NEWELL RUBBERMAID INC
Form 10-Q
August 10, 2009
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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

for the Quarterly Period Ended June 30, 2009

Commission File Number 1-9608

NEWELL RUBBERMAID INC.

(Exact name of registrant as specified in its charter)

DELAWARE	36-3514169
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Three Glenlake Parkway

Atlanta, Georgia 30328

(Address of principal executive offices)

(Zip Code)

(770) 418-7000

(Registrant s telephone number, including area code)

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 such filing requirements for the past 90 days. Yes þ 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ 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 the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer þ	Accelerated filer ¨	Non-accelerated filer ¨ (Do not check if a smaller reporting company)	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 þ

Number of shares of common stock outstanding (net of treasury shares) as of June 30, 2009: 277.7 million.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NEWELL RUBBERMAID INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)

(Amounts in millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net sales	$ 1,504.3	$ 1,825.1	$ 2,708.2	$ 3,258.8
Cost of products sold	946.0	1,201.9	1,727.1	2,145.1
GROSS MARGIN	558.3	623.2	981.1	1,113.7
Selling, general and administrative expenses	329.3	392.9	640.8	753.9
Restructuring costs	29.5	69.4	60.0	87.8
OPERATING INCOME	199.5	160.9	280.3	272.0
Nonoperating expenses:				
Interest expense, net	40.3	38.7	70.9	64.5
Other expense, net	1.2	0.4	1.9	0.2
Net nonoperating expenses	41.5	39.1	72.8	64.7
INCOME BEFORE INCOME TAXES	158.0	121.8	207.5	207.3
Income taxes	52.3	28.9	68.1	56.6
INCOME FROM CONTINUING OPERATIONS	105.7	92.9	139.4	150.7
Loss from discontinued operations, net of tax (1)				(0.5)
NET INCOME	105.7	92.9	139.4	150.2
NET INCOME NONCONTROLLING INTERESTS		0.4		0.8
NET INCOME CONTROLLING INTERESTS	$ 105.7	$ 92.5	$ 139.4	$ 149.4
Weighted average shares outstanding:				
Basic	280.8	280.0	280.7	279.8
Diluted	286.8	280.0	283.7	279.8
Earnings per share:				
Basic				
Income from continuing operations	$ 0.38	$ 0.33	$ 0.50	$ 0.54
Loss from discontinued operations				
Net income controlling interests	$ 0.38	$ 0.33	$ 0.50	$ 0.54
Diluted				
Income from continuing operations	$ 0.37	$ 0.33	$ 0.49	$ 0.54

Loss from discontinued operations				
Net income controlling interests	$ 0.37	$ 0.33	$ 0.49	$ 0.54
Dividends per share	$ 0.05	$ 0.21	$ 0.16	$ 0.42

(1) Loss from discontinued operations is attributed to controlling interests.

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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NEWELL RUBBERMAID INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)

(Amounts in millions)

	June 30, 2009	December 31, 2008
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 418.1	$ 275.4
Accounts receivable, net	1,096.2	969.3
Inventories, net	848.4	912.1
Deferred income taxes	129.6	100.4
Prepaid expenses and other	110.5	136.6
TOTAL CURRENT ASSETS	2,602.8	2,393.8
PROPERTY, PLANT AND EQUIPMENT, NET	603.1	630.7
DEFERRED INCOME TAXES	15.9	107.8
GOODWILL	2,722.0	2,698.9
OTHER INTANGIBLE ASSETS, NET	645.6	640.5
OTHER ASSETS	326.8	320.8
TOTAL ASSETS	$ 6,916.2	$6,792.5

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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NEWELL RUBBERMAID INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited) (CONTINUED)

(Amounts in millions, except par value)

	June 30, 2009	December 31, 2008
LIABILITIES AND STOCKHOLDERS EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 460.8	$ 535.5
Accrued compensation	111.8	79.5
Other accrued liabilities	659.2	858.1
Notes payable	7.1	8.3
Current portion of long-term debt	627.1	752.7
TOTAL CURRENT LIABILITIES	1,866.0	2,234.1
LONG-TERM DEBT	2,393.5	2,118.3
OTHER NONCURRENT LIABILITIES	873.9	851.5
STOCKHOLDERS EQUITY:		
Preferred stock, authorized shares, 10.0 at $1.00 par value		
None issued and outstanding		
Common stock, authorized shares, 800.0 at $1.00 par value	293.9	293.1
Outstanding shares, before treasury:		
2009 - 293.9		
2008 - 293.1		
Treasury stock, at cost:	(420.4)	(418.0)
Shares held:		
2009 - 16.2		
2008 - 16.0		
Additional paid-in capital	653.0	606.7
Retained earnings	1,702.6	1,606.6
Accumulated other comprehensive loss	(449.9)	(502.4)
STOCKHOLDERS EQUITY ATTRIBUTABLE TO PARENT	1,779.2	1,586.0
STOCKHOLDERS EQUITY ATTRIBUTABLE TO NONCONTROLLING INTERESTS	3.6	2.6
TOTAL STOCKHOLDERS EQUITY	1,782.8	1,588.6
TOTAL LIABILITIES AND STOCKHOLDERS EQUITY	$ 6,916.2	$6,792.5

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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NEWELL RUBBERMAID INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)

(Amounts in millions)

	Six Months Ended June 30,	
	2009	**2008**
OPERATING ACTIVITIES:		
Net income controlling interests	$ 139.4	$ 149.4
Adjustments to reconcile net income controlling interests to net cash provided by (used in) operating activities:		
Depreciation and amortization	83.9	91.0
Deferred income taxes	14.8	29.1
Non-cash restructuring costs	13.3	46.4
Gain on sale of assets	(1.0)	
Stock-based compensation expense	16.6	16.9
Loss on disposal of discontinued operations		0.5
Other, net	13.9	0.8
Changes in operating assets and liabilities, excluding the effects of acquisitions:		
Accounts receivable	(115.3)	(87.7)
Inventories	78.3	(132.8)
Accounts payable	(77.8)	(8.4)
Accrued liabilities and other	(78.1)	(224.6)
Discontinued operations		(1.9)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	88.0	(121.3)
INVESTING ACTIVITIES:		
Acquisitions, net of cash acquired	(12.1)	(644.1)
Capital expenditures	(70.7)	(78.2)
Proceeds from sales of noncurrent assets	5.7	0.5
NET CASH USED IN INVESTING ACTIVITIES	(77.1)	(721.8)
FINANCING ACTIVITIES:		
Proceeds from issuance of debt, net of debt issuance costs	759.8	919.7
Proceeds from issuance of warrants	32.7	
Purchase of call options	(69.0)	
Payments on notes payable and debt	(517.2)	(81.7)
Cash dividends	(43.4)	(117.4)
Purchase of noncontrolling interests in consolidated subsidiaries	(29.0)	
Other, net	(4.1)	0.2
NET CASH PROVIDED BY FINANCING ACTIVITIES	129.8	720.8
Currency rate effect on cash and cash equivalents	2.0	4.5
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	142.7	(117.8)
Cash and cash equivalents at beginning of period	275.4	329.2

CASH AND CASH EQUIVALENTS AT END OF PERIOD	$ 418.1	$ 211.4

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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NEWELL RUBBERMAID INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Footnote 1 Basis of Presentation and Significant Accounting Policies

The accompanying unaudited condensed consolidated financial statements of Newell Rubbermaid Inc. (collectively with its subsidiaries, the Company) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission and do not include all the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, the unaudited condensed consolidated financial statements include all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial position and the results of operations. It is recommended that these unaudited condensed consolidated financial statements be read in conjunction with the financial statements and the footnotes thereto included in the Company s latest Annual Report on Form 10-K.

Seasonal Variations: The Company s sales and operating income in the first quarter are generally lower than any other quarter during the year, driven principally by reduced volume and the mix of products sold in the quarter.

Recently Adopted Accounting Pronouncements: In February 2008, the Financial Accounting Standards Board (FASB) issued Staff Position (FSP) 157-2 Effective Date of FASB Statement No. 157 (FSP 157-2), which deferred the effective date of Statement of Financial Accounting Standards (SFAS) No. 157, Fair Value Measurements (SFAS 157) as it relates to fair value measurement requirements for nonfinancial assets and nonfinancial liabilities that are not recognized or disclosed at fair value on a recurring basis until January 1, 2009. The adoption of SFAS 157 for the Company s nonfinancial assets and nonfinancial liabilities did not have a material impact on the Company s financial statements.

In December 2007, the FASB issued SFAS No. 141 (Revised 2007), Business Combinations (SFAS 141(R)). SFAS 141(R) significantly changes the accounting for business combination transactions by requiring an acquiring entity to recognize all the assets acquired and liabilities assumed in a transaction at the acquisition-date fair value. SFAS 141(R) also requires acquiring entities to expense transaction costs associated with the acquisition and expense certain restructuring costs associated with integrating the acquired operations, both of which were previously capitalizable as part of an acquisition. Additionally, SFAS 141(R) modifies the accounting treatment for certain specified items related to business combinations and requires a substantial number of new disclosures. SFAS 141(R) is effective for the Company for business combinations with an acquisition date after January 1, 2009. The adoption of SFAS 141(R) did not have an impact on the Company s financial statements, but it could have a material effect on the way the Company accounts for future acquisitions.

In April 2009, the FASB issued FSP 141(R)-1, Accounting for Assets Acquired and Liabilities Assumed in a Business Combination That Arise from Contingencies (FSP 141(R)-1). FSP 141(R)-1 amends and clarifies SFAS 141(R) to address application issues associated with initial recognition and measurement, subsequent measurement and accounting, and disclosure of assets and liabilities arising from contingencies in a business combination. FSP 141(R)-1 is effective for assets or liabilities arising from contingencies in business combinations for which the acquisition date is after January 1, 2009. The adoption of FSP 141(R)-1 did not have an impact on the Company s financial statements, but it could have a material effect on the way the Company accounts for future acquisitions.

In December 2007, the FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements An Amendment of ARB No. 51 (SFAS 160). SFAS 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income (loss) attributable to the parent and to the noncontrolling interest, changes in a parent s ownership interest and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS 160 also establishes reporting requirements that require sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. As required by SFAS 160, on January 1, 2009, the Company retrospectively adopted the presentation and disclosure requirements of SFAS 160 and prospectively adopted all other requirements. The adoption of SFAS 160 resulted in the reclassification of the minority interest in net income (loss) of subsidiaries from other expense (income), net to net income noncontrolling interests in the Condensed Consolidated Statements of Income and the reclassification of the minority interest in the stockholders equity of consolidated subsidiaries from other noncurrent liabilities to stockholders equity attributable to noncontrolling interests in the Condensed Consolidated Balance Sheets. The adoption of SFAS 160 on January 1, 2009 also resulted in the Company classifying $29.0 million for the purchase of minority interests in consolidated subsidiaries as a financing cash flow in the six months ended June 30, 2009, and similar transactions would have been classified as an investing cash flow prior to the adoption of SFAS 160. The adoption of SFAS 160 will continue to impact how transactions between the Company and minority shareholders are presented and classified in the Condensed Consolidated Balance Sheets and Condensed Consolidated Statements of Cash Flows.

The Company adopted Emerging Issues Task Force (EITF) Topic No. D-98, Classification and Measurement of Redeemable Securities (EITF D-98), in conjunction with its adoption of SFAS 160. EITF D-98 is applicable for all noncontrolling interests where the Company is required to purchase noncontrolling interests in a consolidated subsidiary from the noncontrolling interest holder at a specified future date, and the purchase is outside of the Company s control. The Company was required to purchase the noncontrolling interest in an international subsidiary at fair value, $28.2 million, in the six months ended June 30, 2009. In connection with the adoption of SFAS 160 and EITF D-98, the Condensed Consolidated Balance Sheet as of December 31, 2008 has been adjusted to reflect the estimated fair value of the noncontrolling interest the Company was required to purchase, $28.2 million, as an

increase in other accrued liabilities and as a decrease in retained earnings. The following table summarizes the impact of the retrospective adoption of SFAS 160 and EITF D-98 on the Company s balance sheet as of December 31, 2008 *(in millions)*:

	Other Accrued Liabilities	Other Noncurrent Liabilities	Retained Earnings	Stockholders Equity Attributable to Noncontrolling Interests
December 31, 2008, as reported	$829.9	$854.1	$1,634.8	$
Minority interest (noncontrolling interests) in consolidated subsidiaries		(2.6)		2.6
Fair value of noncontrolling interest the Company is required to purchase	28.2		(28.2)	
December 31, 2008, as adjusted	$858.1	$851.5	$1,606.6	$2.6

The retrospective adoption of EITF D-98 and SFAS 160 had a similar impact on the Company s balance sheets as of June 30, 2008 and December 31, 2007.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging Activities, an amendment to FASB Statement No. 133 (SFAS 161). SFAS 161 is intended to improve financial reporting by requiring enhanced disclosures for derivative instruments and hedging activities to enable investors to better understand how derivative instruments are accounted for under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities (SFAS 133), and their effects on an entity s financial position, financial performance and cash flows. SFAS 161 was effective for the Company beginning with the three months ended March 31, 2009. The adoption of SFAS 161 did not have a significant impact on the Company s financial statements. See Footnote 7 for disclosures required by SFAS 161.

In April 2008, the FASB issued FSP SFAS 142-3, Determination of the Useful Life of Intangible Assets (FSP SFAS 142-3). FSP SFAS 142-3 amends the factors an entity should consider when developing renewal or extension assumptions for determining the useful lives of recognized intangible assets under SFAS No. 142, Goodwill and Other Intangible Assets (SFAS 142). FSP SFAS 142-3 is intended to improve the consistency between the useful lives of recognized intangible assets under SFAS 142 and the period of expected cash flows used to measure the fair value of acquired assets. The guidance also requires expanded disclosure related to an entity s intangible assets. The guidance for determining the useful life of a recognized intangible asset shall be applied prospectively to intangible assets acquired after the effective date and the disclosure requirements shall be applied prospectively to all intangible assets recognized as of, and subsequent to, the effective date. FSP SFAS 142-3 was effective for the Company on January 1, 2009. The adoption of FSP SFAS 142-3 did not have a significant impact on the Company s financial statements.

In June 2008, the FASB issued FSP EITF 03-06-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities (FSP EITF 03-06-1). FSP EITF 03-06-1 provides that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and shall be included in the computation of earnings per share pursuant to the two-class method in SFAS No. 128, Earnings per Share . FSP EITF 03-06-1 was effective for the Company on January 1, 2009 and requires all prior-period earnings per share data to be adjusted retrospectively. Certain of the Company s restricted stock awards and restricted stock units are participating securities as defined by FSP EITF 03-06-1, and the Company calculated earnings per share for the three and six months ended June 30, 2008 and 2009 in accordance with the two-class method outlined in FSP EITF 03-06-1. The adoption of FSP EITF 03-06-1 did not have a material impact on the Company s continuing earnings per share for either period. See Footnote 10 for the earnings per share calculations for all periods.

In November 2008, the FASB ratified EITF No. 08-7, Accounting for Defensive Intangible Assets (EITF 08-7). EITF 08-7 clarifies the accounting for certain separately identifiable intangible assets which an acquirer does not intend to actively use but intends to hold to prevent its competitors from obtaining access to them. EITF 08-7 requires an acquirer in a business combination to account for a defensive intangible asset as a separate unit of accounting which should be amortized to expense over the period the asset diminishes in value. EITF 08-7 was effective for the Company on January 1, 2009. The adoption of EITF 08-7 did not have a material impact on the Company s financial statements; however, EITF 08-7 could have a material effect on the way the Company accounts for intangible assets acquired in future acquisitions.

In April 2009, the FASB issued FSP SFAS 107-1 and Accounting Principles Board (APB) Opinion No. 28-1, Interim Disclosures about Fair Value of Financial Instruments (FSP SFAS 107-1 and APB 28-1). FSP SFAS 107-1 and APB 28-1 amends SFAS No. 107, Disclosures about Fair Values of Financial Instruments, to require disclosures about the fair value of financial instruments in interim financial statements as well as in annual financial statements. FSP SFAS 107-1 and APB 28-1 also amends APB Opinion No. 28, Interim Financial Reporting, to require those disclosures in summarized financial information in interim reporting periods. FSP SFAS 107-1 and APB 28-1 became effective for the Company for the three months ended June 30, 2009. The adoption

of FSP SFAS 107-1 and APB 28-1 did not have a significant impact on the Company s financial statements. See Disclosures about Fair Values of Financial Instruments below for disclosures required by FSP SFAS 107-1 and APB 28-1.

In May 2009, the FASB issued SFAS No. 165, Subsequent Events (SFAS 165). SFAS 165 establishes general standards of accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued, and specifically requires the disclosure of the date through which an entity has evaluated subsequent events and the basis for that date. SFAS 165 became effective for the Company for the three months ended June 30, 2009, and the Company has evaluated all subsequent events through August 10, 2009, the date of issuance of the Company s financial statements.

Recently Issued Accounting Pronouncements: In December 2008, the FASB issued FSP 132(R)-1, Employers Disclosures about Postretirement Benefit Plan Assets (FSP SFAS 132(R)-1). FSP SFAS 132(R)-1 amends SFAS No. 132 (revised 2003), Employers Disclosures about Pensions and Other Postretirement Benefits an amendment of FASB Statements No. 87, 88, and 106 (SFAS 132(R)), to require additional disclosures about assets held in an employer s defined benefit pension or other postretirement plan using the guidance in SFAS 157. FSP SFAS 132(R)-1 also amends SFAS 157 to clarify that defined benefit pension or other postretirement plan assets are not subject to disclosure requirements under SFAS 157. FSP SFAS 132(R)-1 is effective for fiscal years ending after December 15, 2009, with early adoption permitted. The adoption of FSP SFAS 132(R)-1 is not expected to have a material impact on the Company s financial statements.

In June 2009, the FASB concurrently issued SFAS No. 166, Accounting for Transfers of Financial Assets, an amendment of FASB Statement No. 140, and SFAS No. 167, Amendments to FASB Interpretation No. 46(R), (collectively, SFAS 166 and SFAS 167) that change the way entities account for securitizations and other transfers of financial instruments. In addition to increased disclosure, SFAS 166 and SFAS 167 eliminate the concept of qualifying special purpose entities and change the test for consolidation of variable interest entities. SFAS 166 and SFAS 167 are effective for the Company on January 1, 2010. The Company is in the process of evaluating these standards to determine whether they will impact the Company s financial condition or results of operations.

In June 2009, the FASB issued SFAS No. 168, The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles (a replacement of FASB Statement No. 162) (SFAS 168). SFAS 168 establishes the FASB Accounting Standards Codification (Codification) as the single source of authoritative U.S. generally accepted accounting principles (GAAP). The Codification does not create any new GAAP standards but incorporates existing accounting and reporting standards into a new topical structure. The Codification will be effective for the Company July 1, 2009, and beginning with the Company s interim report for the period ending September 30, 2009, a new referencing system will be used to identify authoritative accounting standards, replacing the existing references to SFAS, EITF, FSP, etc. Existing standards will be designated by their Accounting Standards Codification (ASC) topical reference and new standards will be designated as Accounting Standards Updates, with a year and assigned sequence number.

Noncontrolling Interests: The following table summarizes the changes in stockholders equity for the six months ended June 30, 2009 (*in millions*):

	Stockholders Equity Attributable to Parent	**Stockholders Equity Attributable to Noncontrolling Interests**	**Total Stockholders Equity**
Balance at December 31, 2008, as restated for adoption of SFAS 160 and EITF D-98	$1,586.0	$2.6	$1,588.6
Net income	139.4		139.4
Cash dividends	(43.4)	(1.8)	(45.2)
Purchase of noncontrolling interests in consolidated subsidiaries	(0.2)	(0.7)	(0.9)
Other	97.4	3.5	100.9
Balance at June 30, 2009	$1,779.2	$3.6	$1,782.8

Accumulated Other Comprehensive Loss: Accumulated other comprehensive loss is recorded within stockholders equity and encompasses foreign currency translation adjustments, gains (losses) on derivative instruments and unrecognized pension and other postretirement costs.

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The following table displays the components of accumulated other comprehensive loss as of and for the six months ended June 30, 2009 *(in millions)*:

	Foreign Currency Translation (Loss) Gain	Unrecognized Pension & Other Postretirement Costs, net of tax	After-tax Derivative Hedging Gain (Loss)	Accumulated Other Comprehensive (Loss) Income
Balance at December 31, 2008	$(242.2)	$(309.1)	$ 48.9	$(502.4)
Current period change	106.5	(6.4)	(47.6)	52.5
Balance at June 30, 2009	$(135.7)	$(315.5)	$ 1.3	$(449.9)

Comprehensive income amounted to the following for the three and six months ended June 30, *(in millions):*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Net income controlling interests	$ 105.7	$ 92.5	$ 139.4	$ 149.4
Foreign currency translation	112.6	8.3	106.5	(2.0)
Unrecognized pension & other postretirement costs, net of tax benefit of $4.3 and $3.6 for the three and six months ended June 30, 2009, respectively, and income tax expense of $0.6 and $1.4 for the three and six months ended June 30, 2008, respectively, and including translation effects	(7.5)	1.6	(6.4)	2.5
Derivative hedging (loss) gain, net of tax expense of $35.8 and $47.1 for the three and six months ended June 30, 2009, respectively, and tax expense (benefit) of $1.5 and $(18.1) for the three and six months ended June 30, 2008, respectively	(41.7)	(0.9)	(47.6)	7.0
Comprehensive income (1)	$ 169.1	$ 101.5	$ 191.9	$ 156.9

(1) Comprehensive income was primarily attributable to controlling interests. Comprehensive income attributable to noncontrolling interests was not material for disclosure purposes.

Disclosures about Fair Values of Financial Instruments: The Company s financial instruments include cash and cash equivalents, accounts receivable, accounts payable, derivative instruments, convertible note hedge instruments, notes payable and short and long-term debt. The carrying values for current financial assets and liabilities, including cash and cash equivalents, accounts receivable and accounts payable, approximate fair value due to the short maturity of such instruments. The fair values of the Company s derivative instruments are recorded in the Condensed Consolidated Balance Sheets and are disclosed in Footnote 7. The fair values of the Company s convertible note hedge instruments are disclosed in Footnote 6. The fair values of certain of the Company s notes payable, short and long-term debt, including the Company s medium-term notes and junior convertible subordinated debentures, are based on quoted market prices and are as follows *(in millions)*:

As of June 30, 2009	As of December 31, 2008

	Fair Value	Book Value	Fair Value	Book Value
Medium-term notes	$ 1,474.9	$ 1,494.3	$ 1,418.3	$ 1,572.3
Preferred securities underlying the junior convertible subordinated debentures	224.1	421.5	219.0	421.5
Convertible Notes	483.3	278.7	N/A	N/A

The carrying amounts of all other significant debt, including the term loan and floating rate note, approximate fair value. The term loan and floating rate note are not publicly traded and accordingly, the fair values of such instruments were determined using a discounted cash flow model and market rates of interest as of June 30, 2009.

Footnote 2 Acquisitions

Technical Concepts

On April 1, 2008, the Company acquired 100% of the outstanding limited liability company interests of Technical Concepts Holdings, LLC (Technical Concepts) for $452.7 million, which includes transaction costs and the repayment of Technical Concepts outstanding debt obligations at closing. Technical Concepts provides touch-free and automated restroom hygiene systems in the away-from-home washroom category. This acquisition was accounted for using the purchase method of accounting and accordingly, the Company allocated the total purchase price to the identifiable tangible and intangible assets acquired and liabilities assumed based on their estimated fair values on the date of acquisition. Based on the purchase price allocation, the Company allocated $41.4 million of the purchase price to identified tangible net assets and $93.5 million of the purchase price to identified intangible assets. The Company recorded the excess of the purchase price over the aggregate fair values of $317.8 million as goodwill. Technical Concepts results of

operations are included in the Company s Condensed Consolidated Financial Statements for the three and six months ended June 30, 2009 and since the acquisition date for the six months ended June 30, 2008. Pro forma results of operations for historical periods would not be materially different and therefore are not presented.

Aprica

On April 1, 2008, the Company acquired substantially all of the assets of Aprica Childcare Institute Aprica Kassai, Inc. (Aprica), a maker of strollers, car seats and other children s products, headquartered in Osaka, Japan. The Company acquired Aprica s assets for $145.7 million, which includes transaction costs and the repayment of Aprica s outstanding debt obligations at closing. Aprica is a Japanese brand of premium strollers, car seats and other related juvenile products. This acquisition was accounted for using the purchase method of accounting and accordingly, the Company allocated the total purchase price to the identifiable tangible and intangible assets acquired and liabilities assumed based on their estimated fair values on the date of acquisition. Based on the purchase price allocation, the Company allocated $(31.7) million of the purchase price to identified tangible net liabilities and $57.0 million of the purchase price to identified intangible assets. The Company recorded the excess of the purchase price over the aggregate fair values of $120.4 million as goodwill. Aprica s results of operations are included in the Company s Condensed Consolidated Financial Statements for the three and six months ended June 30, 2009 and since the acquisition date for the six months ended June 30, 2008. Pro forma results of operations for historical periods would not be materially different and therefore are not presented.

Footnote 3 Restructuring Costs

The Company is implementing a multi-year, global initiative referred to as Project Acceleration aimed at strengthening and transforming the Company s portfolio. Project Acceleration is designed to reduce manufacturing overhead, better align the Company s distribution and transportation processes to achieve logistical excellence, and reorganize the Company s overall business structure to align with the Company s core organizing concept, the global business unit, to achieve best total cost (the Plan). The Plan also provides for divesting, downsizing or exiting certain low-margin, commodity like, mostly resin-intensive product categories. Project Acceleration is expected to be fully implemented in 2010 and is expected to result in cumulative restructuring costs over the life of the initiative totaling between $475 and $500 million ($405 and $425 million after-tax), including $155 to $175 million in non-cash asset-related and facility and other exit costs, $250 to $270 million of employee-related costs, and $50 to $70 million in other associated restructuring costs.

In total through June 30, 2009, the Company has recorded $380.9 million of costs related to the Plan, of which $153.3 million related to facility and other exit costs, $171.0 million related to employee severance, termination benefits and employee relocation costs, and $56.6 million related to exited contractual commitments and other restructuring costs.

The table below summarizes the restructuring costs recognized for Project Acceleration restructuring activities for continuing operations for the three and six months ended June 30, *(in millions)*:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
Facility and other exit costs	$ 8.7	$ 50.2	$ 13.3	$ 46.4
Employee severance, termination benefits and relocation costs	11.5	12.3	32.4	30.3
Exited contractual commitments and other (1)	9.3	6.9	14.3	9.7
	$ 29.5	$ 69.4	$ 60.0	$ 86.4

(1) During 2008, the Company recorded $1.4 million of restructuring charges relating to its 2001 Restructuring Plan, which is not included in the table above but is included in total restructuring costs for the six months ended June 30, 2008.

Restructuring provisions were determined based on estimates prepared at the time the restructuring actions were approved by management, are periodically updated for changes and also include amounts recognized as incurred. Costs incurred include cash payments and the impairment of

assets associated with vacated facilities. A summary of the Company s accrued restructuring reserves as of and for the six months ended June 30, 2009 is as follows (*in millions*):

	December 31, 2008 Balance	Provision	Costs Incurred	June 30, 2009 Balance
Facility and other exit costs	$	$ 13.3	$ (13.3)	$
Employee severance, termination benefits and relocation costs	30.7	32.4	(33.1)	30.0
Exited contractual commitments and other	20.3	14.3	(7.8)	26.8
	$ 51.0	$ 60.0	$ (54.2)	$ 56.8

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The following table depicts the changes in accrued restructuring reserves for the Plan for the six months ended June 30, 2009 aggregated by reportable business segment *(in millions)*:

Segment	December 31, 2008 Balance	Provision	Costs Incurred	June 30, 2009 Balance
Home & Family	$ 6.1	$ 14.8	$ (10.4)	$ 10.5
Office Products	17.5	17.2	(12.9)	21.8
Tools, Hardware & Commercial Products	16.5	16.9	(16.7)	16.7
Corporate	10.9	11.1	(14.2)	7.8
	$ 51.0	$ 60.0	$ (54.2)	$ 56.8

The table below depicts restructuring costs recognized for Project Acceleration restructuring activities for the periods indicated, aggregated by reportable business segment *(in millions)*:

Segment	Three Months Ended June 30, 2009	Three Months Ended June 30, 2008	Six Months Ended June 30, 2009	Six Months Ended June 30, 2008	Since inception through June 30, 2009
Home & Family	$ 6.1	$ 41.4	$ 14.8	$ 41.7	$ 121.9
Office Products	11.7	12.3	17.2	22.1	145.1
Tools, Hardware & Commercial Products	7.8	12.6	16.9	13.0	79.2
Corporate	3.9	3.1	11.1	9.6	34.7
	$ 29.5	$ 69.4	$ 60.0	$ 86.4	$ 380.9

Cash paid for all restructuring activities was $21.0 million and $41.0 million for the three and six months ended June 30, 2009, respectively, and $17.2 million and $35.1 million for the three and six months ended June 30, 2008, respectively.

Footnote 4 Inventories, Net

Inventories are stated at the lower of cost or market value. The components of net inventories were as follows *(in millions)*:

	June 30, 2009	December 31, 2008
Materials and supplies	$ 132.1	$ 143.3
Work in process	180.8	174.8
Finished products	535.5	594.0
	$ 848.4	$ 912.1

Footnote 5 Long-Term Debt

The following is a summary of long-term debt *(in millions)*:

	June 30, 2009	December 31, 2008
Medium-term notes	$ 1,494.3	$ 1,572.3
Term loan	350.0	400.0
Convertible notes	278.7	
Floating rate note	448.0	448.0
Junior convertible subordinated debentures	436.7	436.7
Other long-term debt	12.9	14.0
Total debt	3,020.6	2,871.0
Current portion of long-term debt	(627.1)	(752.7)
Long-term debt	$ 2,393.5	$ 2,118.3

Interest rate swaps

As of June 30, 2009, the Company had entered into fixed-for-floating interest rate swaps designated as fair value hedges. The interest rate swaps relate to $1.0 billion of the principal amount of the medium-term notes and result in the Company effectively paying a floating rate of interest on the medium-term notes subject to the interest rate swaps. The medium-term notes balance at June 30, 2009 and December 31, 2008 include mark-to-market adjustments of $16.4 million and $62.3 million, respectively, to record the fair value of the hedges of the fixed-rate debt, pursuant to SFAS 133, and the mark-to-market adjustments had the effect of increasing the reported value of the medium-term notes.

Debt Tender Offers

During the three months ended June 30, 2009, the Company conducted and completed tender offers through which it repurchased $180.1 million of the $250.0 million aggregate principal amount outstanding of 4.625% notes due December 2009 and $144.9 million of the $250.0 million aggregate principal amount outstanding of 4.000% notes due May 2010 (the Tender Offers). As a result of premiums paid and fees incurred associated with the Tender Offers, the Company recorded a pre-tax loss of $4.7 million which is included in other expense, net in the Condensed Consolidated Statements of Income for the three and six months ended June 30, 2009. The $329.7 million paid to complete the Tender Offers is included as payments on notes payable and debt in the Condensed Consolidated Statement of Cash Flows for the six months ended June 30, 2009.

$300 million medium-term notes due April 2019

In March 2009, the Company completed the offering and sale of $300.0 million aggregate principal amount of 10.60% senior unsecured notes with a maturity of April 2019 (the Notes). The Company s realized net proceeds from the offering of the Notes of $290.2 million were used to complete the Tender Offers and will be used to repay debt and for general corporate purposes. The Notes are unsecured and unsubordinated obligations of the Company and equally ranked with all of its existing and future senior unsecured debt. The interest rate payable on the Notes will be subject to adjustment if the debt rating assigned to the Notes is downgraded (or downgraded and subsequently upgraded). The Notes may be redeemed by the Company at any time, in whole or in part, at a redemption price plus accrued interest to the date of redemption. The redemption price is equal to the greater of (1) 100% of the principal amount of the Notes being redeemed or (2) the sum of the present values of the remaining scheduled payments of principal and interest thereon, discounted to the date of redemption on a semi-annual basis at a specified rate. The Notes also contain a provision that allows holders of the Notes to require the Company to repurchase all or any part of the Notes if a change of control triggering event occurs. Under this provision, the repurchase of the Notes will occur at a purchase price of 101% of the outstanding principal amount, plus accrued and unpaid interest, if any, on such Notes to the date of purchase. The Notes are classified as long-term debt in the Company s Condensed Consolidated Balance Sheet at June 30, 2009 based on their April 2019 maturity date.

$345 million convertible notes

In March 2009, the Company issued $345.0 million convertible senior notes (the Convertible Notes). The Convertible Notes bear interest at a rate of 5.5% per year, which is payable semi-annually, and the Convertible Notes mature on March 15, 2014. The Convertible Notes are convertible at an initial conversion rate of 116.198 shares of the Company s common stock per $1,000 principal amount of Convertible Notes (representing an initial conversion price of approximately $8.61 per share of common stock), subject to adjustment in certain circumstances. Upon conversion, a holder will receive cash up to the aggregate principal amount of the Convertible Notes converted, and cash, shares of common stock or a combination thereof (at the Company s election) in respect of the conversion value above the Convertible Notes principal amount, if any. The conversion obligation is based on the sum of the daily settlement amounts for the 40 consecutive trading days that (i) begin on, and include, the second trading day after the day the Convertible Notes are surrendered for conversion if the relevant conversion date occurs prior to November 15, 2013, or (ii) begin on, and include, the 42nd scheduled trading day immediately preceding March 15, 2014, if the relevant conversion date occurs on or after November 15, 2013. The Convertible Notes will be convertible only in the following circumstances: (1) during any calendar quarter after the calendar quarter ended June 30, 2009 (and only during such calendar quarter), if the closing sale price of the Company s common stock for each of 20 or more trading days in a period of 30 consecutive trading days ending on the last trading day of the immediately preceding calendar quarter exceeds 130% of the conversion price (initially $11.19) in effect on the last trading day of the immediately preceding calendar quarter; (2) during the five business day period after any 10 consecutive trading day period in which the trading price per $1,000 principal amount of Convertible Notes for each trading day of the period was less than 98% of the product of the last reported sale price of the Company s common stock and the applicable conversion rate on each such day; (3) upon the occurrence of specified corporate events; and (4) at any time from, and including, November 15, 2013 through the second scheduled trading day immediately preceding March 15, 2014, the maturity date of the Convertible Notes. Holders of the Convertible Notes may require the Company to purchase all or a portion of the Convertible Notes at a price equal to 100% of the principal amount of the Convertible Notes to be purchased, plus accrued and unpaid interest, in cash, upon the occurrence of certain fundamental changes involving the Company. Net proceeds from this offering were used to complete the convertible note hedge transactions (see Footnote 6 of the Notes to Condensed Consolidated Financial Statements) and the Tender Offers and will be used to repay debt and for general corporate purposes.

The provisions of FSP APB 14-1, Accounting for Convertible Debt Instruments That May Be Settled in Cash upon Conversion (Including Partial Cash Settlement) (FSP APB 14-1), are applicable to the Convertible Notes. FSP APB 14-1 requires the Company, as issuer of the Convertible Notes, to separately account for the liability and equity components of the Convertible Notes in a manner that reflects the Company s nonconvertible debt borrowing rate at the date of issuance when interest cost is recognized in subsequent periods. The Company allocated $69.0 million of the $345.0 million principal amount of the Convertible Notes to the equity component, which represents a discount to the debt and will be amortized into interest expense using the effective interest method through March 2014. Accordingly, the Company s effective interest rate on the Convertible Notes will be 10.8%, so the Company will recognize interest expense during the twelve months ending March 2010 on

the Convertible Notes in an amount that approximates 10.8% of $276.0 million, the liability component of the Convertible Notes at the date of issuance. The interest expense recognized for the Convertible Notes in the twelve months ending March 2011 and subsequent periods will be greater as the discount is amortized and the effective interest method is applied. The Convertible Notes are classified as long-term debt in the Company s Condensed Consolidated Balance Sheet at June 30, 2009 based on their March 2014 maturity date.

Floating rate note and receivables facility

In September 2006, in accordance with the terms of the Company s 2001 receivables facility with a financial institution, the Company s financing entity caused its $450.0 million outstanding preferred debt securities to be exchanged for a two-year floating rate note in an aggregate principal amount of $448.0 million (the Note) and other consideration. The Note must be repaid before the Company can have access to the financing entity s receivables, and the aggregate amount of accounts receivable sold and pledged as collateral for the receivables facility was $596.1 million and $492.9 million as of June 30, 2009 and December 31, 2008, respectively. In September 2008, the Company s wholly owned and consolidated financing entity obtained an extension of the maturity of the Note from September 2008 to September 2009. The receivables and the Note are recorded in the Condensed Consolidated Balance Sheets of the Company at June 30, 2009 and December 31, 2008, and the Note is classified as current portion of long-term debt in the Company s Condensed Consolidated Balance Sheet at June 30, 2009 based on its September 2009 maturity date.

Junior convertible subordinated debentures

In 1997, a 100% owned finance subsidiary (the Subsidiary) of the Company issued 10.0 million shares of 5.25% convertible preferred securities (the Preferred Securities). Each of these Preferred Securities is convertible into 0.9865 of a share of the Company s common stock. As of June 30, 2009, the Company fully and unconditionally guarantees the 8.4 million shares of the Preferred Securities issued by the Subsidiary that were outstanding as of that date, which are callable at 100% of the liquidation preference of $421.2 million. The proceeds received by the Subsidiary from the issuance of the Preferred Securities were invested in the Company s 5.25% Junior Convertible Subordinated Debentures (the Debentures), which mature on December 1, 2027. The Preferred Securities are mandatorily redeemable upon the repayment of the Debentures at maturity or upon acceleration of the Debentures. As of June 30, 2009, the Company has not elected to defer interest payments on the $436.7 million of outstanding Debentures.

Footnote 6 Convertible Note Hedge and Warrant Transactions

In connection with the issuance of the Convertible Notes, the Company entered into separate convertible note hedge transactions and warrant transactions with respect to the Company s common stock to minimize the impact of the potential dilution upon conversion of the Convertible Notes. The Company purchased call options in private transactions to cover 40.1 million shares of the Company s common stock at an exercise price of $8.61 per share, subject to adjustment in certain circumstances, for $69.0 million. The call options generally allow the Company to receive shares of the Company s common stock from counterparties equal to the number of shares of common stock payable to the holders of the Convertible Notes upon conversion. These call options will terminate the earlier of the maturity date of the related Convertible Notes or the first day all of the related Convertible Notes are no longer outstanding due to conversion or otherwise. As of June 30, 2009, the estimated fair value of the call options was $187.9 million.

The Company also sold warrants permitting the purchasers to acquire up to 40.1 million shares of the Company s common stock at an exercise price of $11.59 per share, subject to adjustment in certain circumstances, in private transactions for total proceeds of $32.7 million. The warrants expire over a period of seventy-five trading days beginning on June 13, 2014 and are European-style warrants (exercisable only upon expiration). For each warrant that is exercised, the Company will deliver to the counterparties a number of shares of the Company s common stock equal to the amount by which the Company s stock price exceeds the exercise price, divided by the stock price. The Company will not be required to deliver a number of the Company s shares in connection with the net settlement of the warrants in excess of the aggregate number of shares subject to the warrants, or 40.1 million shares of the Company s common stock. As of June 30, 2009, the estimated fair value of the warrants to the holders was $144.9 million.

The Company has analyzed the convertible note hedge transactions and warrant transactions under EITF Issue No. 00-19, Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled In, a Company s Own Stock, and other relevant literature, and determined that they meet the criteria for classification as equity transactions. As a result, the Company recorded the purchase of the call options as a reduction in additional paid-in capital and the proceeds from the warrants as an increase to additional paid-in capital, and the Company does not recognize subsequent changes in the fair value of the instruments in its financial statements.

Footnote 7 Derivatives

The use of financial instruments, including derivatives, exposes the Company to market risk related to changes in interest rates, foreign currency exchange rates and commodity prices. The Company enters into interest rate swaps related to debt obligations with maturity dates ranging from five to ten years. The Company uses interest rate swap agreements to manage its interest rate exposure and to achieve a desired proportion of variable and fixed rate debt. These derivatives are designated as fair value hedges based on the nature of the risk being hedged. The Company also uses derivative instruments, such as forward contracts, to manage the risk associated with the volatility of future cash flows denominated in

foreign currencies and changes in fair value resulting from changes in foreign currency exchange rates. The Company s foreign exchange risk management policy generally emphasizes hedging transaction exposures of one-year duration or less and foreign currency intercompany financing activities with maturity dates of three

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years or less. The Company uses derivative instruments to hedge various foreign exchange exposures, including the following: (i) variability in foreign currency-denominated cash flows, such as the hedges of inventory purchases for products produced in one currency and sold in another currency and (ii) currency risk associated with foreign currency-denominated operating assets and liabilities, such as forward contracts and other instruments that hedge cash flows associated with intercompany financing activities. Additionally, the Company purchases certain raw materials which are subject to price volatility caused by unpredictable factors. Where practical, the Company uses derivatives as part of its commodity risk management process. The Company reports its derivative positions in the Condensed Consolidated Balance Sheets on a gross basis and does not net asset and liability derivative positions with the same counterparty. The Company monitors its positions with, and the credit quality of, the financial institutions that are parties to its financial transactions.

Derivative instruments are accounted for at fair value in accordance with SFAS 133. The accounting for changes in the fair value of a derivative depends on the intended use and designation of the derivative instrument. For a derivative instrument that is designated and qualifies as a fair value hedge, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current earnings. For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is initially reported as a component of accumulated other comprehensive income (loss) (AOCI), net of tax, and is subsequently reclassified into earnings when the hedged transaction affects earnings. The ineffective portion of the gain or loss is recognized in current earnings. For derivatives designated as qualifying hedges of net investments, the gain or loss on the instruments is recognized in AOCI. Gains and losses from changes in fair values of derivatives that are not designated as hedges for accounting purposes are recognized currently in earnings, and such amounts were not material for the six months ended June 30, 2009.

The following table summarizes the Company s outstanding derivative instruments and their effects on the Condensed Consolidated Balance Sheet as of June 30, 2009 *(in millions)*:

Derivatives designated as hedging instruments	Asset Derivatives Balance Sheet Location	Asset Derivatives Fair Value	Liability Derivatives Balance Sheet Location	Liability Derivatives Fair Value
Interest rate swaps	Other assets	$22.2	Other noncurrent liabilities	$ 5.8
Cross currency interest rate swaps	Prepaid expenses and other		Other accrued liabilities	
Foreign exchange contracts on inventory related purchases	Prepaid expenses and other	2.1	Other accrued liabilities	3.0
Foreign exchange contracts on intercompany borrowings	Prepaid expenses and other		Other accrued liabilities	14.3
	Total assets	$24.3	Total liabilities	$23.1

The fair values of outstanding derivatives that are not designated as hedges for accounting purposes were not material as of June 30, 2009. The Company is a party to an interest rate swap in an asset position for which settlement could be accelerated if the Company s credit rating falls below investment grade. The Company is not a party to any derivatives that require collateral to be posted prior to settlement.

Fair Value Hedges

The pre-tax effects of derivative instruments designated as fair value hedges on the Company s Condensed Consolidated Statements of Income for the three and six months ended June 30, 2009 were as follows (*in millions*):

Derivatives in fair value relationships	Location of gain (loss) recognized in income	Gain (loss) recognized in income Three Months Ended June 30, 2009	Gain (loss) recognized in income Six Months Ended June 30, 2009

Interest rate swaps	Interest expense, net	$(37.7)	$(45.9)
Fixed-rate debt	Interest expense, net	$ 37.7	$ 45.9

The Company did not record any ineffectiveness related to fair value hedges during the three or six months ended June 30, 2009.

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Cash Flow Hedges

The pre-tax effects of derivative instruments designated as cash flow hedges on the Company s Condensed Consolidated Statements of Income and AOCI for the three and six months ended June 30, 2009 were as follows (*in millions*):

		Three Months Ended June 30, 2009		Six Months Ended June 30, 2009
Derivatives in cash flow hedging relationships	**Location of gain (loss) recognized in income**	**Gain (loss) reclassified from AOCI into income**	**Gain (loss) recognized in AOCI**	**Gain (loss) reclassified from AOCI into income**