CHURCH & DWIGHT CO INC /DE/
Form 10-K
February 24, 2009
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

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

THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2008

Commission File Number

1-10585

CHURCH & DWIGHT CO., INC.

(Exact name of registrant as specified in its charter)

Delaware	**13-4996950**

(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
469 North Harrison Street, Princeton, N.J.	**08543-5297**
(Address of principal executive office)	**(Zip Code)**

Registrant s telephone number, including area code: **(609) 683-5900**

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	**Name of each exchange on which registered**
Common Stock, $1 par value	New York Stock Exchange
Preferred Stock Purchase Rights	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes x No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No x

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 and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer or non-accelerated filer. 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 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 Act). Yes ¨ No x

The aggregate market value of the voting and non-voting common equity held by non-affiliates as of June 27, 2008 (the last business day of the registrant s most recently completed second fiscal quarter) was approximately $3.3 billion. For purposes of making this calculation only, the registrant included all directors, executive officers and beneficial owners of more than ten percent of the Common Stock of the Company as affiliates. The aggregate market value is based on the closing price of such stock on the New York Stock Exchange on June 27, 2008.

As of February 20, 2009, 70,141,472 shares of Common Stock were outstanding.

Documents Incorporated by Reference

Certain provisions of the registrant s definitive proxy statement to be filed not later than April 30, 2009 are incorporated by reference in Items 10 through 14 of Item III of this Annual Report on Form 10-K.

Table of Contents

CAUTIONARY NOTE ON FORWARD-LOOKING INFORMATION

This Annual Report contains forward-looking statements, including, among others, statements relating to short- and long-term financial objectives, sales and earnings growth, earnings per share, margin improvement, price increases, marketing spending, the Orajel Acquisition, assets held for sale, the shift to concentrated liquid laundry detergent, the Company s diesel fuel hedge program, increases in research and development and product development spending, interest rate collars, effective tax rate, unrecognized tax benefits, capital expenditures, pension plan contributions, the closing of the Company s facilities in North Brunswick, New Jersey and the investment in a new facility in York County, Pennsylvania. These statements represent the intentions, plans, expectations and beliefs of the Company, and are subject to risks, uncertainties and other factors, many of which are outside the Company s control and could cause actual results to differ materially from such forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include a decline in market growth and consumer demand (including the effect of political, economic and marketplace conditions and events on consumer demand); unanticipated increases in raw material and energy prices; adverse developments affecting the financial condition of major customers; competition; the impact of retailer actions in response to changes in consumer demand and the economy including increasing shelf space of private label products; consumer reaction to new product introductions and features; disruptions in the banking system and financial markets and the outcome of contingencies, including litigation, pending regulatory proceedings and environmental remediation.

The Company undertakes no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our filings with the U.S. Securities and Exchange Commission.

Table of Contents

TABLE OF CONTENTS

PART I

Table of Contents

PART I

ITEM 1. BUSINESS

GENERAL

The Company, founded in 1846, develops, manufactures and markets a broad range of household, personal care and specialty products under well-recognized brand names, including ARM & HAMMER and TROJAN. The Company s business is divided into three primary segments, Consumer Domestic, Consumer International and Specialty Products. The Consumer Domestic segment includes household products for deodorizing and cleaning, such as ARM & HAMMER baking soda and cat litter and SCRUB FREE, KABOOM, ORANGE GLO and BRILLO cleaning products; and laundry products, such as XTRA and ARM & HAMMER laundry detergents, OXICLEAN pre-wash laundry additive and NICE N FLUFFY fabric softener. This segment also includes personal care products, such as TROJAN condoms, NAIR depilatories, FIRST RESPONSE and ANSWER home pregnancy and ovulation test kits, ARRID antiperspirant, ARM & HAMMER, CLOSE-UP and AIM toothpastes, ORAJEL oral analgesics and SPINBRUSH battery-operated toothbrushes. The Consumer International segment primarily sells a variety of personal care products, some of which use the same brands as our domestic product lines, in international markets, including France, the United Kingdom, Canada, Mexico, Australia, Brazil and China. The Specialty Products segment is the largest U.S. producer of sodium bicarbonate, which it sells together with other specialty inorganic chemicals for a variety of industrial, institutional, medical and food applications. This segment also sells a range of animal nutrition and specialty cleaning products. In 2008, the Consumer Domestic, Consumer International and Specialty Products segments represented approximately 71%, 17% and 12%, respectively, of the Company s net sales.

All domestic brand rankings contained in this report are based on dollar share rankings from AC Nielsen FDM excluding Wal-Mart for the 52 weeks ending December 27, 2008. Foreign brand rankings are derived from several sources.

2008 DEVELOPMENTS

On February 29, 2008, the Company sold its wholly-owned British subsidiary, Brotherton Speciality Products Ltd. (Brotherton) for a total of $11.2 million, net of fees. The sale resulted in a pretax gain of $3.0 million, which was included as a reduction of selling, general and administrative (SG&A) expenses in the Specialty Products Segment.

On June 5, 2008, the Company announced plans to construct a new integrated laundry detergent manufacturing plant and distribution center in York County, Pennsylvania. Construction began in September 2008, and the facility is scheduled to be operational by the end of 2009. In conjunction with the opening of the new facility, the Company will close its existing laundry detergent manufacturing plant and distribution facility in North Brunswick, New Jersey. The North Brunswick facility is comprised of five separate buildings, which has resulted in significant inefficiencies and cannot accommodate expansion to address expected future growth. The Company plans to provide severance and transition benefits to approximately 300 affected employees at the North Brunswick complex, as well as consideration for employment opportunities at other Company operations.

On July 7, 2008, the Company purchased the net assets of the Del Pharmaceuticals, Inc. over-the-counter business from Coty, Inc. (the Orajel Acquisition) for cash consideration of $383.4 million, including fees. Products acquired from Del Pharmaceuticals, Inc. include the ORAJEL brand of oral analgesics and various other over-the-counter brands (OTC). The Company funded the acquisition with additional bank debt of $250.0 million and available cash. The terms and conditions of the additional borrowing are consistent with those of the Company s existing bank debt.

The Company called for redemption on August 15, 2008 (the Redemption Date) of all its outstanding 5.25% Senior Convertible Debentures due 2033 (the Debentures) at 101.50% of the principal amount of the Debentures plus accrued and unpaid interest to the Redemption Date. In lieu of surrendering the Debentures for

Table of Contents

cash redemption, holders could elect to convert their Debentures into shares of the Company s common stock at the conversion rate of 32.26 shares of the Company s common stock per $1,000 principal amount of Debentures (equivalent to a conversion price of $31.00 per share). Holders of $99.9 million principal amount of the Debentures that were outstanding when the Debentures were called for redemption converted their Debentures into 3,222,293 shares of Company common stock, and on the Redemption Date, the Company redeemed the remaining nominal principal amount of Debentures for cash.

On August 29, 2008, the Company sold its wholly-owned subsidiary in Spain for a total of $6.0 million. The transaction resulted in a pretax charge of $3.5 million, which has been recorded in SG&A expense for the Consumer International segment. As a result of the sale, a $4.0 million tax benefit was also recorded as a reduction to tax expense.

Table of Contents

FINANCIAL INFORMATION ABOUT SEGMENTS

As noted above, the Company s business is organized into three reportable segments, Consumer Domestic, Consumer International and Specialty Products (SPD). These segments are based on differences in the nature of products and organizational and ownership structures. The businesses of these segments generally are not seasonal, although the Consumer Domestic and Consumer International segments are affected by sales of SPINBRUSH, which typically are higher during the fall, in advance of the holiday season, and sales of the depilatories and waxes product group, which typically are higher in the spring and summer months. Information concerning the net sales, operating income and identifiable assets of each of the segments is set forth in Note 19 to the consolidated financial statements included in this report and in Management s Discussion and Analysis of Financial Condition and Results of Operations, which is Item 7 of this report.

CONSUMER PRODUCTS

Consumer Domestic

Principal Products

The Company s founders first marketed baking soda in 1846 for use in home baking. Today, this product has a wide variety of uses in the home, including as a refrigerator and freezer deodorizer, scratchless cleaner and deodorizer for kitchen surfaces and cooking appliances, bath additive, dentifrice, cat litter deodorizer, and swimming pool pH stabilizer. The Company specializes in baking soda-based products, as well as other products which use the same raw materials or technology or are sold in the same markets. In addition, this segment includes other deodorizing and household cleaning products, as well as laundry and personal care products. The following table sets forth the principal products of the Company s Consumer Domestic segment.

Type of Product	Key Brand Names
Household	ARM & HAMMER Pure Baking Soda and other deodorizing products
	ARM & HAMMER Carpet & Room Deodorizers
	ARM & HAMMER Cat Litter Deodorizer
	ARM & HAMMER Clumping Cat Litters
	LAMBERT KAY Pet Care Products
	BRILLO Soap Pads
	SCRUB FREE Bathroom Cleaners
	CLEAN SHOWER Daily Shower Cleaner
	CAMEO Aluminum & Stainless Steel Cleaner
	SNO BOL Toilet Bowl Cleaner
	ARM & HAMMER and XTRA Powder and Liquid Laundry Detergents
	XTRA and NICE N FLUFFY Fabric Softeners
	ARM & HAMMER FRESH N SOFT Fabric Softeners
	DELICARE Fine Fabric Wash
	ARM & HAMMER Super Washing Soda
	OXICLEAN Detergent and Cleaning Solution
	KABOOM Cleaning Products
	ORANGE GLO Cleaning Products
Personal Care	ARM & HAMMER Toothpastes
	SPINBRUSH Battery-operated Toothbrushes
	MENTADENT Toothpaste, Toothbrushes
	AIM Toothpaste
	PEPSODENT Toothpaste
	CLOSE-UP Toothpaste
	PEARL DROPS Toothpolish and Toothpaste
	RIGIDENT Denture Adhesive
	ARM & HAMMER Deodorants & Antiperspirants
	ARRID Antiperspirants

3

Table of Contents

Type of Product	Key Brand Names
	LADY S CHOICE Antiperspirants
	TROJAN Condoms
	NATURALAMB Condoms
	CLASS ACT Condoms
	FIRST RESPONSE Home Pregnancy and Ovulation Test Kits
	ANSWER Home Pregnancy and Ovulation Test Kits
	NAIR Depilatories, Lotions, Creams and Waxes
	CARTERS LITTLE PILLS Laxative
	ORAJEL Oral Analgesics

Household Products

In 2008, household products constituted approximately 63% of the Company s Domestic Consumer sales and approximately 45% of the Company s total sales.

The ARM & HAMMER trademark was adopted in 1867. ARM & HAMMER Baking Soda remains the leading brand of baking soda in terms of consumer recognition of the brand name and reputation for quality and value. The deodorizing properties of baking soda have led to the development of several household products. For example, the Company markets ARM & HAMMER FRIDGE FRESH, a refrigerator deodorizer equipped with both a baking soda filter to keep food tasting fresher and an indicator to tell the consumer when the product needs to be replaced. In addition, ARM & HAMMER Carpet and Room Deodorizer is the number two brand in the domestic carpet and room deodorizer market.

The Company s laundry detergents constitute its largest consumer business, measured by sales volume. The Company markets its ARM & HAMMER brand laundry detergents, in both powder and liquid forms, as value products, priced at a discount from products identified by the Company as market leaders. The Company markets its XTRA laundry detergent in both powder and liquid at a slightly lower price than ARM & HAMMER brand laundry detergents. Although the powder laundry detergent segment continued its long-term steady decline throughout 2008, ARM & HAMMER powder maintained its position as the leading powder detergent value brand by dollar share. The Company also markets XTRA SCENTSATIONS, a highly fragranced and concentrated liquid laundry detergent. In 2008, the Company completed the conversion in the United States of its liquid laundry detergents to a more concentrated and environmentally sensible formula. The Company also markets OXICLEAN pre-wash laundry additive. OXICLEAN is the number one brand in the laundry pre-wash additives market in the U.S. The Company markets ARM & HAMMER plus OXICLEAN liquid and powder laundry detergents, combining the benefits of these two powerful laundry detergent products and OXICLEAN SPRAY AWAY portable instant stain remover. The Company has recently launched OXICLEAN Max Force, a concentrated stain remover.

The Company s laundry products also include fabric softener sheets that prevent static cling and soften and freshen clothes. The Company markets ARM & HAMMER FRESH N SOFT liquid fabric softener and offers another liquid fabric softener, NICE N FLUFFY, at a slightly lower price enabling the Company to compete at several price points. In 2009, the Company is launching ARM & HAMMER Total 2-in-1Dryer Cloths, a fabric softener sheet that delivers liquid-like softening, freshening and static control.

The Company markets a line of cat litter products, including ARM & HAMMER SUPER SCOOP clumping cat litter. Line extensions of SUPER SCOOP include ARM & HAMMER Multi-Cat cat litter, designed for households with more than one cat, ARM & HAMMER ODOR ALERT cat litter, with crystals that change color when activated, and ARM & HAMMER ESSENTIALS clumping cat litter, a corn-based scoopable litter made for consumers who prefer to use products made from natural ingredients. The Company also markets a line of pet care products under the LAMBERT KAY brand name. The Company intends to continue to innovate and offer new products under the ARM & HAMMER brand in the household and pet care categories.

Table of Contents

The Company markets a line of household cleaning products including CLEAN SHOWER daily shower cleaner, SCRUB FREE bathroom cleaners and SNO BOL toilet bowl cleaner. The Company also markets KABOOM bathroom cleaner and ORANGE GLO household cleaning products.

Personal Care Products

The Company entered the personal care business using the unique strengths of its ARM & HAMMER trademark and baking soda technology, and has expanded its presence through its acquisition of antiperspirants, oral care products, depilatories, reproductive health products and oral analgesics**.** The personal care market is highly innovative and is characterized by a continuous flow of new products and line extensions and intense competition, requiring heavy advertising and promotion. In 2008, Personal Care Products constituted approximately 37% of the Company s Consumer Domestic sales and approximately 26% of the Company s total sales.

ARM & HAMMER Baking Soda, when used as a dentifrice, whitens and polishes teeth, removes plaque and leaves the mouth feeling fresh and clean. These properties led to the development of a complete line of sodium bicarbonate-based dentifrice products which are marketed and sold nationally primarily under the ARM & HAMMER DENTAL CARE brand name. In 2008, the Company introduced ARM & HAMMER Age Defying toothpaste, which protects and rebuilds enamel and ARM & HAMMER Whitening Booster, an additive that may be used with any toothpaste for convenient whitening.

The Company also manufactures in the United States and markets in the United States (including Puerto Rico) and Canada, the MENTADENT brand of toothpaste and toothbrushes, and CLOSE-UP, PEPSODENT and AIM toothpaste.

In 2008, the Company purchased and began marketing ORAJEL oral analgesics. In 2009, the Company will add two new products to its portfolio, BABY ORAJEL Cooling Cucumber Teething Gel and BABY ORAJEL Tooth and Gum Cleanser.

The Company markets SPINBRUSH battery-operated toothbrushes in the United States (including Puerto Rico), the United Kingdom, Canada, China, Australia and Japan. In 2008, the SPINBRUSH battery-operated toothbrush was the number one brand of battery-operated toothbrushes in the United States. The Company also markets SPINBRUSH Pro-Select toothbrushes, a two speed version of SPINBRUSH and SPINBRUSH Pro-Recharge, a rechargeable toothbrush offering up to one week of power brushes between charges. In 2008, the Company introduced SPINBRUSH Swirl, a value-oriented product which is designed to encourage manual brush users to convert to battery-operated toothbrushes.

The Company s deodorant and antiperspirant products are marketed under the ARM & HAMMER, ARRID and LADY S CHOICE brand names.

Condoms are recognized as highly reliable contraceptives as well as an effective means of reducing the risk of sexually transmitted diseases (STDs). The TROJAN condom brand has been in use for more than 80 years. In 2008, the brand continued its market share leadership in the United States with the success of such products as EXTENDED PLEASURE, HER PLEASURE, TWISTED PLEASURE, SHARED PLEASURE, MAGNUM WITH WARM SENSATIONS, a unique lubricant system which warms the skin on contact for enhanced pleasure, TROJAN Ultra Thin condoms and an expanded line of vibrating rings. In 2008, the Company launched two products in the growing thin segment of the condom category, TROJAN THINTENSITY and TROJAN MAGNUM THIN. In 2009, the Company will launch TROJAN 2GO, which contains two condoms in a pocket sized card that makes it easier to discretely carry condoms and TROJAN Ecstasy, a uniquely shaped condom.

In 2008, FIRST RESPONSE was the number one brand in the home pregnancy and ovulation test kit business category. The Company also markets FIRST RESPONSE Rapid Result test kit, designed to tell a

Table of Contents

woman if she is pregnant within one minute after taking the test and ANSWER, which competes in the value segment of the home pregnancy and ovulation test kit market. In 2009, the Company will launch an at-home female fertility test under the FIRST RESPONSE brand name.

The NAIR line of non-shaving hair removal products is the number two brand in the United States, with innovative products that address consumer needs for quick, complete and longer-lasting hair removal. The Company offers waxes, depilatory creams and cloth strips under the NAIR brand name.

Consumer International

The Consumer International segment markets and sells a variety of personal care products, over-the-counter and household products in international markets, including France, the United Kingdom, Canada, Mexico, Australia, Brazil and China.

Canada, France, the United Kingdom and Mexico accounted for 33%, 21%, 18% and 10%, respectively, of the Company s international sales in this segment in 2008. No other country in which the Company operates accounts for more than 10% of its total international net sales in this segment, and no brand accounts for more than 11% of its total international net sales in this segment.

Certain of the Company s international product lines are similar to its domestic product lines. The Company markets depilatories and waxes, home pregnancy and ovulation test kits and oral care products in most of its international markets. For example, the Company markets waxes and depilatory products in France, the United Kingdom, Canada, Mexico, Brazil and Australia, and TROJAN condoms in Canada, Mexico, China and the United Kingdom.

The Company has expanded distribution of ARM & HAMMER products internationally by selling ARM & HAMMER laundry and pet care products in Canada and Mexico. The Company also markets SPINBRUSH battery-operated toothbrushes, primarily in the United Kingdom, Canada, China, Australia and Japan, and OXICLEAN, KABOOM and ORANGE GLO products primarily in Mexico and Canada.

The Company sells PEARL DROPS products in Europe, Canada and Australia and STERIMAR nasal hygiene products in a number of markets in Europe, Latin America, Canada and Australia.

COMPETITION FOR CONSUMER DOMESTIC AND CONSUMER INTERNATIONAL

The Company competes in the oral care and personal care and deodorizing markets using the strengths of its trademarks and technologies. These are highly innovative markets, characterized by a continuous flow of new products and line extensions, and requiring heavy advertising and promotion.

The domestic condom market is highly concentrated in product offerings with a limited number of competitors. The market is divided between premium brands and price brands, with companies competing on the basis of quality, innovation and price.

The domestic depilatories and waxes market is highly concentrated with a limited number of competitors. Products compete based on their functionality, innovation and price.

Internationally, the Company s products compete in similar competitive categories.

Many of the Company s competitors are large companies, including The Procter & Gamble Company, Sun Products Corporation, The Clorox Company, Colgate-Palmolive Company, S.C. Johnson & Son, Inc., Henkel AG & Co. KGaA, Reckitt Benckiser Group plc, Johnson & Johnson, Inverness Medical Innovations, Inc. and SSL International plc. Many of these companies have greater financial resources than the Company and have the capacity to outspend the Company if they attempt to gain market share.

Table of Contents

Consumer products, particularly those that are value-priced, such as laundry and household cleaning products, are subject to significant price competition. From time to time, the Company may need to reduce the prices for some of its products to respond to competitive and customer pressures and to maintain market share.

Product introductions typically involve heavy marketing costs in the year of launch, and the Company usually is not able to determine whether the new products and line extensions will be successful until some time following the introduction of the new products or the extension of the product line.

Because of the competitive environment facing retailers, the Company faces pricing pressure from customers, particularly the high-volume retail store customers, who have increasingly sought to obtain pricing concessions or better trade terms. These concessions or terms could reduce the Company s margins. Furthermore, if the Company is unable to maintain price or trade terms acceptable to its trade customers, the customers could increase product purchases from competitors and reduce purchases from the Company, which would harm the Company s sales and profitability.

DISTRIBUTION FOR CONSUMER DOMESTIC

Products in the Consumer Domestic segment are primarily marketed throughout the United States through a broad distribution platform that includes supermarkets, mass merchandisers, wholesale clubs, drugstores, convenience stores, pet specialty stores and dollar stores. The Company employs a sales force based regionally throughout the United States. In each market, the sales force utilizes the services of independent food brokers, who represent our products in the Food, Pet, Dollar and Club classes of trade. The Company s products are stored in Company plants and public warehouses and are either delivered by independent trucking companies or picked up by customers.

DISTRIBUTION FOR CONSUMER INTERNATIONAL

The Company s Consumer International distribution network reflects capacity and cost considerations. In Canada, Mexico and Australia, finished goods are warehoused internally and shipped directly to customers through independent freight carriers. In the United Kingdom, Brazil and China, all product distribution is subcontracted to professional distribution companies. In France, distribution of consumer products to mass markets is handled internally while distribution of OTC products to pharmacies and professional diagnostics to laboratories is handled by outside agencies.

Specialty Products (SPD)

Principal Products

The Company s SPD segment focuses on sales to businesses and participates in three product areas: Specialty Chemicals, Animal Nutrition and Specialty Cleaners. The following table sets forth the principal products of the Company s SPD segment.

Type of Product	**Key Brand Names**
Specialty Chemicals	ARM & HAMMER Performance Grade Sodium Bicarbonate ARMAND PRODUCTS Potassium Carbonate and Potassium Bicarbonate(1)
Animal Nutrition	ARM & HAMMER Feed Grade Sodium Bicarbonate ARMACAD-G Enhanced Sesquicarbonate MEGALAC Rumen Bypass Fat SQ-810 Natural Sodium Sesquicarbonate BIO-CHLOR and FERMENTEN Rumen Fermentation Enhancers DCAD Plus Feed Grade Potassium Carbonate(2)
Specialty Cleaners	Commercial & Professional Cleaners and Deodorizers ARMAKLEEN Aqueous Cleaners(3) ARMEX Blast Media(3)

(1) Manufactured and marketed by Armand Products Company, an entity in which the Company holds a joint venture interest.
(2) Manufactured for the Company by Armand Products Company.
(3) Distributed in North America by The ArmaKleen Company, an entity in which the Company holds a joint venture interest.

Specialty Chemicals

The Company s specialty chemicals business primarily consists of the manufacture, marketing and sale of sodium bicarbonate in a range of grades and granulations for use in industrial and agricultural markets. In industrial markets, sodium bicarbonate is used by other manufacturing companies as a leavening agent for commercial baked goods, as an antacid in pharmaceuticals, as a carbon dioxide release agent in fire extinguishers, as an alkaline agent in swimming pool chemicals, and as a buffer in kidney dialysis.

The Company s 99.8% owned Brazilian subsidiary, Quimica Geral do Nordeste (QGN), is South America s leading provider of sodium bicarbonate.

The Company and Occidental Petroleum Corporation are equal partners in a joint venture, Armand Products Company, which produces and markets potassium carbonate and potassium bicarbonate. Potassium chemicals are sold to, among others, the glass industry for use in TV and computer monitor screens. Armand Products also manufactures for the Company a potassium carbonate-based animal feed additive for sale in the dairy industry.

Animal Nutrition Products

A special grade of sodium bicarbonate, as well as sodium sesquicarbonate, is sold to the animal feed market as a feed additive for use by dairymen as a buffer, or antacid, for dairy cattle. The Company also markets and sells DCAD Plus feed grade potassium carbonate as a feed additive into the animal feed market.

The Company manufactures, markets and sells MEGALAC rumen bypass fat, a nutritional supplement made from natural oils, which enables cows to maintain energy levels during the period of high milk production, resulting in improved milk yields and minimized weight loss. The product and the trademark MEGALAC are licensed under a long-term license agreement from a British company, Volac Ltd.

The Company also manufactures, markets and sells BIO-CHLOR and FERMENTEN, a range of specialty feed ingredients for dairy cows, which improve rumen feed efficiency and help increase milk production.

Specialty Cleaners

The Company also provides a line of cleaning and deodorizing products for use in commercial and industrial applications such as office buildings, hotels, restaurants and other facilities.

The Company has a joint venture, The ArmaKleen Company, with the Safety-Kleen Corporation. The ArmaKleen Company was formed to build a specialty cleaning products business based on the Company s technology and Safety-Kleen s sales and distribution organization. In North America, this joint venture distributes the Company s proprietary product line of aqueous cleaners along with the Company s ARMEX blast media line, which is designed for the removal of a wide variety of surface coatings. The Company continues to pursue opportunities to build this industrial cleaning business using the Company s aqueous-based technology as well as the ARMEX blast media line of products.

COMPETITION FOR SPD

In the Specialty Products segment, competition within the specialty chemicals and animal nutrition product lines remains intense. The specialty chemicals business operates in a competitive environment influenced by capacity utilization, buyers leverage and the impact of raw material and energy costs. Product introductions typically involve introductory costs in the year of launch, and the Company usually is not able to determine whether new products and line extensions will be successful until some time following the introduction of new products or the extension of the product lines.

Table of Contents

DISTRIBUTION FOR SPD

In the SPD segment, the Company markets sodium bicarbonate and other chemicals to industrial and agricultural customers primarily throughout the United States and Canada. Distribution is accomplished through a dedicated sales force supplemented by manufacturer s representatives and the sales personnel of independent distributors throughout the country. The Company s products in this segment are located in Company plants and public warehouses and are either delivered by independent trucking companies or picked up by customers at the Company s facilities.

RAW MATERIALS AND SOURCES OF SUPPLY

The Company manufactures sodium bicarbonate for both its consumer and specialty products businesses at its plants located at Green River, Wyoming and Old Fort, Ohio. The primary source of soda ash, a basic raw material used by the Company in the production of sodium bicarbonate is the mineral trona, which is found in abundance in southwestern Wyoming near the Company s Green River plant. The Company has adequate trona reserves under mineral leases to support the Company s sodium bicarbonate requirements for the foreseeable future.

The Company is party to a partnership agreement with General Chemical Corporation, which mines and processes trona reserves in Wyoming. Through the partnership and related supply and services agreements, the Company fulfills a substantial amount of its soda ash requirements, enabling the Company to achieve some of the economies of an integrated business capable of producing sodium bicarbonate and related products from the basic raw material. The Company also has an agreement for the supply of soda ash from another company. The partnership agreement and other supply agreements between the Company and General Chemical are terminable upon two years notice by either company. The Company believes that alternative sources of supply are available.

The Company believes that ample sources of raw materials are available for all of its other major products. Detergent chemicals are used in a variety of the Company s products and are available from a number of sources. Bottles, paper products and clay are available from multiple suppliers, although the Company chooses to source most of these materials from single sources under long-term supply agreements in order to gain favorable pricing. The Company also uses a palm oil fraction in its rumen bypass fats products. Alternative sources of supply are available in case of disruption or termination of the agreements.

Continuing a trend that began in 2005, the cost of raw materials was substantially higher in 2008, although by the end of 2008 the cost of many of these raw materials retreated from mid-year highs. Despite a second half reduction in cost of many raw materials, the cost of soda ash surfactants, diesel fuel, corrugated paper, liner board and oil-based raw and packaging materials used in the household and specialty products businesses were all higher at the end of 2008 than the prior year average. Moreover, the price of palm fatty acid distillate (PFAD), which generally fluctuates with the price of global vegetable oil, was substantially higher in 2008, although it too had eased off of mid-year highs by the end of the year. The Company offset these increases in 2008 through savings realized in cost improvement programs and price increases on many of its products. Despite a second half reduction in the cost of most commodities, some commodities continued to rise in price. Additional increases in the prices of certain raw materials could further materially impact the Company s costs and financial results if the Company is unable to pass such costs along in the form of price increases to its customers.

The Company utilizes the services of third party contract manufacturers for certain products, including SPINBRUSH battery-operated toothbrushes that are made by two contract manufacturers located in China.

Following the Orajel Acquisition, certain products acquired in the transaction were manufactured for the Company by Coty, Inc. pursuant to a transition manufacturing agreement. The Company currently is integrating the manufacturing of these products at an existing Company facility, which is expected to be completed by the end of 2009.

Table of Contents

PATENTS AND TRADEMARKS

The Company s trademarks (identified throughout this annual report in capitalized letters), including ARM & HAMMER, are registered with the United States Patent and Trademark Office and also with the trademark offices of many foreign countries. The ARM & HAMMER trademark has been used by the Company since the late 1800 s, and is a valuable asset and important to the successful operation of the Company s business. The Company s other valuable trademarks include TROJAN, NAIR, ORAJEL, FIRST RESPONSE, MENTADENT, CLOSE-UP, AIM, PEPSODENT, XTRA, BRILLO, ARRID, KABOOM, ORANGE GLO, SCRUB FREE, OXICLEAN, CLEAN SHOWER and SPINBRUSH. United States trademark registrations have a term of 10 years and are renewable every 10 years so long as the trademarks are used in the regular course of trade. The Company s portfolio of trademarks represent substantial goodwill in the businesses using the trademarks.

United States patents are currently granted for a term of 20 years from the date the patent application is filed. Although the Company actively seeks and maintains a number of patents, no single patent is considered significant to the business as a whole.

In conjunction with the 2005 SPINBRUSH acquisition from Procter & Gamble, the Company received a royalty free license to use the Crest tradename until October 29, 2009 and Procter & Gamble agreed to refrain from using the Crest tradename for two years thereafter. The Company recently completed a transition plan to remove the Crest tradename from its SPINBRUSH products. The Company cannot predict the effect of the loss of the tradename will have on SPINBRUSH sales and profitability.

CUSTOMERS AND ORDER BACKLOG

In each of the years ended December 31, 2008, 2007 and 2006, net sales to the Company s largest customer, Wal-Mart Stores, Inc. and its affiliates were 22%, 22% and 21%, respectively, of the Company s total consolidated net sales. The time between receipt of orders and shipment is generally short, and as a result, backlog is not significant.

RESEARCH & DEVELOPMENT

The Company conducts research and development activities primarily at its Princeton and Cranbury facilities in New Jersey. The Company devotes significant resources and attention to product development, process technology and basic research to develop differentiated products with new and distinctive features and to provide increased convenience and value to its customers. To increase its innovative capabilities, the Company engages outside contractors for general research and development in activities beyond its core areas of expertise. During 2008, $51.2 million was spent on research and development activities as compared to $49.8 million in 2007 and $44.7 million in 2006.

GOVERNMENT REGULATION

Some of the Company s products are subject to regulation under the Food, Drug and Cosmetic Act, which is administered by the Food and Drug Administration and the Insecticide, Fungicide and Rodenticide Act and the Toxic Substances Control Act, which are administered by the Environmental Protection Agency. The Company is also subject to regulation by the Federal Trade Commission in connection with the content of its labeling, advertising, promotion, trade practices and other matters. The Company s relationship with certain union employees may be overseen by the National Labor Relations Board. The Company s activities are also regulated by various agencies of the states, localities and foreign countries in which the Company sells its products.

ENVIRONMENTAL MATTERS

The Company s operations are subject to federal, state and local regulations governing air emissions, wastewater discharges, and solid and hazardous waste management activities. The Company endeavors to take

Table of Contents

actions necessary to comply with such regulations. These steps include periodic environmental audits of each Company facility. The audits, conducted by independent engineering firms with expertise in the area of environmental compliance, include site visits at each location, as well as a review of documentary information, to determine compliance with such federal, state and local regulations. The Company believes that its compliance with existing environmental regulations will not have a material adverse effect with regard to the Company s capital expenditures, earnings or competitive position. No material capital expenditures relating to environmental control or remediation are presently anticipated.

GEOGRAPHIC AREAS

Approximately 78%, 78% and 79% of the net sales reported in the accompanying consolidated financial statements in 2008, 2007 and 2006, respectively, were to customers in the United States. Approximately 94%, 92% and 93% of the Company s long-lived assets were located in the United States at December 31, 2008, 2007 and 2006, respectively. Other than the United States, no one country accounts for more than 6% of consolidated net sales and 4% of total assets.

EMPLOYEES

At December 31, 2008, the Company had approximately 3,500 employees. The Company is party to a labor contract with the United Industrial Workers of North America at its London, Ohio plant, which expires on November 30, 2010, and with the International Machinist Union at its Colonial Heights, Virginia plant, which expires May 31, 2010. Internationally, the Company employs union employees in France, Brazil and New Zealand. The Company believes that its relations with both its union and non-union employees are satisfactory.

CLASSES OF SIMILAR PRODUCTS

The Company s operations, exclusive of unconsolidated entities, constitute three reportable segments, Consumer Domestic, Consumer International and SPD. The table set forth below shows the percentage of the Company s net sales contributed by each group of similar products marketed by the Company during 2008, 2007 and 2006.

	% of Net Sales		
	2008	2007	2006
Consumer Domestic			
Household	45%	45%	42%
Personal Care	26%	25%	29%
Consumer International	17%	18%	18%
SPD	12%	12%	11%

The table above reflects consolidated net sales, exclusive of net sales of unconsolidated entities.

PUBLIC INFORMATION

The Company maintains a web site at www.churchdwight.com and makes available free of charge on this web site the Company s annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, as soon as reasonably practicable after the Company electronically files these materials with, or furnishes them to, the Securities and Exchange Commission. Also available on the Company s website are the Company s Corporate Governance Guidelines, charters for the Audit, Compensation & Organization and Governance & Nominating Committees of the Company s Board of Directors and the Company s Code of Conduct. Each of the foregoing is also available in print free of charge and may be obtained upon written request to: Church & Dwight Co., Inc., 469 North Harrison Street, Princeton, New Jersey 08543, attention: Secretary. The information presented in the Company s web site is not a part of this report and the reference to the Company s web site is intended to be an inactive textual reference only.

Table of Contents

ITEM 1A. RISK FACTORS

The following risks and uncertainties, as well as others described elsewhere in this report, could materially adversely affect our business, results of operations and financial condition:

Economic conditions could adversely affect our business.

Uncertainty about current global economic conditions has affected demand for many products. Factors that can affect demand include rates of unemployment, consumer confidence, health care costs, fuel and other energy costs and other economic factors affecting consumer spending behavior. While the Company s products generally are consumer staples that should be less vulnerable to decreases in discretionary spending than other products, they may become subject to increasing price competition as recessionary conditions continue. Moreover, some of our products, such as laundry additives and battery operated toothbrushes, are more likely to be affected by consumer decisions to control spending.

Some of our customers, including mass merchandisers, supermarkets, drugstores, convenience stores, wholesale clubs, pet specialty stores and dollar stores have experienced declining financial performance, which could affect their ability to pay amounts due to us on a timely basis or at all. In response, we conducted a review of the financial strength of our key customers during the fourth quarter of 2008, and we continue to monitor these customers. As appropriate, we modified customer credit limits, which may have an adverse impact on future sales. We have conducted a similar review of our suppliers to assess both their financial viability and the importance of their products to our operations. Where appropriate, we intend to identify alternate sources of materials and services. To date, we have not experienced a material adverse impact from economic conditions affecting our customers or suppliers. However, a continued economic decline that adversely affects our suppliers and customers could adversely affect our operations and sales.

The banking system and financial markets have experienced severe disruption in recent months, including, among other things, bank failures and consolidations, severely diminished liquidity and credit availability, rating downgrades, declines in asset valuations, and fluctuations in foreign currency exchange rates. These conditions present the following risks to us, among others:

- We are dependent on the continued financial viability of the financial institutions that participate in the syndicate that is obligated to fund our $100 million revolving credit agreement. In addition, our credit agreement includes an accordion feature that enables us to increase the principal amount of our term loan by $250 million. If one or more participating institutions are unable to honor their funding commitments, the cash availability under our revolving credit agreement may be curtailed and funding of the accordion feature may not occur.

- We are dependent on the continued financial viability of the bank that administers and makes available a backstop line of credit under our accounts receivable securitization facility. The facility currently provides for maximum funding of $115 million. Under the securitization facility, we sell from time to time throughout the term of the related agreements (which are renewed annually), our trade accounts receivable to a wholly-owned, consolidated, special purpose finance subsidiary. The finance subsidiary in turn sells on an ongoing basis, to a commercial paper issuer affiliated with the bank, an undivided interest in the pool of accounts receivable. The bank s backstop line of credit enables us to borrow from the bank in the event the commercial paper issuer is unable to sell commercial paper backed by the accounts receivable. We recently renewed the securitization, which now expires in February 2010.

We have not been notified of any circumstances that would prevent any participating financial institution from funding our revolving credit agreement, or term loan accordion feature, or from participating in our securitization facility in February 2010. However, under current or future circumstances, such constraints may exist. Although we believe that our operating cash flows, together with our access to the credit markets, provide us with significant discretionary funding capacity, the inability of one or more institutions to fund the credit facilities or participate in our securitization facility could have a material adverse effect on our liquidity and operations.

The recent economic crisis also has resulted in a decline in prices of securities in the public trading markets. As a result, our pension funding requirements have increased. In the fourth quarter of 2008, we contributed $8.6 million to our defined benefit plans to help mitigate reduction in asset values. A continued decline in the public trading markets could result in the need to provide additional funding.

If our trade customers discontinue or reduce distribution of our products or increase private label products, our sales may decline, adversely affecting our financial performance.

The economic crisis has caused many of our trade customers to more critically analyze the number of brands they sell which may result in the reduction or discontinuance of certain of our product lines, particularly those products that are not number one or two in their category. If this occurs and we are unable to improve distribution for those products at other trade customers, our Company s results could be adversely affected.

In addition, many of our trade customers sell products under their own private label brand which compete with products that we sell. As consumers look for opportunities to decrease discretionary spending during these difficult economic times, our trade customers may discontinue or reduce distribution of our products to encourage those consumers to purchase their less expensive private label products. To the extent some of our products are discontinued or are adversely affected by our trade customers actions to increase shelf space for their private label products, we are focusing our efforts on improving distribution with other customers. Our Company s results could be adversely affected if our efforts are not effective.

If the reputation of one or more of our leading brands erodes our financial results could suffer.

Our Company s financial success is directly dependent on the success of our brands, particularly the ARM & HAMMER and TROJAN brands. The success of these brands can suffer if our marketing plans or product initiatives do not have the desired impact on a brand s image or its ability to attract consumers. Further, our Company s results could be adversely affected if one of our leading brands suffers damage to its reputation due to real or perceived quality issues.

We have recently developed and commenced sales of a number of new products and line extensions, but if they do not gain widespread customer acceptance or if they cause sales of our existing products to decline, our financial performance could decline.

We recently completed the conversion of our liquid laundry detergents to a more concentrated product. In addition, we have recently introduced or will be introducing new consumer product line extensions, such as TROJAN 2 GO and TROJAN ECSTASY condoms, NAIR Exfoliator with Microbeads, BABY ORAJEL Cooling Cucumber Teething Gel, BABY ORAJEL Tooth and Gum Cleanser, ARM & HAMMER Total 2-in-1 Dryer Cloths and OXICLEAN Max Force, a concentrated stain remover. The development and introduction of new products involves substantial research, development and marketing expenditures, which we may be unable to recover if the new products do not gain widespread market acceptance. In addition, if sales generated by new products result in a concomitant decline in sales of our existing products, our financial performance could be harmed.

We may discontinue products or product lines which could result in returns, asset write-offs and shutdown costs. We also may engage in product recalls that would reduce our cash flow and earnings.

In the past, we have discontinued certain products and product lines which resulted in returns from customers, asset write-offs and shutdown costs. We may suffer similar adverse consequences in the future to the extent we discontinue products that do not meet expectations or no longer satisfy consumer demand. Moreover, product efficacy or safety concerns could result in product recalls. Product returns or recalls, write-offs or shutdown costs would reduce sales, cash flow and earnings.

Table of Contents

We face intense competition in a mature industry and we may be required to increase expenditures and accept lower profit margins to preserve or maintain our market share. Unless the markets in which we compete grow substantially, a loss of market share will result in reduced sales levels and declining operating results.

During 2008, approximately 78% of our sales were generated in U.S. markets. U.S. markets for consumer products are considered mature and commonly characterized by high household penetration, particularly with respect to our most significant product categories, such as laundry detergents, deodorizers, household cleaning products, toothpastes, antiperspirants and deodorants. Our unit sales growth in domestic markets will depend on increased use of our products by consumers, product innovation and our ability to capture market share from competitors. We may not succeed in implementing strategies to increase domestic revenues.

The consumer products industry, particularly the laundry detergent, personal care and air deodorizer categories, is intensely competitive. To protect existing market share or to capture increased market share, we may need to increase expenditures for promotions and advertising and introduce and establish new products. Increased expenditures may not prove successful in maintaining or enhancing market share and could result in lower sales and profits. Many of our competitors are large companies, including The Procter & Gamble Company, Sun Products Corporation, The Clorox Company, Colgate-Palmolive Company, Henkel AG & Co. KGaA, SSL International plc, Reckitt Benckiser Group plc, Johnson & Johnson, Inverness Medical Innovations, Inc. and S.C. Johnson & Son, Inc. Many of these companies have greater financial resources than we do, and, therefore, have the capacity to outspend us should they attempt to gain market share. If we lose market share and the markets in which we compete do not grow, our sales levels and operating results will decline.

Loss of the Crest tradename on our SPINBRUSH products could cause sales of that brand to decline.

In conjunction with the 2005 SPINBRUSH acquisition from Procter & Gamble, the Company received a royalty free license to use the Crest tradename until October 29, 2009 and Procter & Gamble agreed to refrain from using the Crest tradename for two years thereafter. The Company recently completed a transition plan to remove the Crest tradename from its SPINBRUSH products. The Company cannot predict the effect of the loss of the tradename will have on SPINBRUSH sales and profitability.

Providing price concessions or trade terms that are acceptable to our trade customers, or the failure to do so, could adversely affect our sales and profitability.

Consumer products, particularly those that are value-priced like many of our products, are subject to significant price competition. From time to time, we may need to reduce the prices for some of our products, or increase prices less than the amount necessary to cover manufacturing cost increases, to respond to competitive and customer pressures and to maintain market share. Any reduction in prices, or inability to raise prices sufficiently to cover manufacturing cost increases, in response to these pressures would harm profit margins. In addition, if our sales volumes fail to grow sufficiently to offset any reduction in margins, our results of operations would suffer.

Because of the competitive environment facing retailers, many of our trade customers, particularly our high-volume retail store customers, have increasingly sought to obtain pricing concessions or better trade terms. To the extent we provide concessions or better trade terms, our margins are reduced. Further, if we are unable to maintain terms that are acceptable to our trade customers, these trade customers could reduce purchases of our products and increase purchases of products from our competitors, which would harm our sales and profitability.

Table of Contents

Reductions in inventory by our trade customers, including as a result of consolidations in the retail industry, could adversely affect orders for our products in periods during which the reduction results.

From time to time our retail customers have reduced inventory levels in managing their working capital requirements. Any reduction in inventory levels by our retail customers would result in reduced orders and harm our operating results for the financial periods affected by the reductions. In particular, continued consolidation within the retail industry could potentially reduce inventory levels maintained by our retail customers, which could result in reduced orders and adversely affect our results of operations for the financial periods affected by the reductions.

A continued shift in the retail market from food and drug stores to club stores and mass merchandisers could cause our sales to decline.

Our performance also depends upon the general health of the economy and of the retail environment in particular and could be significantly harmed by changes affecting retailing and by the financial difficulties of retailers. Industry wide, consumer products such as those marketed by us are increasingly being sold by club stores and mass merchandisers, while sales of consumer products by food and drug stores comprise a smaller proportion of the total volume of consumer products sold. Sales of our products are stronger in the food and drug channels of trade and not as strong with the club stores and mass merchandisers. Although we have taken steps to improve sales by club stores and mass merchandisers, if we are not successful in improving sales to these channels, and the current trend continues, our financial condition and operating results could suffer.

Loss of any of our principal customers could significantly decrease our sales and profitability.

Wal-Mart, including its affiliate Sam s Club, is our largest customer, accounting for approximately 22% of net sales in 2008, 22% of net sales in 2007 and 21% of net sales in 2006. Our top three Consumer Domestic customers accounted for approximately 31% of net sales in 2008, 30% of net sales in 2007 and 29% of net sales in 2006. The loss of or a substantial decrease in the volume of purchases by Wal-Mart or any of our other top customers would harm our sales and profitability.

Our substantial indebtedness could adversely affect our financial condition and ability to operate our businesses and repay the indebtedness.

As of December 31, 2008, we had $856.1 million of total consolidated indebtedness. This level of indebtedness could (i) limit our ability to borrow money to fund working capital, capital expenditures, acquisitions, debt service requirements and other financing needs and (ii) make us more vulnerable to a downturn in our business, industry or the economy in general. In the event of a general increase in interest rates, our interest expense would increase because a substantial portion of the indebtedness, including all of the indebtedness under our senior credit facilities, bears interest at floating rates. To reduce the impact of interest rate fluctuations on some of our indebtedness, we entered into two cash flow hedge agreements. One was effective on September 29, 2006, and the other hedge was effective on December 29, 2006. Our failure to service our indebtedness or obtain additional financing as needed could have a material adverse effect on our business operating results and financial condition. The terms of our subordinated notes and agreement relating to our principal credit facilities place a limit on the amount of certain cash payments we can make. This limitation includes the amount we can pay in dividends on our common stock. As long as we are not in default under the subordinated notes or the agreement, we do not anticipate that the limitation will have an effect on our ability to pay dividends at the current rate.

We may make acquisitions that result in dilution to our current stockholders or increase our indebtedness, or both. In addition, acquisitions that are not properly integrated or are otherwise unsuccessful could strain or divert our resources.

We have made several acquisitions, including businesses previously operated by Del Pharmaceuticals, Inc. and Orange Glo International, Inc., the SPINBRUSH battery-operated toothbrush brand, a skin care brand in South America, and the former consumer products businesses of Carter-Wallace, Inc., and may make additional acquisitions or substantial investments in complementary businesses or products in the future. Any future acquisitions or investments would entail various risks, including the difficulty of assimilating the operations and personnel of the acquired businesses or products, the potential disruption of our ongoing business and, generally, our potential inability to obtain the desired financial and strategic benefits from the acquisition or investment. The risks associated with assimilation are increased to the extent we acquire businesses that have operations or sources of supply outside of the United States and Canada, such as the SPINBRUSH business, for which products are manufactured by third party contract manufacturers in China, and the skin care brand in South America, for which products are manufactured locally by third parties. These factors could harm our financial condition and operating results. Any future acquisitions or investments could result in substantial cash expenditures, the issuance of new equity by us and/or the incurrence of additional debt and contingent liabilities. In addition, any potential acquisitions or investments, whether or not ultimately completed, could divert the attention of management and divert other resources from other matters that are critical to our operations.

Our condom product line could suffer if the spermicide N-9 is proved or perceived to be harmful.

Our distribution of condoms under the TROJAN and other trademarks is regulated by the U.S. Food and Drug Administration (FDA). Certain of our condoms, and similar condoms sold by our competitors, contain the spermicide nonoxynol-9 (N-9). Some interested groups have issued reports that N-9 should not be used rectally or for multiple daily acts of vaginal intercourse. In late 2008, the FDA issued final labeling guidance for latex condoms but excluded N-9 lubricated condoms from the guidance. While we await further FDA guidance on N-9 lubricated condoms we believe that our present labeling for condoms with N-9 is compliant with the overall objectives of the FDA s guidance, and that condoms with N-9 will remain a viable contraceptive choice for those couples who wish to use them. However, we cannot predict the nature of the labeling that ultimately will be required by the FDA. If the FDA or state governments eventually promulgate rules that prohibit or restrict the use of N-9 in condoms (such as new labeling requirements), we could incur costs from obsolete products, packaging or raw materials, and sales of condoms could decline, which, in turn, could decrease our operating income.

The Company s manufacturing and other facilities may be subject to disruption from events beyond the Company s control.

Operations at the Company s manufacturing facilities may be subject to disruption for a variety of reasons, including work stoppages, acts of war, terrorism, pandemics, fire, earthquake, flooding or other natural disasters. If a major disruption were to occur, it could result in harm to people or the natural environment, delays in shipments of products to customers or suspension of operations.

The Company is constructing a new integrated laundry detergent manufacturing plant and distribution center in York County, Pennsylvania. Construction began in September 2008, and the facility is scheduled to be operational by the end of 2009. In conjunction with the opening of the new facility, the Company will close its existing laundry detergent manufacturing plant and distribution facilities in North Brunswick, New Jersey. This is a significant project for the Company both in cost and scope. If the project is delayed or the York plant upon completion does not provide expected manufacturing efficiencies, the Company s ability to meet customer demand for its liquid laundry detergent would be impaired, which would adversely affect sales and income.

Table of Contents

Price increases in raw and packaging materials or energy costs could erode our profit margins, which could harm operating results, while efforts to hedge against raw material prices have adversely affected our operating results due to price declines. Increases in the prices of raw materials such as surfactants, which are cleaning agents, palm oil, paper products and bottles, or increases in energy costs, could significantly affect our profit margins. In particular, during the past few years, we have experienced extraordinary price increases for raw and packaging materials, diesel fuel and energy costs. Concerns about the adequacy of oil supply, in the face of increasing demand, continued to affect pricing. We use surfactants and bottles in the manufacture and marketing of laundry and household cleaning products. We use paper products for packaging in many of our consumer and specialty chemical products. We use palm oil in certain of our animal nutrition products. We have attempted to address these price increases through cost reduction programs and price increases of our own products, entering into pre-buying arrangements with certain suppliers and hedge agreements for diesel fuel costs as noted below. If raw material price increases continue to occur, we may not be able to fully offset those price increases. This could harm our financial condition and operating results.

The Company uses independent freight carriers to deliver its products. These carriers charge the Company a basic rate per mile that is subject to a mileage surcharge for diesel fuel price increases. In response to increasing fuel prices, and a concomitant increase in mileage surcharges, the Company entered into an agreement in January 2008 with a financial institution to hedge approximately 50% of its notional diesel fuel requirements for 2008, and an additional agreement in July 2008 to hedge approximately 20% of its notional diesel fuel requirements for 2009. It is the Company s policy to use the hedges to mitigate the volatility of diesel fuel prices and related fuel surcharges, and not to speculate in the future price of diesel fuel. The hedge agreements were designed to add stability to the Company s product costs, enabling the Company to make pricing decisions and lessen the economic impact of abrupt changes in diesel fuel prices over the term of the contracts.

Because the diesel hedge agreements do not qualify for hedge accounting under SFAS 133, *Accounting for Derivative Instruments and Hedging Activities,* the Company is required to mark the agreements to market throughout the life of the agreements. Since July 2008, the price of diesel fuel has fallen, thus creating a liability (and a charge) during 2008. As a result of continuing price declines in diesel fuel, a $4.5 million loss was recorded in 2008. Fluctuating diesel fuel prices in 2009 will affect the value of the hedge agreement covering 2009, and further declines in diesel fuel prices would result in additional charges. If future diesel prices were to decline by $0.10 per gallon, the impact to the 2009 financial statements due to the hedge agreements would be approximately $0.2 million.

We are subject to various government regulations in the countries in which we operate that could adversely affect our business. The manufacturing, processing, formulation, packaging, labeling and advertising of our products are subject to regulation by federal agencies, including the FDA, the Federal Trade Commission (FTC) and the Consumer Product Safety Commission. In addition, our operations are subject to the oversight of the Environmental Protection Agency, the Occupational Safety and Health Administration and the National Labor Relations Board. Our activities are also regulated by various agencies of the states, localities and foreign countries in which our products are sold.

In particular, the FDA regulates the safety, manufacturing, labeling and distribution of condoms, home pregnancy and ovulation test kits, and over-the-counter pharmaceuticals. The FDA also exercises a somewhat less rigorous oversight over cosmetic products such as depilatories. In addition, under a memorandum of understanding between the FDA and the FTC, the FTC has jurisdiction with regard to the promotion and advertising of these products, and the FTC regulates the promotion and advertising of our other products as well. As part of its regulatory authority, the FDA may periodically conduct inspections of the physical facilities, machinery, processes and procedures that we use to manufacture regulated products and may observe compliance

Table of Contents

issues that would require us to make certain changes in our manufacturing facilities and processes. We may be required to make additional expenditures to address these issues or possibly stop selling certain products until a compliance issue has been remediated. As a result, our business could be adversely affected.

Our international operations, including the production of over-the-counter drug products, are subject to regulation in each of the foreign jurisdictions in which we manufacture or market goods. Changes in product standards or manufacturing requirements in any of these jurisdictions could require us to make certain modifications to our operations or product formulations, or to cease manufacturing certain products completely. As a result, our international business could be adversely affected.

We are subject to risks related to our international operations that could adversely affect our results of operations.

Our international operations subject us to risks customarily associated with foreign operations, including:

- currency fluctuations;
- import and export license requirements;
- trade restrictions;
- changes in tariffs and taxes;
- restrictions or repatriating foreign profits back to the United States; and
- difficulties in staffing and managing international operations.

In all foreign jurisdictions in which we operate, we are subject to laws and regulations that govern foreign investment, foreign trade and currency exchange transactions. These laws and regulations may limit our ability to repatriate cash as dividends or otherwise to the United States and may limit our ability to convert foreign currency cash flow into U.S. dollars. Outside the United States, sales and costs are denominated in a variety of currencies, including the Euro, British pound, Brazilian real, Canadian dollar, Mexican peso, Chinese yuan and Australian dollar. A weakening of the currencies in which sales are generated relative to the currencies in which costs are denominated may decrease operating profits and cash flow.

Environmental matters create potential liability risks.

We must comply with various environmental laws and regulations in the jurisdictions in which we operate, including those relating to the handling and disposal of solid and hazardous wastes and the remediation of contamination associated with the use and disposal of hazardous substances. A release of such substances due to accident or an intentional act could result in substantial liability to governmental authorities or to third parties. We have incurred, and will continue to incur, capital and operating expenditures and other costs in complying with environmental laws and regulations. It is possible that we could become subject to additional environmental liabilities in the future that could cause a material adverse effect on our results of operations or financial condition.

Product liability claims could adversely affect the Company s sales and operating results.

The Company may be required to pay for losses or injuries purportedly caused by its products. Claims could be based on allegations that, among other things, the Company s products contain contaminants, provide inadequate instructions regarding their use, or inadequate warnings concerning interactions with other substances. Product liability claims could result in negative publicity that could harm the Company s sales and operating results. In addition, if one of the Company s products is found to be defective, the Company could be required to recall it, which could result in adverse publicity and significant expenses. Although the Company maintains product liability insurance coverage, potential product liability claims may exceed the amount of insurance coverage or may be excluded under the terms of the policy.

Table of Contents

Failure to effectively utilize or successfully assert intellectual property rights could materially adversely affect our competitiveness. We rely on trademark, trade secret, patent and copyright laws to protect our intellectual property rights. We cannot be sure that these intellectual property rights will be effectively utilized or, if necessary, successfully asserted. There is a risk that we will not be able to obtain and perfect our own intellectual property rights, or, where appropriate, license from others intellectual property rights necessary to support new product introductions. We cannot be sure that these rights, if obtained, will not be invalidated, circumvented or challenged in the future. In addition, even if such rights are obtained in the United States, the laws of some of the other countries in which our products are or may be sold do not protect intellectual property rights to the same extent as the laws of the United States. Our failure to perfect or successfully assert intellectual property rights could make us less competitive and could have a material adverse effect on our business, operating results and financial condition.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES.

The Company s executive offices and primary research and development facilities are owned by the Company and are located on 22 acres of land in Princeton, New Jersey. These facilities include approximately 127,000 square feet of office and laboratory space. The Company also owns a 36,000 square foot research and development facility in Cranbury, New Jersey. In addition, the Company leases space in three buildings adjacent to its Princeton facility that contain approximately 140,000 square feet of office space, pursuant to three multi-year leases. The Company also leases regional sales offices in various locations throughout the United States, Brazil and China.

Table of Contents

The Company and its consolidated subsidiaries also own or lease other facilities as set forth in the following table:

Location	Products Manufactured	Approximate Area (Sq. Feet)
Owned:		
Manufacturing facilities		
York, Pennsylvania	Under Construction	(1)
Harrisonville, Missouri	Liquid laundry detergent and fabric softener	360,000
Green River, Wyoming	Sodium bicarbonate and various consumer products	273,000
Lakewood, New Jersey	Various consumer products	250,000
Colonial Heights, Virginia	Condoms	220,000
Old Fort, Ohio	Sodium bicarbonate, rumen bypass fats and various consumer products	208,000
Montreal, Canada	Personal care products	157,000
Camaçari, Bahia, Brazil	Sodium bicarbonate and other products	120,000
London, Ohio	Soap pads and fabric softener sheets	114,000
Feira de Santana, Bahia, Brazil	Barium carbonate and other products	106,000
Folkestone, England	Personal care products	78,000
Madera, California	Rumen bypass fats and related products	50,000
Itapura, Bahia, Brazil	Barium carbonate and other products	35,000
New Plymouth, New Zealand	Condom processing	31,000
Oskaloosa, Iowa	Animal nutrition products	27,000
Warehouses		
Fostoria, Ohio		125,000
Grandview, Missouri		304,285
Harrisonville, Missouri		150,000
Green River, Wyoming		101,000
Camaçari, Bahia, Brazil		39,200
Itapura, Bahia, Brazil		19,600
Feira de Santana, Bahia, Brazil		13,100
Leased:		
Manufacturing facilities		
North Brunswick, New Jersey(2)	Liquid laundry detergent and other consumer products	360,000
Folkestone, England	Personal care products	21,500
Warehouses		
North Brunswick, New Jersey(3)		525,000
North Brunswick, New Jersey(4)		156,000
North Brunswick, New Jersey(3)		130,275
North Brunswick, New Jersey(5)		173,000
Mississauga, Canada(6)		123,000
Barcelona, Spain(7)		20,000
Folkestone, England		65,000
Revel, France		35,500
Mexico City, Mexico		27,500
Sydney, Australia		24,900
Feira de Santana, Bahia, Brazil		21,700
Diadema, SP, Brazil		13,000
Atlanta, Georgia		23,071
Offices		
Barcelona, Spain(7)		85,000
Levallois, France		21,600
Mississauga, Canada		17,000

20

Table of Contents

(1) The Company is constructing a new integrated laundry detergent manufacturing plant and distribution center in York County, Pennsylvania. Construction began in September 2008 and the facility is scheduled to be operational by the end of 2009. The Company purchased approximately 230 acres of land in York County upon which the facility is being constructed. It currently is estimated that the facility will contain approximately 1.1 million square feet.
(2) Lease expires in 2015.
(3) Lease expires in 2010.
(4) Lease expires in 2011.
(5) Lease expires in 2009.
(6) Lease expires in 2022, subject to two five-year extensions at the option of the Company.
(7) In Barcelona, Spain, the Company leases an 85,000 square foot facility in which manufacturing operations ceased in the first quarter 2006. The Company has subleased 57,000 square feet of the plant to a third party.

In conjunction with the opening of the new facility in York County, the Company will close each of the four leased buildings in North Brunswick and attempt to sublease or assign each building to third parties. (See Note 9 to the consolidated financial statements included in this report.)

In Syracuse, New York, the Company owns a 21 acre site which includes a group of connected buildings. This facility was closed in 2001 and a portion of the facility is now leased to a third party.

Armand Products Company, a joint venture in which the Company owns a 50% interest, operates a potassium carbonate manufacturing plant located in Muscle Shoals, Alabama. This facility contains approximately 53,000 square feet of space and has a production capacity of 103,000 tons of potassium carbonate per year.

The Company s 99.8% owned Brazilian subsidiary, QGN, has its administrative headquarters in Rio de Janeiro.

The Old Fort, Ohio plant has a production capacity for sodium bicarbonate of 280,000 tons per year. The Green River plant has a production capacity for sodium bicarbonate of 200,000 tons per year.

The Company believes that its operating and administrative facilities are adequate and suitable for the conduct of its business. The Company also believes that its production facilities are suitable for current manufacturing requirements for its consumer and specialty products businesses. In addition, the facilities possess a capacity sufficient to accommodate the Company s estimated increases in production requirements over the next several years, based on its current product lines.

ITEM 3. LEGAL PROCEEDINGS

The Company, in the ordinary course of its business, is the subject of, or party to, various pending or threatened legal actions. The Company believes that any liability ultimately arising from these actions will not have a material adverse effect on its financial condition or results of operation, including cash flows.

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Not applicable.

Table of Contents

PART II

ITEM 5. MARKET FOR THE REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

	2008			2007		
Common Stock Price Range and Dividends	**Low**	**High**	**Dividend**	**Low**	**High**	**Dividend**
1st Quarter	$50.00	$56.67	$0.08	$42.82	$50.35	$0.07
2nd Quarter	$52.74	$58.43	$0.08	$48.14	$52.93	$0.07
3rd Quarter	$48.71	$65.54	$0.09	$42.36	$50.85	$0.08
4th Quarter	$47.59	$64.09	$0.09	$45.80	$57.19	$0.08
Full Year	$47.59	$65.54	$0.34	$42.36	$57.19	$0.30

Based on composite trades reported by the New York Stock Exchange.

Approximate number of holders of Church & Dwight s Common Stock as of December 31, 2008: 1,900.

22

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA

The following selected historical consolidated financial data should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and the Company s audited consolidated financial statements and related notes to those statements included in this report. The selected historical consolidated financial data for the periods presented have been derived from the Company s audited consolidated financial statements.

CHURCH & DWIGHT CO., INC. AND SUBSIDIARIES

FIVE-YEAR FINANCIAL REVIEW

(Dollars in millions, except per share data)

	2008(1)	2007(1)	2006(1)	2005(1)	2004(4)
Operating Results					
Net Sales	**$ 2,422.4**	2,220.9	1,945.7	1,736.5	1,462.1
Marketing	**$ 294.1**	256.7	216.7	183.4	161.2
Research & Development	**$ 51.2**	49.8	44.7	38.7	33.0
Income from Operations(2)	**$ 340.3**	305.0	252.1	212.8	171.8
% of Sales	**14.1%**	13.7%	13.0%	12.3%	11.8%
Net Income(2,3)	**$ 195.2**	169.0	138.9	122.9	88.8
Net Income per Share-Basic	**$ 2.88**	2.57	2.14	1.92	1.44
Net Income per Share-Diluted	**$ 2.78**	2.46	2.07	1.83	1.36
Financial Position					
Total Assets	**$ 2,801.4**	2,532.5	2,334.2	1,962.1	1,878.0
Total Debt	**$ 856.1**	856.0	933.3	756.5	858.7
Stockholders Equity	**$ 1,331.5**	1,080.3	863.8	696.9	560.0
Total Debt as a % of Total Capitalization	**39%**	44%	52%	52%	61%
Other Data					
Average Common Shares Outstanding-Basic (in thousands)	**67,870**	65,840	64,856	63,857	61,868
Cash Dividends Paid	**$ 23.1**	19.7	16.9	15.3	14.0
Cash Dividends Paid per Common Share	**$ 0.34**	0.30	0.26	0.24	0.23
Stockholders Equity per Common Share	**$ 19.62**	16.41	13.32	10.91	9.05
Additions to Property, Plant & Equipment	**$ 98.3**	48.9	47.6	37.7	35.6
Depreciation & Amortization	**$ 71.4**	56.7	51.7	44.2	39.1
Employees at Year-End	**3,530**	3,682	3,655	3,662	3,741

(1) Period to period comparisons of the data presented above are impacted by the effect of acquisitions and divestitures made by the Company. For further explanation of the impact of the acquisitions occurring in 2005, 2006 and 2008, reference should be made to Note 5 to the consolidated financial statements and for the impact of divestitures occurring in 2008 reference should be made to Note 8 of such financial statements, which are included in Item 8 of this report.

(2) Includes in 2008 a pretax charge of $11.3 million ($6.9 million after tax), in 2007 a pretax charge of $10.6 million ($6.6 million after tax) and in 2006 a pretax charge of $10.3 million ($6.4 million after-tax) relating to stock option based compensation.

(3) Includes $8.6 million in 2004, related to the 50% interest held by the Company in Armkel, LLC prior to Armkel, LLC s merger into the Company.

(4) On May 28, 2004 the Company purchased the remaining 50% of Armkel that it did not previously own from affiliates of Kelso & Company, L.L.P. for a purchase price of approximately $262 million. Operating results for 2004 include the results of the former Armkel business from the date of acquisition.

Table of Contents

ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS
Management s Discussion and Analysis of Financial Condition and Results of Operations should be read in conjunction with the Company s consolidated financial statements.

Overview

The Company develops, manufactures and markets a broad range of consumer and specialty products. It recognizes revenues and profits from selling its products under a variety of brands, including ARM & HAMMER and TROJAN, to consumers through supermarkets, drug stores and mass merchandisers; and to industrial customers and distributors.

The Company operates in three primary segments, Consumer Domestic, Consumer International and Specialty Products. The Consumer Domestic segment includes household products for deodorizing such as ARM & HAMMER baking soda and cat litter products; laundry and cleaning products, such as XTRA and ARM & HAMMER laundry detergents, OXICLEAN pre-wash laundry additive, SCRUB FREE, KABOOM, ORANGE GLO and BRILLO cleaning products; and personal care products, such as TROJAN condoms, ORAJEL oral analgesics, NAIR depilatories and waxes, FIRST RESPONSE and ANSWER home pregnancy and ovulation test kits, ARRID and ARM & HAMMER antiperspirant and SPINBRUSH battery-operated toothbrushes. Our Consumer International segment sells a variety of personal care, and to a lesser extent household, products, some of which use the same brands as our domestic product lines, in international markets, including France, the United Kingdom, Canada, Mexico, Australia, Brazil and China. Our Specialty Products (SPD) segment is the largest U.S. producer of sodium bicarbonate, which it sells together with other specialty inorganic chemicals for a variety of industrial, institutional, medical and food applications. This segment also sells a range of animal nutrition and specialty cleaning products. For the twelve months ended December 31, 2008, our Consumer Domestic, Consumer International and Specialty Products segments represented approximately 71%, 17% and 12%, respectively, of net sales.

On February 29, 2008, the Company sold its wholly-owned British subsidiary, Brotherton Speciality Products Ltd. (Brotherton) for a total of $11.2 million, net of fees. The sale resulted in a pretax gain of $3.0 million, which was included as a reduction of selling, general and administrative (SG&A) expenses in the Specialty Products Segment.

On June 5, 2008, the Company announced plans to construct a new integrated laundry detergent manufacturing plant and distribution center in York County, Pennsylvania. Construction began in September 2008, and the facility is scheduled to be operational by the end of 2009. In conjunction with the opening of the new facility, the Company will close its existing laundry detergent manufacturing plant and distribution facility in North Brunswick, New Jersey. The Company s existing North Brunswick complex is comprised of five separate buildings, which have resulted in significant inefficiencies and cannot accommodate expansion to address expected future growth. The Company plans to provide severance and transition benefits to approximately 300 affected employees at the North Brunswick complex, as well as consideration for employment opportunities at other Company operations.

On July 7, 2008, the Company purchased substantially all of the assets and certain liabilities of Del Laboratories, Inc. (the Orajel Acquisition) for $383.4 million. In connection with the acquisition, the Company increased its bank debt by $250.0 million. The balance of the acquisition cost ($133.4 million including fees) was funded with available cash. The terms and conditions of the additional borrowing are consistent with those of the Company s existing bank debt.

On August 29, 2008, the Company sold its Consumer International subsidiary in Spain for a total of $6.0 million. The transaction resulted in a pretax charge of $3.5 million, which has been recorded in SG&A expense for the Consumer International segment. As a result of the sale, a $4.0 million tax benefit also was recorded as a reduction to tax expense.

Table of Contents

The results of operations of acquired businesses are included in the Company s results of operations commencing with their respective acquisition dates.

Continuing a trend that began in 2005, the cost of raw materials was substantially higher in 2008, although by the end of 2008 the cost of many of these raw materials retreated from mid-year highs. Despite a second half reduction in cost of many raw materials, the cost of soda ash, surfactants, diesel fuel, corrugated paper, liner board and oil-based raw and packaging materials used in the household and specialty products businesses were all higher at the end of 2008 than the prior year average. Moreover, the price of palm fatty acid distillate (PFAD), which generally fluctuates with the price of global vegetable oil, was substantially higher in 2008, although it too had eased off of mid-year highs by the end of the year. The Company offset these increases in 2008 through savings realized in cost improvement programs and price increases on many of its products. Despite a second half reduction in the cost of most commodities, some commodities continued to rise in price. Additional increases in the prices of certain raw materials could further materially impact the Company s costs and financial results if the Company is unable to pass such costs along in the form of price increases to its customers.

The Company operates in highly competitive consumer product markets, in which cost efficiency, new product offerings and innovation are critical to success. The consumer products markets are particularly mature in North America and are characterized by high household penetration, particularly with respect to the Company s most significant product categories such as laundry detergents and oral care. Furthermore, because of ongoing retail sector consolidation and the competitive environment facing retailers, the Company faces pricing pressure from these customers, particularly the high-volume retail store customers, who have increasingly sought to obtain pricing concessions or better trade terms. To protect its existing market share or to capture additional market share, the Company increased expenditures for promotions and advertising and introduced new products and line extensions. In order to fund the additional marketing expenses, the Company has and continues to pursue ongoing cost cutting initiatives. As a result of its acquisitions and cost improvement initiatives, the Company has been able to lower its overall unit costs and increase the productivity of its various manufacturing facilities.

Uncertainty about current global economic conditions has affected demand for many products. Factors that can affect demand include rates of unemployment, consumer confidence, health care costs, fuel and other energy costs and other economic factors affecting consumer spending behavior. While the Company s products generally are consumer staples that should be less vulnerable to decreases in discretionary spending than other products, they may become subject to increasing price competition as recessionary conditions continue. Moreover, some of our products, such as laundry additives and battery operated toothbrushes, are more likely to be affected by consumer decisions to control spending.

Some of our customers, including mass merchandisers, supermarkets, drugstores, convenience stores, wholesale clubs, pet specialty stores and dollar stores have experienced declining financial performance, which could affect their ability to pay amounts due to us on a timely basis or at all. In response, we conducted a review of the financial strength of our key customers during the fourth quarter of 2008, and we continue to monitor these customers. As appropriate, we modified customer credit limits, which may have an adverse impact on future sales. We have conducted a similar review of our suppliers to assess both their financial viability and the importance of their products to our operations. Where appropriate, we intend to identify alternate sources of materials and services. To date, we have not experienced a material adverse impact from economic conditions affecting our customers or suppliers. However, a continued economic decline that adversely affects our suppliers and customers could adversely affect our operations and sales.

In addition many of our trade customers sell products under their own private label brand which compete with products that we sell. As consumers look for opportunities to decrease discretionary spending during these difficult economic times, our trade customers may discontinue or reduce distribution of our products to encourage those consumers to purchase their less expensive private label products. To the extent some of our products are discontinued or are adversely affected by our trade customers actions to increase shelf space for their private label products, we are focusing our efforts on improving distribution with other customers. Our Company s results could be adversely affected if our efforts are not effective.

Critical Accounting Policies

Our Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). The preparation of these financial statements requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. By their nature, these judgments are subject to uncertainty. They are based on our historical experience, our observation of trends in industry, information provided by our customers and information available from other outside sources, as appropriate. Our critical accounting policies are described below.

Revenue Recognition and Promotional and Sales Return Reserves

Virtually all of the Company s revenue represents sales of finished goods inventory and is recognized when delivered or picked up by our customers. The reserves for consumer and trade promotion liabilities and sales returns are established based on our best estimate of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. Promotional reserves are provided for sales incentives, such as coupons to consumers, and sales incentives provided to customers (such as slotting, cooperative advertising, incentive discounts based on volume of sales and other arrangements made directly with customers). All such costs are netted against sales. Slotting costs are recorded when the product is delivered to the customer. Cooperative advertising costs are recorded when the customer places the advertisement for the Company s products. Discounts relating to price reduction arrangements are recorded when the related sale takes place. Costs associated with end-aisle or other in-store displays are recorded when product that is subject to the promotion is sold. The Company relies on historical experience and forecasted data to determine the required reserves. For example, the Company uses historical experience to project coupon redemption rates to determine reserve requirements. Based on the total face value of Consumer Domestic coupons redeemed over the past several years, if the actual rate of redemptions were to deviate by 0.1% from the rate for which reserves are accrued in the financial statements, an approximately $0.8 million difference in the reserve required for coupons would result. With regard to other promotional reserves and sales returns, the Company uses experience-based estimates, customer and sales organization inputs and historical trend analysis in arriving at the reserves required. If the Company s estimates for promotional activities and sales returns were to change by 10% the impact to promotional spending and sales return accruals would be approximately $6.0 million. While management believes that its promotional and sales returns reserves are reasonable and that appropriate judgments have been made, estimated amounts could differ materially from actual future obligations. During the twelve months ended December 31, 2008, 2007 and 2006, the Company reduced promotion liabilities by approximately $4.0 million, $5.4 million and $4.5 million, respectively based on actual experience and updated information.

Impairment of goodwill, trademarks and other intangible assets and property, plant and equipment

Carrying values of goodwill, trademarks and other indefinite lived intangible assets are reviewed periodically for possible impairment in accordance with Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets . The Company s impairment review is based on a discounted cash flow approach that requires significant judgment with respect to volume, revenue and expense growth rates, and the selection of an appropriate discount rate. Management uses estimates based on expected trends in making these assumptions. With respect to goodwill, impairment occurs when the carrying value of the reporting unit exceeds the discounted present value of cash flows for that reporting unit. For trademarks and other intangible assets, an impairment charge is recorded for the difference between the carrying value and the net present value of estimated future cash flows, which represents the estimated fair value of the asset. The Company uses its judgment in assessing whether assets may have become impaired between annual valuations. Indicators such as unexpected adverse economic factors, unanticipated technological change, distribution losses, or competitive activities and acts by governments and courts may indicate that an asset has become impaired.

Table of Contents

The Company recognized tradename impairment charges within selling, general and administrative expenses for the three year period ended December 31, 2008 as follows (in millions):

Segments:	2008	2007	2006
Consumer Domestic	$ 1.9	$	$ 11.0
Consumer International	3.8	4.2	3.3
Total	$ 5.7	$ 4.2	$ 14.3

The tradename impairment charges recorded in 2008 were a result of management s decision to exit a business, a potential change of a brand s name, lost distribution at key customer accounts and reduced profitability. The impairment charges in 2007 and 2006 are also due to lost distribution at key customer accounts and reduced profitability. The amount of the impairment charge was determined by comparing the estimated fair value of the asset to its carrying amount. Fair value was estimated based on a relief from royalty discounted cash flow method, which contains numerous variables that are subject to change as business conditions change, and therefore could impact fair values in the future. Under this method, the owner of an intangible asset must determine the arm s length royalty that likely would have been charged if the owner had to license that asset from a third party. In addition, the carrying amount of amortizable tradenames declined during 2008 due to the sale of the Company s subsidiary in Spain. The Company determined that the remaining carrying value of all tradenames was recoverable based upon the forecasted cash flows and profitability of the brands.

Property, plant and equipment and other long-lived assets are reviewed whenever events or changes in circumstances occur that indicate possible impairment in accordance with Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. The Company s impairment review is based on an undiscounted cash flow analysis at the lowest level at which cash flows of the long-lived assets are largely independent of other groups of Company assets and liabilities. The analysis requires management judgment with respect to changes in technology, the continued success of product lines, and future volume, revenue and expense growth rates. The Company conducts annual reviews to identify idle and underutilized equipment, and reviews business plans for possible impairment implications. Impairment occurs when the carrying value of the asset exceeds the future undiscounted cash flows. When an impairment is indicated, the estimated future cash flows are then discounted to determine the estimated fair value of the asset and an impairment charge is recorded for the difference between the carrying value and the net present value of estimated future cash flows.

The Company recognized charges related to equipment obsolescence, which occur in the ordinary course of business, and plant impairment charges during the three year period ended December 31, 2008 as follows (in millions):

Segments:	2008	2007	2006
Consumer Domestic	$ 3.4	$ 2.8	$ 1.7
Consumer International	0.1	0.4	0.5
SPD	0.1	0.1	0.3
Total	$ 3.6	$ 3.3	$ 2.5

The estimates and assumptions used in connection with impairment analyses are consistent with the business plans and estimates that the Company uses to manage its business operations. Future outcomes may also differ materially from management s estimates. If the Company s products fail to achieve estimated volume and pricing targets, market conditions unfavorably change or other significant estimates are not realized, then the Company s revenue and cost forecasts may not be achieved, and the Company may be required to recognize additional impairment charges.

Inventory valuation

When appropriate, the Company writes down the carrying value of its inventory to the lower of cost or market (net realizable value, which reflects any costs to sell or dispose). The Company identifies any slow moving, obsolete or excess inventory to determine whether an adjustment is needed. The determination of whether inventory items are slow moving, obsolete or in excess of needs requires estimates and assumptions about the future demand for the Company s products, technological changes, and new product introductions. In addition, the Company s allowance for obsolescence may be impacted by the reduction of the number of stock keeping units (SKUs). The Company evaluates its inventory levels and expected usage on a periodic basis and records adjustments as required. Adjustments to inventory to reflect a reduction in net realizable value were $10.7 million at December 31, 2008, and $9.7 million at December 31, 2007.

Valuation of pension and postretirement benefit costs

The Company s pension and postretirement benefit costs are developed from actuarial valuations. Inherent in these valuations are key assumptions provided by the Company to its actuaries, including the discount rate and expected long-term rate of return on plan assets. Material changes in the Company s pension and postretirement benefit costs may occur in the future due to changes in these assumptions as well as fluctuations in plan assets.

The discount rate is subject to change each year, consistent with changes in applicable high-quality, long-term corporate bond indices. Based on the expected duration of the benefit payments for the Company s pension plans and postretirement plans, the Company refers to an applicable index and expected cash flows to select a rate at which it believes the pension benefits could be effectively settled. Based on the published rate as of December 31, 2008 that matched estimated cash flows for the plans, the Company used a discount rate of 6.25% for its domestic plan. The Company s weighted average discount rate for all pension plans as of December 31, 2008 is 6.58% as compared to 5.98% used at December 31, 2007.

The expected long-term rate of return on pension plan assets is selected by taking into account a historical trend, the expected duration of the projected benefit obligation for the plans, the asset mix of the plans, and known economic and market conditions at the time of valuation. Based on these factors, the Company s weighted average expected long-term rate for 2008 was 7.21%, an increase of 2 basis points from the 7.19% rate used in 2007. A 50 basis point change in the expected long-term rate of return would result in less than a $0.5 million change in pension expense for 2009.

As noted above, changes in assumptions used by management may result in material changes in the Company s pension and postretirement benefit costs. In 2008, other comprehensive income reflected a $14.6 million increase in pension plan obligations and a $0.3 million decrease for postretirement benefit plans. The change to the pension plans is primarily related to the reduction in plan assets, which were affected by the worldwide economic crisis and the decline in the securities markets. The change to postretirement plans is due to the change in discount rate at the Company s Canadian facility.

The Company made cash contributions of approximately $14.6 million to its defined benefit pension plans in 2008. The Company estimates it will be required to make cash contributions to its pension plans of approximately $4.6 million in 2009.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized to reflect the future tax consequences attributable to the differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which the differences are expected to be recovered or settled. Management provides a valuation allowance against deferred tax assets for amounts which are not considered more likely

Table of Contents

than not to be realized. The Company records liabilities for potential assessments in various tax jurisdictions under Financial Accounting Standard Board (FASB) Interpretation No. 48, Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109 (FIN 48). The liabilities relate to tax return positions that, although supportable by the Company, may be challenged by the tax authorities. The Company adjusts this liability as a result of changes in tax legislation, interpretations of laws by courts, rulings by tax authorities, changes in estimates and the expiration of the statute of limitations. Settlement of any issue, or an adverse determination in litigation, with a taxing authority could require the use of cash and result in an increase in our annual tax rate. Conversely, favorable resolution of an issue with a taxing authority would be recognized as a reduction to our annual tax rate.

Recent Accounting Pronouncements

SFAS No. 157, Fair Value Measurements , was issued in September 2006 and, except as noted below, is effective for fiscal years beginning after November 15, 2007. SFAS No. 157 provides a single definition of fair value to be utilized under other accounting pronouncements that require fair value measurements, establishes a framework for measuring fair value in Generally Accepted Accounting Principles (GAAP), and expands disclosures about fair value measurements. Under FASB Staff Position (FSP) No. FAS 157-2, Effective Date of FASB Statement No. 157, the FASB deferred for one year, the effective date of SFAS No. 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). To increase consistency and comparability in fair value measurements and related disclosure, SFAS No. 157 establishes a hierarchy that prioritizes the inputs (generally, assumptions that market participants would use in pricing an asset or liability) used to measure fair value based on the quality and reliability of the information provided by the inputs, as follows:

Level 1: Quoted market prices in active markets for identical assets or liabilities.

Level 2: Observable market based inputs or unobservable inputs that are corroborated by market data.

Level 3: Unobservable inputs that are not corroborated by market data.

See Note 2 to the consolidated financial statements included in this report for the Company s fair value measurement disclosures.

In December 2007, the FASB issued SFAS No. 141(R), Business Combinations (SFAS 141(R)), to replace SFAS No. 141, Business Combinations. SFAS 141(R) requires use of the acquisition method of accounting, defines the acquirer on the entity that obtains control of one or more businesses in the business combination, establishes the acquisition date as the date the acquirer obtains control and broadens the scope of SFAS No. 141 to all transactions and other events in which one entity obtains control over one or more other businesses. This statement is effective for financial statements issued for fiscal years beginning on or after December 15, 2008 with earlier adoption prohibited. While the Company does not expect the adoption of SFAS 141(R) to have a material impact to its consolidated financial statements for transactions completed prior to December 31, 2008, the impact of the accounting change could be material for business combinations which may be consummated thereafter.

In March 2008, the FASB issued SFAS No. 161, Disclosures about Derivative Instruments and Hedging ActivitiesThe statement is effective as of January 1, 2009. This statement requires enhanced disclosures about (i) how and why the Company uses derivative instruments, (ii) how the Company accounts for derivative instruments and related hedged items under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities, and (iii) how derivative instruments and related hedged items affect the Company s financial results. The Company currently is evaluating the impact of this statement on its consolidated financial statements.

In May 2008, the FASB issued SFAS No. 162, The Hierarchy of Generally Accepted Accounting Principles (SFAS No. 162). SFAS No. 162 identifies and categorizes the order of priority of the sources of accounting principles and the framework for selecting the principles used in the preparation of financial statements. SFAS No. 162 is effective 60 days following the SEC s approval of the Public Company Accounting

Oversight Board amendments to AU Section 411, The Meaning of Present Fairly in Conformity with Generally Accepted Accounting Principles. The implementation of this standard will not have a material impact on the Company s consolidated financial statements.

In June 2008, the FASB issued FSP EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities (FSP EITF 03-6-1). FSP EITF 03-6-1 clarified that all outstanding unvested share-based payment awards that contain rights to nonforfeitable dividends participate in undistributed earnings with common shareholders. Awards of this nature are considered participating securities and the two-class method of computing basic and diluted earnings per share must be applied to these awards. FSP EITF 03-6-1 is effective for fiscal years beginning after December 15, 2008. The Company is currently assessing the impact of FSP EITF 03-6-1 on its consolidated financial statements.

In June 2008, the FASB ratified Emerging Issues Task Force Issue No. (EITF) 07-5, Determining Whether an Instrument (or an Embedded Feature) Is Indexed to an Entity s Own Stock (EITF 07-5). EITF 07-5 provides that an entity should use a two step approach to evaluate whether an equity-linked financial instrument (or embedded feature) is indexed to its own stock, including evaluating the instrument s contingent exercise and settlement provisions. It also provides guidance on the impact of foreign currency denominated strike prices and market-based employee stock option valuation instruments on the evaluation. EITF 07-5 is effective for fiscal years beginning after December 15, 2008. The Company is currently assessing the impact of EITF 07-5 on its consolidated financial statements.

RESULTS OF OPERATIONS FOR THE YEARS ENDED DECEMBER 31, 2008, 2007 AND 2006

The discussion of results of operations at the consolidated level presented below is followed by a more detailed discussion of results of operations by segment. The discussion of the Company s consolidated results of operations and segment operating results is presented on a historical basis for the years ending December 31, 2008, 2007, and 2006. The segment discussion also addresses certain product line information. The Company s reporting units are consistent with its reportable segments.

Consolidated results

2008 compared to 2007

Net Sales

Net Sales for the year ended December 31, 2008 were $2,422.4 million, an increase of $201.5 million or 9.1% above 2007 net sales. Of the increase, 1.6% is due to sales of products acquired in the Orajel Acquisition, partially offset by the loss of sales due to the divestiture in the first quarter of 2008 of Brotherton Speciality Products, Ltd. (Brotherton), a United Kingdom Specialty Products subsidiary and the third quarter 2008 divestiture of the Company s consumer products subsidiary in Spain. Foreign exchange did not have a material impact for the full 2008 year. The remainder of the increase is approximately equally attributable to higher volumes and higher selling prices.

Operating Costs

The Company s gross profit was $971.7 million during 2008, a $103.8 million increase as compared to 2007. Gross margin increased 100 basis points to 40.1% as compared to 39.1% in 2007. The increase in gross margin reflects price increases, cost reduction programs, the effect of the liquid laundry detergent concentration, the higher margins associated with the sales of products relating to the Orajel Acquisition, and the completion of the manufacturing synergies relating to the businesses acquired from Orange Glo International, Inc. (OGI) in 2006. These factors were partially offset by higher commodity costs and hedging losses due to declining diesel prices. In addition, the gross profit increase was partially offset by $10.2 million related to the decision to close an existing manufacturing facility (see Note 9 to the consolidated financial statements included in this report).

Marketing expenses for 2008 were $294.1 million, an increase of $37.4 million as compared to 2007. The increase principally was directed to acquired businesses and certain household products.

Selling, general and administrative expenses (SG&A) for 2008 were $337.3 million, an increase of $31.1 million as compared to 2007, but unchanged as a percent of net sales. The primary reasons for the increase in SG&A were operating expenses related to the Orajel Acquisition, $5.7 million of tradename impairment charges, exit costs associated with selling the Company s subsidiary in Spain, higher legal costs including litigation against Abbott Laboratories (see paragraph g in Note 17 of the notes to the consolidated financial statements included in this report), higher research and development costs in support of new products and higher selling expenses in support of higher sales. The current year increase was partially offset by the $3.0 million gain recorded on the divestiture of Brotherton. The prior year results include a $3.3 million gain on the sale of certain property owned by the Company s Canadian subsidiary and intangible asset impairment charges of $4.2 million.

Other Income and Expenses

In 2008, equity in earnings of affiliates was $11.3 million as compared to $8.2 million in 2007, primarily associated with improved profitability of Armand Products.

Other expense was approximately $3.2 million in 2008 as compared to other income of $2.5 million in 2007. The changes in both years principally reflect foreign exchange rate fluctuations.

Interest expense in 2008 decreased by $11.9 million as compared to 2007. The decline was due to lower interest rates and lower average debt outstanding compared to the prior year. In July 2008, the Company incurred additional indebtedness as a result of the Orajel Acquisition; however, this indebtedness was offset by reductions in indebtedness resulting from the conversion of all but a nominal amount of the Company s convertible debt into common stock in the third quarter of 2008, the reduction of most of the outstanding amounts under of the Company s accounts receivable securitization facility and mandatory repayments under the Company s term loan.

Taxation

The 2008 tax rate was 36.7% as compared to 36.2% in 2007. The 2008 tax rate reflects higher U.S. taxable income, a higher state tax rate and non-deductible losses in Company owned life insurance, partially offset by a tax benefit of $4.0 million related to the divestiture of the subsidiary in Spain. The 2007 tax rate reflects a charge of $3.2 million, relating to a valuation allowance on deferred tax assets for one of the Company s foreign subsidiaries and also reflects a $1.8 million benefit due to the reduction of tax liabilities in the U.K. and Australia.

Consolidated results

2007 compared to 2006

Net Sales

Net Sales for the year ended December 31, 2007 were $2,220.9 million, $275.3 million or 14.1% above last year. The increase is largely due to the impact of the acquisition of the businesses formerly owned by Orange Glo International, Inc. (the OGI Acquisition), which occurred in August 2006, and the SPINBRUSH toothbrush business, which collectively accounted for approximately 8% of the increase in net sales; the effect of foreign exchange rates accounted for approximately 1% of the increase. The balance of the increase is a result of unit volume increases partially offset by higher trade promotion and slotting expenses. Following the acquisition of the SPINBRUSH business in December 2005 and during the transition period prior to April 1, 2006, the seller of the SPINBRUSH business maintained responsibility for sales and other functions in the U.S., Canada and the U.K.; therefore, the Company accounted for the net cash received as other revenue. The Company assumed

Table of Contents

responsibility for all SPINBRUSH functions in the U.S., Canada and the U.K. on April 1, 2006, and has recognized the gross amount of sales and expenses from the SPINBRUSH business for the U.S. and foreign locations since that date.

Operating Costs

The Company s gross profit was $867.9 million during 2007, a $106.8 million increase as compared to 2006. The Company s gross margin remained unchanged at 39.1% compared to 2006. Gross profit reflects the impact of the OGI business, higher sales volume and foreign exchange rates, offset by higher trade promotion and slotting expenses. Gross profit also includes the impact of continuing price increases for resins, corrugated paper, liner board, soda ash, diesel fuel, palm fatty acid distillate (PFAD) and other raw materials, offset by cost reduction programs.

Marketing expenses for 2007 were $256.7 million, an increase of $40.1 million as compared to 2006. The increase principally was due to support acquired businesses, an increase in expenses for certain personal care products and the effect of foreign exchange rates.

Selling, general and administrative expenses (SG&A) for 2007 were $306.1 million, an increase of $13.7 million as compared to 2006. The increase is primarily due to higher selling expenses in support of higher sales, ongoing costs to support the acquired OGI business, higher information systems costs, higher legal expense, costs to reorganize the Company s Canadian subsidiary and the effect of foreign exchange rates, partially offset by a $3.3 million gain associated with the sale of certain property owned by the Company s Canadian subsidiary. These increases were partially offset by lower intangible asset impairment charges in 2007 of $4.2 million, as compared to $14.3 million in 2006.

Other Income and Expenses

In 2007, equity in earnings of affiliates was $8.2 million as compared to $7.1 million in 2006. The increase is primarily due to the earnings of the Esseco U.K. LLP joint venture which was started in April 2006 and improved profitability of Armand products.

Other income was approximately $2.5 million in 2007 as compared to other expense of $2.6 million in 2006. Other income in both years principally reflect foreign exchange gains and losses. Also, in 2006, other income/expense included the fair market value of common stock the Company received in connection with the demutualization of an insurance company in which the Company was the policyholder of a guaranteed annuity contract associated with a defined benefit plan.

Interest expense in 2007 increased $4.9 million as compared to 2006. This increase reflects expense associated with the debt used to finance the OGI acquisition in August 2006, partially offset by lower bank debt due to mandatory and voluntary debt payments. Investment earnings increased $2.8 million in 2007 as compared to 2006 as a result of higher cash available for investment.

Taxation

The 2007 tax rate was 36.2% as compared to 34.8% in 2006. The 2007 tax rate reflects a charge of $3.2 million, relating to a valuation allowance on deferred tax assets for one of the Company s foreign subsidiaries and also reflects a $1.8 million benefit due to the reduction of tax liabilities in the U.K. and Australia. The effective tax rate in 2006 reflects a $3.3 million reduction of tax liabilities primarily as a result of the completion of tax audits, offset by a valuation allowance of $1.5 million on deferred tax assets for one of the Company s foreign subsidiaries.

Table of Contents

Segment results for 2008, 2007 and 2006

The Company maintains three reportable segments. These segments are based on differences in the nature of products and organizational and ownership structures. Specifically, the Company has identified the following segments: Consumer Domestic, Consumer International and Specialty Products Division (SPD). The Company also has a Corporate segment. Segment revenues are derived from the sale of the following products:

Segment	Products
Consumer Domestic	Household and personal care products
Consumer International	Primarily personal care products
Specialty Products	Specialty chemical products

The Company had 50% ownership interests in Armand Products Company (Armand) and The ArmaKleen Company (ArmaKleen) as of December 31, 2008. The Company s 50% ownership interest in Esseco U.K. LLP (Esseco) was divested in the first quarter of 2008 as part of the sale of Brotherton. The equity in earnings of Armand and ArmaKleen for the twelve months ended December 31, 2008, 2007 and 2006 and Esseco for the two months ended February 29, 2008 and the twelve months ended December 31, 2007 and 2006, is included in the Corporate segment.

Some of the subsidiaries that are included in the Consumer International segment manufacture and sell personal care products to the Consumer Domestic segment. These sales are eliminated from the Consumer International segment results set forth below.

The domestic results of operations for the OGI business and the businesses acquired in the Orajel Acquisition are included in the Consumer Domestic segment. The results of operations for the OGI business and Orajel Acquisition foreign operations are included in the Consumer International segment. Segment sales and income before taxes and minority interest for each of the three years ended December 31, 2008, 2007 and 2006 were as follows;

(Dollars in thousands)	Consumer Domestic(3)	Consumer International(3)	SPD	Corporate	Total
Net Sales(1)					
2008	**$ 1,716,801**	**$ 420,192**	**$ 285,405**	**$**	**$ 2,422,398**
2007	1,563,895	398,521	258,524		2,220,940
2006	1,382,223	343,145	220,293		1,945,661
Income Before Taxes & Minority Interest(2)					
2008	**$ 236,956**	**$ 34,635**	**$ 25,335**	**$ 11,334**	**$ 308,260**
2007	205,688	34,656	16,351	8,236	264,931
2006	164,732	27,063	14,164	7,135	213,094

(1) Intersegment sales from Consumer International to Consumer Domestic were $5.2 million, $5.0 million and $6.4 million for the twelve months ended December 31, 2008, December 31, 2007 and December 31, 2006, respectively.

(2) In determining Income Before Minority Interest and Income Taxes, interest expense, investment earnings, and other income (expense) were allocated to the segments based upon each segment s relative operating profit. The Corporate segment income consists of equity in earnings of affiliates.

(3) As of January 1, 2008, the Company modified its organizational structure, resulting in a change in classification of certain Consumer Domestic export sales to Consumer International. Therefore, 2007 and 2006 results have been restated to reflect a reclassification in sales of $10.2 million and $6.3 million for the twelve months ended December 31, 2007 and December 31, 2006, respectively, from the Consumer Domestic segment to the Consumer International segment. In addition, Income Before Minority Interest and

Table of Contents

Income Taxes of $1.5 million and $1.8 million for the twelve months ended December 31, 2007 and December 31, 2006, respectively, has been reclassified from the Consumer Domestic segment to the Consumer International segment.

Product line revenues for external customers for the years ended December 31, 2008, 2007 and 2006 were as follows:

(In thousands)	2008	2007	2006
Household Products	**$ 1,081,440**	$ 991,141	$ 826,680
Personal Care Products	**635,361**	572,754	555,543
Total Consumer Domestic	**1,716,801**	1,563,895	1,382,223
Total Consumer International	**420,192**	398,521	343,145
Total SPD	**285,405**	258,524	220,293
Total Consolidated Net Sales	**$ 2,422,398**	$ 2,220,940	$ 1,945,661

Consumer Domestic

2008 compared to 2007

Consumer Domestic net sales in 2008 were $1,716.8 million, an increase of $152.9 million or 9.8% as compared to 2007 sales of $1,563.9 million**.** Of the increase, approximately 3% relates to sales of products acquired in the Orajel Acquisition, with the remainder mostly attributable to higher unit volumes and the balance due to higher prices. At a product line level, sales of XTRA liquid laundry detergent, ARM & HAMMER liquid laundry detergent, OXICLEAN, ARM & HAMMER powder laundry detergent and ARM & HAMMER SUPER SCOOP cat litter were all higher than 2007. Consumer Domestic net sales also benefited from February 2008 price increases on condoms and baking soda and the May 2008 price increases on ARM & HAMMER powder laundry detergent. The Company also implemented several price increases in the United States during the fourth quarter of 2008, including ARM & HAMMER Liquid Laundry Detergent, XTRA Liquid Laundry Detergent, OXICLEAN Powder, SPINBRUSH and ARM & HAMMER Dental Care. These increases were partially offset by lower sales of KABOOM household cleaner, certain toothpaste brands and antiperspirants.

Consumer Domestic Income before Minority Interest and Income Taxes for 2008 was $237.0 million, a $31.3 million increase as compared to 2007. The impact of higher net sales, synergies related to the manufacturing integration of the OGI business, the shift to concentrated liquid laundry detergent, the Orajel Acquisition and lower allocated interest expense, was partially offset by accelerated depreciation and other expenses associated with the Company s planned 2009 shutdown of its North Brunswick New Jersey facility (see Note 9 to the consolidated financial statements included in this report), higher commodity, marketing and SG&A costs and hedging losses due to declining diesel prices.

2007 compared to 2006

Consumer Domestic net sales in 2007 were $1,563.9 million, an increase of $181.7 million or approximately 13% compared to 2006. The increase is primarily due to the OGI acquisition, which contributed approximately 9% of the increase, and higher unit volume, partially offset by higher trade promotion and slotting expenses in support of new product launches. Sales of ARM & HAMMER liquid laundry detergent, which include sales for the first phase of the Company s shift to concentrated liquid detergent, ARM & HAMMER SUPER SCOOP cat litter, TROJAN condoms, ARM & HAMMER Dental Care and pregnancy test kits were all higher than in 2006. These increases were partially offset by lower sales of other toothpaste brands and antiperspirant sales.

Consumer Domestic Income before Minority Interest and Income Taxes in 2007 was $205.7 million, an increase of $40.9 million as compared to 2006. Profits resulting from the OGI business and higher volumes were partially offset by higher trade promotion, slotting expenses and marketing costs on pre-existing products, higher SG&A expenses, and higher interest expense resulting from the OGI acquisition.

Consumer International

2008 compared to 2007

Consumer International net sales were $420.2 million in 2008, an increase of $21.7 million or approximately 5.4% as compared to 2007. The increase includes the impact of favorable foreign exchange rates of 1.5%, higher unit volumes in Canada, England, Australia and higher U.S. exports, partially offset by lower sales in France and the impact of divesting the subsidiary in Spain.

Consumer International Income before Minority Interest and Income Taxes was $34.6 million in 2008, unchanged as compared to 2007. Offsetting the favorable net sales performance and lower allocated interest expense were asset impairment charges of $5.9 million, severance and contract termination costs in one of the Company s European subsidiaries, increased tradename amortization expense as a result of the recharacterization of certain indefinite lived assets to finite lived assets (see Note 6 to the consolidated financial statements included in this report) and the $3.5 million pre tax loss on the sale of the Company s Spanish subsidiary in 2008. In addition, 2007 reflects a gain of $3.3 million on the sale of certain property owned by the Company s Canadian subsidiary.

2007 compared to 2006

Consumer International net sales in 2007 were $398.5 million, an increase of $55.4 million, or approximately 16% as compared to 2006. Of the increase, approximately 3% is associated with the OGI and SPINBRUSH acquisitions, 8% is associated with favorable foreign exchange rates and the balance is associated with higher sales of personal care and household products in Canada, skin care and oral care products in France, skin care products in Australia, oral care products in the UK and depilatory products in Brazil and a reduction of promotion reserves of $2.9 million, based upon updated information including actual expense, partially offset by reduced sales resulting from the loss of a distribution arrangement to sell certain personal care products in the UK.

Consumer International Income before Minority Interest and Income Taxes in 2007 was $34.7 million, a $7.6 million increase as compared to 2006. The increase is a result of higher profits associated with sales in Canada, France, Australia and Brazil, and the contribution from the OGI business. Results in 2007 include a $3.3 million gain associated with the sale of certain property owned by the Company s Canadian subsidiary offset by tradename impairment charges of $4.2 million and a $3.5 million charge relating to the reorganization of the Company s Canadian business. Intangible asset impairment charges were $3.3 million in 2006.

Specialty Products

2008 compared to 2007

Specialty Products net sales were $285.4 million in 2008, an increase of $26.9 million or 10.4% as compared to 2007. This increase is principally due to higher prices. The animal nutrition sales increase also reflects a pricing surcharge on certain products first applied during 2007 to recover extraordinary cost increases for a key raw material. Partially offsetting the sales increase was the impact of divesting the Company s Brotherton subsidiary.

Specialty Products Income before Minority Interest and Income Taxes was $25.3 million in the 2008, an increase of $9.0 million as compared to 2007. The increase is principally the result of profits on higher net sales and the $3.0 million gain on the sale of Brotherton, partially offset by higher raw material costs for certain animal nutrition and specialty chemical products and higher SG&A.

2007 compared to 2006

Specialty Products net sales were $258.5 million in 2007, an increase of $38.2 million, or 17% as compared to 2006. The increase is due to higher unit volumes and improved pricing in both animal nutrition and specialty

Table of Contents

chemicals. The animal nutrition sales increase also reflects a pricing surcharge of $3.5 million enacted during the third quarter of 2007 on certain products which partially recover extraordinary cost increases for PFAD.

Specialty Products Income before Minority Interest and Income Taxes was $16.4 million in 2007, an increase of $2.2 million as compared to 2006. The increase is principally the result of profits on higher net sales, partially offset by higher PFAD and soda ash costs.

Liquidity and capital resources

As of December 31, 2008, the Company had $198.0 million in cash, $114.0 million available through its $115.0 million accounts receivable securitization facility, approximately $95.0 million available under its $100.0 million revolving credit facility and a $250.0 million accordion feature associated with the term loan. To ensure the safety of its cash resources, the Company invests its cash primarily in government agency money market funds.

The Company renewed its accounts receivable securitization facility in February 2009. For the past several years, this facility has been renewed annually, and the Company anticipates that this facility will be renewed in February 2010.

To date, the Company believes that its ability to access the sources of cash described above has not been adversely affected by recent economic events. Therefore, the Company currently does not anticipate that the credit environment will have a material adverse effect on its ability to address its current and forecasted liquidity requirements. The Company anticipates that its cash from operations, along with its current borrowing capacity, will be sufficient to meet its capital expenditure program costs (including the cash requirements related to construction of its new laundry detergent and warehouse facility in York County, Pennsylvania, discussed in this section under Net Cash Used in Investing Activities), pay its common stock dividend at current rates and meet its mandatory debt repayment schedule and minimum pension funding requirements over the next twelve months. Nevertheless, the current economic environment presents risks that could have adverse consequences that the Company does not currently anticipate will occur. For further information, see Economic conditions could adversely affect our business under Risk Factors in Item 1A.

In addition, the Company does not anticipate that current economic conditions will adversely affect its ability to comply with the financial covenants in its principal credit facilities because the Company currently is, and anticipates that it will continue to be, well above the minimum interest coverage ratio requirement and below the maximum leverage ratio requirement. These ratios are discussed in more detail in this section under the sub-heading, Adjusted EBITDA.

Net Debt

The Company had outstanding total debt of $856.1 million and cash and cash equivalents of $198.0 million (of which approximately $37.3 million resides in foreign subsidiaries) at December 31, 2008. Total debt less cash (net debt) was $658.1 million at December 31, 2008. This compares to total debt of $856.0 million and cash and cash equivalents of $249.8 million, resulting in net debt of $606.2 million at December 31, 2007.

Cash Flow Analysis

	Year Ending December 31,		
(In thousands)	**2008**	**2007**	**2006**
Net cash provided by operating activities	**$ 336,167**	$ 248,677	$ 186,444
Net cash used in investing activities	**(466,161)**	(42,522)	(385,516)
Net cash provided by (used in) financing activities	**87,222**	(73,619)	177,653

Net Cash Provided by Operating Activities The Company s net cash provided by operating activities in 2008 increased $87.5 million to $336.2 million as compared to $248.7 million in 2007. The increase was primarily due to working capital improvements, higher net income, and higher non-cash expenses such as depreciation and amortization asset impairments and the diesel hedge loss, partially offset by the gain recorded on the sale of Brotherton (see Note 8 to the consolidated financial statements included in this report) and a lower benefit from deferred income taxes. For the year ended December 31, 2008, the components of working capital that significantly affected cash from operating activities are as follows:

Accounts receivable decreased $26.5 million due to improved cash collections relating to higher sales.

Accounts payable and other accrued expenses increased $10.0 million primarily due to the recording of litigation accruals.

Taxes payable increased $5.1 million due to higher tax expense associated with higher earnings.

Other liabilities decreased $7.8 million primarily due to contributions in 2008 of $14.6 million to the Company s pension plans.

Net Cash Used in Investing Activities Net cash used in investing activities during 2008 was $466.2 million, reflecting $383.4 million paid for the Orajel Acquisition, $98.3 million of property, plant and equipment (including $51.0 million for the York County plant, discussed in the following paragraph), partially offset by $15.6 million received from the sale of Brotherton and the Company s subsidiary in Spain.

On June 5, 2008, the Company announced plans to construct a new laundry detergent manufacturing plant and distribution center in York County, Pennsylvania and to close its existing laundry detergent manufacturing and distribution facility in North Brunswick, New Jersey. The Company anticipates that capital expenditures in connection with construction of the new facility, which is expected to be operational by the end of 2009, will be approximately $150 million, and cash expenditures relating to the closing of the North Brunswick facilities will be approximately $11 million. The Company spent $51 million in 2008 and anticipates spending $100 million in 2009 to build the plant and distribution center. The Company estimates it also will spend approximately $3 million in 2009 and the remaining $8.0 million primarily in 2010 in connection with closing the North Brunswick facility. The costs will be funded using the Company s existing credit facilities and available cash. See Note 9 to the condensed consolidated financial statements included in this report for additional information.

Net Cash Used in Financing Activities Net cash used in financing activities during 2008 was $87.2 million. This reflects borrowings of $250.0 million for the Orajel Acquisition offset by a $114.0 million repayment under the Company s accounts receivable securitization facility and mandatory payments on its principal credit facility of $38.2 million. Payments of cash dividends of $23.1 million and deferred financing payments of $8.4 million were offset partially by proceeds of and tax benefits from stock option exercises of $19.0 million.

The Company entered into two cash flow hedge agreements, each covering $100.0 million of zero cost collars, one effective as of September 29, 2006, and the other effective as of December 29, 2006, to reduce the impact of interest rate fluctuations on its term loan debt. The hedge agreements have terms of five and three years, respectively, each with a cap of 6.50% and a floor of 3.57%. The Company recorded a charge to interest expense of $0.9 million in 2008 and estimates it will recognize approximately $3.2 million in interest expense in the next twelve months. Changes in the hedging options fair value are recorded in Accumulated Other Comprehensive Income on the balance sheet.

The Company called for redemption on August 15, 2008 (the Redemption Date) of all of its outstanding 5.25% Senior Convertible Debentures due 2033 (the Debentures) at 101.50% of the principal amount of the Debentures plus accrued and unpaid interest to the Redemption Date. In lieu of surrendering the Debentures for cash redemption, holders could elect to convert their Debentures into shares of the Company s common stock at the conversion rate of 32.26 shares of the Company s common stock per $1,000 principal amount of Debentures

Table of Contents

(equivalent to a conversion price of $31.00 per share). Holders of $99.9 million principal amount of the Debentures that were outstanding when the Debentures were called for redemption converted their Debentures into 3,222,293 shares of Company common stock, and on the Redemption Date, the Company redeemed the remaining nominal principal amount of Debentures for cash.

On December 23, 2005, the Company entered into an amended and restated credit agreement (the Credit Agreement) with a number of banks and other financial institutions. This amended and restated Credit Agreement initially provided for a five year Term Loan in a principal amount of $300.0 million, subject to an increase by up to an additional $250.0 million through an accordion feature upon the satisfaction of certain conditions, and continued the existing five year multi-currency revolving credit and letter of credit facility in an aggregate principal amount of up to $100.0 million. On August 7, 2006, the Company s existing bank credit facility was amended and increased by $250.0 million, which the Company used to fund the acquisition of the OGI business while maintaining the $250 million accordion feature. On June 3, 2008, the Company once again amended its Credit Facility, increasing the principal amount by $250 million, which was used to fund the Orajel Acquisition, while maintaining the $250 million accordion feature. Other matters addressed in the June 2008 amendment included, among other things, an extension of the term of the $100 million Revolving Credit from May 28, 2009 to August 31, 2012, as well as other capital expenditure related provisions associated with the new plant construction in York, PA. Specifically, permitted capital expenditures were $100.0 million in 2008 and will be $200.0 million in 2009, and $100.0 million, thereafter. The obligations of the Company under the Credit Agreement are secured by substantially all of the assets of the Company. The term loan and the revolving loans bear interest under one of two rate options, selected by the Company, equal to (a) either (i) a eurocurrency rate (adjusted for any reserve requirements) (Eurocurrency Rate) or (ii) the greater of the prime rate, the secondary market rate for three-month certificates of deposit (adjusted for any reserve requirements) plus the applicable FDIC assessment rate plus 1.0%, or the federal funds effective rate plus 0.5% (Alternate Base Rate), plus (b) an applicable margin. On the closing date of the June 2008 agreement, the applicable margin was (a) 0.75% for the Eurocurrency rate and (b) 0% for the alternate rate. The Company s revolving loans are available for general corporate purposes. See Note 11 to the consolidated financial statement for additional information.

Table of Contents

Adjusted EBITDA

Adjusted EBITDA is a required component of the financial covenants contained in the Company s primary credit facility. Management believes that the presentation of Adjusted EBITDA is useful to investors as a financial indicator of the Company s ability to service its indebtedness. Adjusted EBITDA may not be comparable to similarly titled measures used by other entities and should not be considered as an alternative to cash flows from operating activities, which is determined in accordance with accounting principles generally accepted in the United States. Financial covenants include a total debt to Adjusted EBITDA leverage ratio and an interest coverage ratio, which if not met, could result in an event of default and trigger the early termination of the credit facility, if not remedied within a specified period of time. Adjusted EBITDA was $459.0 million for 2008. The leverage ratio (total debt to Adjusted EBITDA) was 1.9, which is below the maximum of 3.5 permitted under the credit facility, and the interest coverage ratio (Adjusted EBITDA to total interest expense) for 2008 was 9.8, which is above the minimum of 3.0 permitted under the credit facility. The Company s obligations under the credit facility are secured by the assets of the Company. The reconciliation of Net Cash Provided by Operating Activities (the most directly comparable GAAP financial measure) to Adjusted EBITDA for 2008 is as follows:

(In millions)	
Net Cash Provided by Operating Activities	$ 336.2
Interest Expense	47.0
Current Income Tax Provision	97.9
Excess Tax Benefit on Stock Options Exercised	6.3
Change in Working Capital and Other Liabilities	(34.9)
Investment Income	(6.7)
Other	13.2
Adjusted EBITDA (per loan agreement)	$ 459.0

Commitments as of December 31, 2008

The table below summarizes the Company s material contractual obligations and commitments as of December 31, 2008.

	Payments Due by Period				
(In thousands)	**Total**	**2009**	**2010 to 2011**	**2012 to 2013**	**After 2013**
Short & Long-Term Debt					
Syndicated Financing Loans	$ 602,893	$ 71,491	$ 334,739	$ 196,663	$
Senior Subordinated Notes	250,000			250,000	
Securitization of A/R Facility	1,000	1,000			
Debt due to International Banks	2,248	2,248			
	856,141	74,739	334,739	446,663	
Interest on Fixed Rate Debt(1)	60,000	15,000	30,000	15,000	
Operating Lease Obligations	94,738	21,261	30,613	16,862	26,002
Other Long-Term Liabilities					
Letters of Credit(2)	3,299	3,299			
Surety/Performance Bonds	719	719			
Pension Contributions(3)	4,568	4,568			
Purchase Obligations(4)	106,653	72,712	33,941		
Total	$ 1,126,118	$ 192,298	$ 429,293	$ 478,525	$ 26,002

(1) Represents interest on the Company s 6% senior subordinated notes due in 2012. The Company did not include interest expense on its variable rate debt as it cannot predict future interest rates.

(2) Letters of credit with several banks guarantee payment for items such as insurance claims in the event of the Company s insolvency and one year of rent on a warehouse.
(3) Pension contributions are based on actuarial assessments of government regulated employer funding requirements per plan. These requirements are not projected beyond one year since they fluctuate with the change in plan assets, assumptions and demographics.
(4) The Company has outstanding purchase obligations with suppliers at the end of 2008 for raw, packaging and other materials and services in the normal course of business. These purchase obligation amounts represent only those items which are based on agreements that are enforceable and legally binding and do not represent total anticipated purchases.

The Company has excluded from the table above uncertain tax liabilities as defined in FASB Interpretation No. (FIN) 48, *Accounting for Uncertainty in Income Taxes*, due to the uncertainty of the amount per period of payment. As of December 31, 2008, the Company has gross uncertain tax liabilities, including interest, of $40.7 million (see Note 12 to the consolidated financial statements included in this report).

Off-Balance Sheet Arrangements

The Company does not have off-balance sheet financing or unconsolidated special purpose entities.

OTHER ITEMS

Market risk

Concentration of Risk

In each of the years ended December 31, 2008, 2007 and 2006, net sales to the Company s largest customer, Wal-Mart Stores, Inc. and its affiliates were 22%, 22% and 21%, respectively, of the Company s total consolidated net sales.

Interest Rate Risk

The Company has total debt outstanding at December 31, 2008 of $856.1 million, of which $250.0 million or 29% carries a fixed rate of interest. The remaining debt balance is primarily comprised of $602.9 million in term loans under the Company s principal credit facilities, $1.0 million outstanding under a receivables purchase agreement and $2.2 million in international debt. The weighted average interest rate on these borrowings at December 31, 2008, excluding deferred financing costs and commitment fees, was approximately 3%.

The Company entered into two cash flow hedge agreements, each covering $100.0 million of zero cost collars, one effective as of September 29, 2006, and the other effective as of December 29, 2006, to reduce the impact of interest rate fluctuations on its term loan debt. The hedge agreements have terms of five and three years, respectively, each with a cap of 6.50% and a floor of 3.57%. The Company recorded a charge to interest expense of $0.9 million in 2008 and estimates it will recognize approximately $3.2 million in interest expense in the next twelve months. Changes in the hedging options fair value are recorded in Accumulated Other Comprehensive Income on the balance sheet.

If the variable rate on the Company s floating rate debt outstanding on December 31, 2008 were to change by 100 basis points from the December 31, 2008 level, annual interest expense associated with the floating rate debt would change by approximately $4.0 million.

Diesel Fuel Hedge

The Company uses independent freight carriers to deliver its products. These carriers charge the Company a basic rate per mile that is subject to a mileage surcharge for diesel fuel price increases. In response to increasing fuel prices, and a concomitant increase in mileage surcharges, the Company entered into an agreement in January 2008 with a financial institution to hedge approximately 50% of its notional diesel fuel requirements for 2008, and an additional agreement in July 2008 to hedge approximately 20% of its notional diesel fuel requirements for 2009. It is the Company s policy to use the hedges to mitigate the volatility of diesel fuel prices and related fuel surcharges, and not to speculate in the future price of diesel fuel. The hedge agreements are designed to add stability to the Company s product costs, enabling the Company to make pricing decisions and lessen the economic impact of abrupt changes in diesel fuel prices over the term of the contract.

Because the diesel hedge agreements do not qualify for hedge accounting under SFAS 133, *Accounting for Derivative Instruments and Hedging Activities,* the Company is required to mark the agreements to market throughout the life of the agreements. The change in the market value of the hedge agreements resulted in a $4.5 million loss for 2008, which is reflected in cost of sales. The loss is related to the hedge contract for 2009, which was executed when diesel fuel was at close to record prices. Since July 2008, the price of diesel fuel has fallen, thus creating a liability. Fluctuating diesel fuel prices in 2009 will affect the value of the hedge agreement covering 2009. If future diesel prices were to change by $0.10 per gallon, the impact on the 2009 financial statements due to the hedge agreements would be approximately $0.2 million.

Foreign Currency

The Company is subject to exposure from fluctuations in foreign currency exchange rates, primarily U.S. Dollar/Euro, U.S. Dollar/British Pound, U.S. Dollar/Canadian Dollar, U.S. Dollar/Mexican Peso, U.S. Dollar/Australian Dollar, U.S. Dollar/Brazilian Real and U.S. Dollar/Chinese Yuan.

The Company, from time to time, enters into forward exchange contracts to hedge anticipated but not yet committed sales or purchases denominated in the US Dollar, Canadian dollar, British pound and Euro. During the fourth quarter of 2008, the Company s Canadian subsidiary entered into three forward exchange contracts to protect the Company from the risk that dollar net cash inflows or outflows would be adversely affected by changes in exchange rates. The contracts expire early in 2009. The face value of these contracts totaled $4.5 million. The contracts qualified for hedge accounting in accordance with SFAS No. 133, and, therefore, changes in the fair value through the end of 2008 were marked to market and recorded as Other Comprehensive Income. The amount recorded was less than $0.1 million.

The Company currently has intercompany loans with certain of its subsidiaries. The Company is exposed to foreign exchange accounting re-measurement gains and losses from these intercompany loans. The Company previously entered into several foreign exchange contracts to hedge the net accounting re-measurement exposure on these loans. Also during the fourth quarter of 2008, the Company s Brazilian subsidiary entered into a foreign exchange contract to protect a portion of its US dollar purchases. The contract expired in January 2009 and had a face value of $3.5 million. The contract did not qualify for hedge accounting and therefore, the change in fair value through the end of 2008 of $0.3 million, was recorded in other income.

Equity Derivatives

The Company has entered into equity derivative contracts of its own stock in order to minimize the impact on earnings resulting from fluctuations in the liability to plan participants for contributions designated to notional investment in Company stock under the Company s deferred compensation plan as a result of changes in quoted fair values. These contracts, which consist of cash settled call options in the amount of 128 thousand shares, covered approximately 71% of the notional shares in the plan and are marked to market through earnings. As a result of these contracts, the Company recognized income of approximately $0.2 million in 2008, $0.9 million in 2007, and $1.2 million in 2006, which reduced the total charge for deferred compensation included in SG&A expense.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

This information appears under the heading Market Risk in the Management s Discussion and Analysis section. Refer to page 40 of this annual report on Form 10-K.

Table of Contents

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

MANAGEMENT S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Church & Dwight Co., Inc (the Company) is responsible for establishing and maintaining adequate internal control over financial reporting. Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management evaluated the Company s internal control over financial reporting as of December 31, 2008. In making this assessment, management used the framework established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). As a result of this assessment and based on the criteria in the COSO framework, management has concluded that, as of December 31, 2008, the Company s internal control over financial reporting was effective.

The Company s independent registered public accounting firm, Deloitte & Touche LLP, have audited the Company s internal control over financial reporting. Their opinions on the effectiveness of the Company s internal control over financial reporting and on the Company s consolidated financial statements and financial statement schedules appear on pages 43 and 44 of this annual report on Form 10-K.

/s/ JAMES R. CRAIGIE	/s/ MATTHEW T. FARRELL
James R. Craigie	**Matthew T. Farrell**
Chairman and Chief Executive Officer	**Chief Financial Officer**

February 24, 2009

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Church & Dwight Co., Inc.

Princeton, New Jersey

We have audited the accompanying consolidated balance sheets of Church & Dwight Co., Inc. and subsidiaries (the Company) as of December 31, 2008 and 2007, and the related consolidated statements of income, stockholders equity, and cash flows for each of the three years in the period ended December 31, 2008. Our audits also included the financial statement schedule listed in the Index at Item 15. These financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Church & Dwight Co., Inc. and subsidiaries at December 31, 2008 and 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, present fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, effective January 1, 2007, the Company adopted FASB Interpretation No. 48 Accounting for Uncertainty in Income Taxes An Interpretation of FASB Statement No. 109.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company s internal control over financial reporting as of December 31, 2008, based on the criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2009 expressed an unqualified opinion on the Company s internal control over financial reporting.

Deloitte & Touche LLP

New York, NY

February 24, 2009

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Church & Dwight Co., Inc.

Princeton, New Jersey

We have audited the internal control over financial reporting of Church & Dwight Co., Inc. and subsidiaries (the Company) as of December 31, 2008, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company s internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company s internal control over financial reporting is a process designed by, or under the supervision of, the company s principal executive and principal financial officers, or persons performing similar functions, and effected by the company s board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company s assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2008, based on the criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements and financial statement schedule as of and for the year ended December 31, 2008 of the Company and our report dated February 24, 2009 expressed an unqualified opinion on those financial statements and financial statement schedule.

Deloitte & Touche LLP

New York, NY

February 24, 2009

Table of Contents

CHURCH & DWIGHT CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Year Ended December 31,		
(Dollars in thousands, except per share data)	**2008**	**2007**	**2006**
Net Sales	**$ 2,422,398**	$ 2,220,940	$ 1,945,661
Cost of sales	**1,450,680**	1,353,042	1,184,524
Gross Profit	**971,718**	867,898	761,137
Marketing expenses	**294,130**	256,743	216,661
Selling, general and administrative expenses	**337,256**	306,121	292,374
Income from Operations	**340,332**	305,034	252,102
Equity in earnings of affiliates	**11,334**	8,236	7,135
Investment earnings	**6,747**	8,084	5,306
Other income (expense), net	**(3,208)**	2,469	2,579
Interest expense	**(46,945)**	(58,892)	(54,028)
Income before minority interest and taxes	**308,260**	264,931	213,094
Minority interest	**8**	6	(4)
Income before income taxes	**308,252**	264,925	213,098
Income taxes	**113,078**	95,900	74,171
Net Income	**$ 195,174**	$ 169,025	$ 138,927
Weighted average shares outstanding Basic	**67,870**	65,840	64,856
Weighted average shares outstanding Diluted	**71,116**	70,312	68,946
Net income per share Basic	**$ 2.88**	$ 2.57	$ 2.14
Net income per share Diluted	**$ 2.78**	$ 2.46	$ 2.07
Cash dividends per share	**$ 0.34**	$ 0.30	$ 0.26

See Notes to Consolidated Financial Statements.

45

Table of Contents

CHURCH & DWIGHT CO., INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share and per share data)	December 31, 2008	2007
Assets		
Current Assets		
Cash and cash equivalents	**$ 197,999**	$ 249,809
Accounts receivable, less allowances of $5,427 and $4,548	**211,194**	247,898
Inventories	**198,893**	213,651
Deferred income taxes	**15,107**	13,508
Prepaid expenses	**10,234**	9,224
Other current assets	**31,694**	1,263
Total Current Assets	**665,121**	735,353
Property, Plant and Equipment (Net)	**384,519**	350,853
Equity Investment in Affiliates	**10,061**	10,324
Tradenames and Other Intangibles	**810,173**	665,168
Goodwill	**845,230**	688,842
Other Assets	**86,334**	81,950
Total Assets	**$ 2,801,438**	$ 2,532,490
Liabilities and Stockholders Equity		
Current Liabilities		
Short-term borrowings	**$ 3,248**	$ 115,000
Accounts payable and accrued expenses	**310,622**	303,071
Current portion of long-term debt	**71,491**	33,706
Income taxes payable	**1,760**	6,012
Total Current Liabilities	**387,121**	457,789
Long-term Debt	**781,402**	707,311
Deferred Income Taxes	**171,981**	162,746
Deferred and Other Long Term Liabilities	**93,430**	87,769
Pension, Postretirement and Postemployment Benefits	**35,799**	36,416
Minority Interest	**192**	194
Total Liabilities	**1,469,925**	1,452,225
Commitments and Contingencies		
Stockholders Equity		
Preferred Stock-$1.00 par value		
Authorized 2,500,000 shares, none issued		
Common Stock-$1.00 par value		
Authorized 300,000,000 shares, issued 73,213,775 shares	**73,214**	69,991
Additional paid-in capital	**252,129**	121,902
Retained earnings	**1,063,928**	891,868
Accumulated other comprehensive income (loss)	**(20,454)**	39,128
	1,368,817	1,122,889
Common stock in treasury, at cost:		

3,140,931 shares in 2008 and 3,747,719 shares in 2007	**(37,304)**	(42,624)
Total Stockholders Equity	**1,331,513**	1,080,265
Total Liabilities and Stockholders Equity	**$ 2,801,438**	$ 2,532,490

See Notes to Consolidated Financial Statements

Table of Contents

CHURCH & DWIGHT CO., INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOW

	Year Ended December 31,		
(Dollars in thousands)	**2008**	**2007**	**2006**
Cash Flow From Operating Activities			
Net Income	**$ 195,174**	$ 169,025	$ 138,927
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	**71,404**	56,671	51,727
Equity in earnings of affiliates	**(11,334)**	(8,236)	(7,135)
Distributions from unconsolidated affiliates	**11,019**	7,074	6,668
Deferred income taxes	**15,155**	16,519	9,025
Asset impairment charges and other asset write-offs	**11,460**	7,463	16,785
Gain on sale of assets	**(4,184)**	(3,325)	
Non cash compensation expense	**12,414**	11,416	10,617
Unrealized loss on diesel hedge contract	**4,541**		
Unrealized foreign exchange loss (gain)	**1,974**	(2,580)	(2,359)
Other	**(79)**	377	295
Change in assets and liabilities:			
Accounts receivable	**26,473**	(6,902)	(14,265)
Inventories	**2,443**	(13,758)	(13,061)
Prepaid expenses	**(1,354)**	1,061	3,020
Accounts payable and accrued expenses	**10,040**	5,247	(4,195)
Income taxes payable	**5,131**	11,775	1,151
Excess tax benefit on stock options exercised	**(6,299)**	(7,681)	(7,601)
Other liabilities	**(7,811)**	4,531	(3,155)
Net Cash Provided By Operating Activities	**336,167**	248,677	186,444
Cash Flow From Investing Activities			
Proceeds from sale of assets	**15,616**	7,213	
Additions to property, plant and equipment	**(98,319)**	(48,876)	(47,598)
Acquisitions (net of cash acquired)	**(383,372)**	(211)	(337,471)
Return of capital from equity affiliates		1,250	1,043
Proceeds from note receivable	**1,263**		2,355
Contingent acquisition payments	**(1,009)**	(1,257)	(1,786)
Change in other long-term assets	**(340)**	(641)	(2,059)
Net Cash Used In Investing Activities	**(466,161)**	(42,522)	(385,516)
Cash Flow From Financing Activities			
Long-term debt borrowing	**250,000**		250,000
Long-term debt repayment	**(38,176)**	(90,052)	(69,942)
Short-term debt borrowings net	**(111,752)**	14,654	(2,311)
Bank overdrafts		(1,979)	(1,005)
Proceeds from stock options exercised	**12,724**	16,069	