have been taking with our new inventory management processes in North America to reduce our finished goods inventory have improved our working capital cash flow. While we anticipate further raw material and packaging cost inflation in 2012, we expect inventory levels to continue to improve.

Investing Cash Flow The increase in cash outflow used for investing was the result of higher capital expenditures in the first half of 2012 as compared to the same period in 2011. We spent $35.2 million on capital expenditures in the first six months of 2012, compared to $33.4 million for the same period last year. Capital expenditures for the fiscal year 2012 are expected to be $100 to $110 million.

Financing Cash Flow We used $100.3 million in cash flow for financing activities for the first six months of 2012 as compared to $22.4 million in cash flow used for financing activities for the same period last year. The primary reason for this variance is a decrease in net borrowings.

The following table outlines the activity in our share repurchase program for the six months ended May 31 (in millions):

	2012	2011
Number of shares of common stock	1.3	1.9
Dollar amount	$ 68.6	$ 89.2

As of May 31, 2012, $201 million remained of the $400 million share repurchase authorization.

During the six months ended May 31, 2012, we received proceeds of $29.6 million from exercised options compared to $31.1 million in the first half of last year. We increased dividends paid to $82.4 million for the first six months of 2012 compared to $74.3 million in the same period last year. Dividends paid in the first quarter of 2012 were declared on November 22, 2011.

Our ratio of debt-to-total capital (total capital includes debt and total shareholders equity) was 43.7% as of May 31, 2012, up from 37.6% at May 31, 2011 and slightly higher than 43.6% at November 30, 2011. The increase in debt-to-total capital at May 31, 2012 as compared to May 31, 2011 is due to an increase in total debt to help fund our Kamis, Kohinoor and Kitchen Basics acquisitions and decreases in equity due to foreign currency effects.

Most of our cash is denominated in foreign currencies. We manage our worldwide cash requirements by considering available funds among the many subsidiaries through which we conduct our business and the cost effectiveness with which those funds can be accessed. The permanent repatriation of cash balances from certain of our subsidiaries could have adverse tax consequences; however, those balances are generally available without legal restrictions to fund ordinary business operations, capital projects and any possible future acquisitions. At quarter-end May 31, 2012, we temporarily used $188.5 million of cash from our foreign subsidiaries to pay down short-term debt in the U.S. At quarter-end May 31, 2011, we temporarily used $234.0 million of cash from our foreign subsidiaries to pay down short-term debt in the U.S. During a quarter, our short-term borrowings vary, but are lower at the end of a quarter. The average short-term borrowings outstanding for the six months ended May 31, 2012 and May 31, 2011 were $456.6 million and $318.2 million, respectively. Total average debt outstanding for the six months ended May 31, 2012 and May 31, 2011 was $1,461.6 million and $1,173.2 million, respectively.