NEWELL RUBBERMAID INC
Form 10-Q
May 06, 2011
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# UNITED STATES

## SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-Q

**Quarterly Report Pursuant to Section 13 or 15(d)**

**of the Securities Exchange Act of 1934**

**for the Quarterly Period Ended March 31, 2011**

**Commission File Number 1-9608**

# NEWELL RUBBERMAID INC.

(Exact name of registrant as specified in its charter)

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

Three Glenlake Parkway

Atlanta, Georgia 30328

(Address of principal executive offices)

(Zip Code)

(770) 418-7000

(Registrant s telephone number, including area code)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act:

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No þ

Number of shares of common stock outstanding (net of treasury shares) as of March 31, 2011: 291.2 million.

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**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**NEWELL RUBBERMAID INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF INCOME (Unaudited)**

*(Amounts in millions, except per share data)*

| | Three Months Ended March 31, 2011 | Three Months Ended March 31, 2010 |
|---|---|---|
| Net sales | $ 1,302.7 | $ 1,306.4 |
| Cost of products sold | 811.8 | 834.7 |
| GROSS MARGIN | 490.9 | 471.7 |
| Selling, general and administrative expenses | 354.5 | 325.6 |
| Restructuring costs | 5.8 | 16.0 |
| OPERATING INCOME | 130.6 | 130.1 |
| Nonoperating expenses: | | |
| Interest expense, net | 21.9 | 32.0 |
| Loss related to extinguishment of debt | 4.8 | 0 |
| Other expense (income), net | 1.5 | (0.3) |
| Net nonoperating expenses | 28.2 | 31.7 |
| INCOME BEFORE INCOME TAXES | 102.4 | 98.4 |
| Income taxes | 26.7 | 40.0 |
| NET INCOME | $ 75.7 | $ 58.4 |
| Weighted average shares outstanding: | | |
| Basic | 294.2 | 281.1 |
| Diluted | 298.2 | 307.8 |
| Earnings per share: | | |
| Basic | $ 0.26 | $ 0.21 |
| Diluted | $ 0.25 | $ 0.19 |
| Dividends per share | $ 0.05 | $ 0.05 |

*See Notes to Condensed Consolidated Financial Statements (Unaudited).*

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**NEWELL RUBBERMAID INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED BALANCE SHEETS (Unaudited)**

*(Amounts in millions, except par values)*

| | March 31, 2011 | December 31, 2010 |
|---|---|---|
| ASSETS | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | $ 139.7 | $ 139.6 |
| Accounts receivable, net | 967.2 | 997.9 |
| Inventories, net | 844.7 | 701.6 |
| Deferred income taxes | 181.4 | 179.2 |
| Prepaid expenses and other | 171.2 | 113.7 |
| TOTAL CURRENT ASSETS | 2,304.2 | 2,132.0 |
| PROPERTY, PLANT AND EQUIPMENT, NET | 535.2 | 529.3 |
| GOODWILL | 2,791.8 | 2,749.5 |
| OTHER INTANGIBLE ASSETS, NET | 662.6 | 648.3 |
| OTHER ASSETS | 343.4 | 346.2 |
| TOTAL ASSETS | $ 6,637.2 | $ 6,405.3 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | $ 548.9 | $ 472.5 |
| Accrued compensation | 101.2 | 190.2 |
| Other accrued liabilities | 618.8 | 698.2 |
| Short-term debt | 325.0 | 135.0 |
| Current portion of long-term debt | 411.1 | 170.0 |
| TOTAL CURRENT LIABILITIES | 2,005.0 | 1,665.9 |
| LONG-TERM DEBT | 1,796.3 | 2,063.9 |
| OTHER NONCURRENT LIABILITIES | 797.2 | 770.0 |
| STOCKHOLDERS EQUITY: | | |
| Preferred stock, authorized shares, 10.0 at $1.00 par value | 0 | 0 |
| None issued and outstanding | | |
| Common stock, authorized shares, 800.0 at $1.00 par value | 308.1 | 307.2 |
| Outstanding shares, before treasury: | | |
| 2011 308.1 | | |
| 2010 307.2 | | |
| Treasury stock, at cost: | (430.2) | (425.7) |
| Shares held: | | |
| 2011 16.9 | | |
| 2010 16.7 | | |
| Additional paid-in capital | 594.4 | 568.2 |
| Retained earnings | 2,118.1 | 2,057.3 |
| Accumulated other comprehensive loss | (555.2) | (605.0) |
| STOCKHOLDERS EQUITY ATTRIBUTABLE TO PARENT | 2,035.2 | 1,902.0 |
| STOCKHOLDERS EQUITY ATTRIBUTABLE TO NONCONTROLLING INTERESTS | 3.5 | 3.5 |

| | | | | |
|---|---|---|---|---|
| TOTAL STOCKHOLDERS EQUITY | | 2,038.7 | | 1,905.5 |
| TOTAL LIABILITIES AND STOCKHOLDERS EQUITY | $ | 6,637.2 | $ | 6,405.3 |

*See Notes to Condensed Consolidated Financial Statements (Unaudited).*

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**NEWELL RUBBERMAID INC. AND SUBSIDIARIES**

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)**

*(Amounts in millions)*

| | Three Months Ended March 31, 2011 | Three Months Ended March 31, 2010 |
|---|---|---|
| OPERATING ACTIVITIES: | | |
| Net income | $ 75.7 | $ 58.4 |
| Adjustments to reconcile net income to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 40.7 | 44.2 |
| Loss related to extinguishment of debt | 4.8 | 0 |
| Deferred income taxes | 35.4 | 21.3 |
| Non-cash restructuring costs | (0.5) | 0.9 |
| Stock-based compensation expense | 8.1 | 10.5 |
| Other, net | 4.1 | 9.0 |
| Changes in operating assets and liabilities, excluding the effects of acquisitions: | | |
| Accounts receivable | 45.1 | (29.4) |
| Inventories | (131.7) | (46.1) |
| Accounts payable | 70.3 | 71.1 |
| Accrued liabilities and other | (260.3) | (110.5) |
| NET CASH (USED IN) PROVIDED BY OPERATING ACTIVITIES | (108.3) | 29.4 |
| INVESTING ACTIVITIES: | | |
| Acquisitions and acquisition-related activity | (18.9) | (1.5) |
| Capital expenditures | (44.9) | (31.5) |
| Proceeds from sales of noncurrent assets | 2.7 | 0 |
| NET CASH USED IN INVESTING ACTIVITIES | (61.1) | (33.0) |
| FINANCING ACTIVITIES: | | |
| Short-term borrowings, net | 190.0 | 0 |
| Proceeds from issuance of debt, net of debt issuance costs | 0 | 1.4 |
| Payments on notes payable and debt | (0.5) | (2.9) |
| Cash consideration paid for exchange of convertible notes (1) | (3.1) | 0 |
| Cash dividends | (14.7) | (13.9) |
| Other, net | (3.9) | (2.9) |
| NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES | 167.8 | (18.3) |
| Currency rate effect on cash and cash equivalents | 1.7 | (3.4) |
| INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 0.1 | (25.3) |
| Cash and cash equivalents at beginning of period | 139.6 | 278.3 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | $ 139.7 | $ 253.0 |

(1) Consideration provided in connection with the convertible note exchange in March 2011 consisted of cash as well as issuance of shares of the Company s common stock, which issuance is not included in the Condensed Consolidated Statement of Cash Flows for the three months ended March 31, 2011. See Footnote 5 of the Notes to Condensed Consolidated Financial Statements for further information.

*See Notes to Condensed Consolidated Financial Statements (Unaudited).*

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**NEWELL RUBBERMAID INC. AND SUBSIDIARIES**

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)**

**Footnote 1 Basis of Presentation and Significant Accounting Policies**

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

**Seasonal Variations**

Sales of the Company s products tend to be seasonal, with sales and operating income in the first quarter generally lower than any other quarter during the year, driven principally by reduced volume and the mix of products sold in the first quarter. Historically, the Company has earned more than 60% of its annual operating income during the second and third quarters of the year. The seasonality of the Company s sales volume combined with the accounting for fixed costs, such as depreciation, amortization, rent, personnel costs and interest expense, impacts the Company s results on a quarterly basis. In addition, the Company has historically generated more than 65% of its operating cash flow in the second half of the year due to seasonal variations in operating results, the timing of annual performance-based compensation payments, and credit terms provided to customers. Accordingly, the Company s results for the three months ended March 31, 2011 may not necessarily be indicative of the results that may be expected for the full year ending December 31, 2011.

**Recent Accounting Pronouncements**

Changes to U.S. GAAP are established by the Financial Accounting Standards Board ( FASB ) in the form of accounting standards updates ( ASU s ) to the FASB s Accounting Standards Codification. The Company considers the applicability and impact of all ASU s. Recently issued ASU s were assessed and determined to be either not applicable or are expected to have a minimal impact on the Company s consolidated financial position and results of operations.

**Venezuelan Operations**

The Company considers Venezuela a highly inflationary economy. Accounting standards require the functional currency of foreign operations operating in highly inflationary economies to be the same as the reporting currency of the Company. Accordingly, the functional currency of the Company s Venezuelan operations is the U.S. Dollar. The Company s Venezuelan operations had approximately $33.7 million of net monetary assets denominated in Bolivar Fuertes as of March 31, 2011 which are subject to changes in value based on changes in the Transaction System for Foreign Currency Denominated Securities ( SITME ) rate. Foreign currency exchange through the SITME is allowed within a specified band of 4.5 to 5.3 Bolivar Fuerte to U.S. Dollar, but most of the exchanges have been executed at the rate of 5.3 Bolivar Fuerte to U.S. Dollar. During the three months ended March 31, 2011, the Company s Venezuelan operations generated less than 1% of consolidated net sales.

**Footnote 2 Stockholders Equity and Accumulated Other Comprehensive Income (Loss)**

On August 2, 2010, the Company entered into an accelerated stock buyback program (the ASB ) with Goldman, Sachs & Co. ( Goldman Sachs ). Under the ASB, on August 10, 2010, the Company paid Goldman Sachs an initial purchase price of $500.0 million, and Goldman Sachs delivered to the Company approximately 25.8 million shares of common stock, representing approximately 80% of the shares expected to be purchased under the program at the time the program was announced based on a per share amount of $15.50. The final number of shares that the Company purchased under the ASB was determined based on the average of the daily volume-weighted average share prices of the Company s common stock from August 11, 2010 until March 21, 2011, subject to certain adjustments. Based on a calculated per share price of $17.95, Goldman Sachs delivered approximately 2.0 million additional shares to the Company on March 24, 2011 in connection with the completion of the ASB, and such shares were immediately retired.

The following table displays the components of accumulated other comprehensive loss as of March 31, 2011 *(in millions)*:

| | Foreign Currency Translation Loss | | Unrecognized Pension & Other Postretirement Costs, net of tax | | Derivative Hedging Loss, net of tax | | Accumulated Other Comprehensive Loss | |
|---|---|---|---|---|---|---|---|---|
| Balance at December 31, 2010 | $ | (179.4) | $ | (425.4) | $ | (0.2) | $ | (605.0) |
| Current period change | | 45.4 | | 7.3 | | (2.9) | | 49.8 |
| Balance at March 31, 2011 | $ | (134.0) | $ | (418.1) | $ | (3.1) | $ | (555.2) |

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Comprehensive income amounted to the following for the three months ended March 31, *(in millions):*

| | 2011 | 2010 |
|---|---|---|
| Net income | $ 75.7 | $ 58.4 |
| Foreign currency translation | 45.4 | (33.0) |
| Unrecognized pension & other postretirement costs, including translation effects, net of tax expense of $(1.6) in 2011 and including tax benefits of $7.3 in 2010 | 7.3 | 14.5 |
| Derivative hedging loss, net of tax benefit of $0.7 and $0.3 in 2011 and 2010, respectively | (2.9) | (0.2) |
| Comprehensive income (1) | $ 125.5 | $ 39.7 |

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

**Footnote 3 Restructuring Costs**

**European Transformation Plan**

In June 2010, the Company announced a program to simplify and centralize its European business (the European Transformation Plan ). The European Transformation Plan includes initiatives designed to transform the European organizational structure and processes to centralize certain operating activities, improve performance, leverage the benefits of scale and to contribute to a more efficient and cost effective implementation of an enterprise resource planning program in Europe, all with the aim of increasing operating margin in the European region to at least ten percent.

The European Transformation Plan is expected to be completed in 2012 and is expected to result in cumulative restructuring charges totaling between $40 and $45 million, substantially all of which are employee-related cash costs, including severance, retirement, and other termination benefits and relocation costs. The Company also expects to incur an additional $70 to $75 million of selling, general and administrative expenses, otherwise referred to as restructuring-related charges, to implement the European Transformation Plan. During the three months ended March 31, 2011, restructuring and restructuring-related charges incurred in connection with the European Transformation Plan were $5.8 million and $5.3 million, respectively. To date, the Company has incurred $5.8 million of restructuring charges and $20.5 million of restructuring-related charges under the European Transformation Plan. Restructuring-related charges are included in selling, general and administrative expenses in the Condensed Consolidated Statements of Income for the three months ended March 31, 2011 and are reflected in the Europe, Middle East and Africa operating income for the three months ended March 31, 2011 in Footnote 12 of the Notes to Condensed Consolidated Financial Statements. The Company expects all restructuring and restructuring-related costs under the European Transformation Plan to be substantially incurred by the end of the year ending December 31, 2011.

Restructuring provisions were determined based on estimates prepared at the time the restructuring actions were approved by management, are periodically updated for changes and also include amounts recognized as incurred. The following table depicts the changes in accrued restructuring reserves for the European Transformation Plan for the three months ended March 31, 2011 *(in millions)*:

| | December 31, 2010 Balance | Provision | Costs Incurred | March 31, 2011 Balance |
|---|---|---|---|---|
| Employee severance, termination benefits and relocation costs | $ | $ 5.8 | $ (0.9) | $ 4.9 |

**Project Acceleration**

In 2010, the Company completed a global initiative referred to as Project Acceleration aimed at strengthening and transforming the Company s portfolio. Project Acceleration was designed to reduce manufacturing overhead, better align the Company s distribution and transportation processes to achieve logistical excellence, and reorganize the Company s overall business structure to align with the Company s core organizing concept, the global business unit, to achieve best total cost. The table below summarizes the restructuring costs recognized for Project Acceleration restructuring activities for the periods indicated *(in millions)*:

| | **Three Months Ended March 31,** | |
|---|---|---|
| | **2011** | **2010** |
| Facility and other exit costs | $ | $ 0.9 |
| Employee severance, termination benefits and relocation costs | | 13.8 |
| Exited contractual commitments and other | | 1.3 |
| | $ | $ 16.0 |

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A summary of accrued restructuring reserves as of and for the three months ended March 31, 2011 is as follows *(in millions)*:

| | December 31, 2010 Balance | Provision | Costs Incurred | March 31, 2011 Balance |
|---|---|---|---|---|
| Employee severance, termination benefits and relocation costs | $ 22.2 | $ | $ (9.9) | $ 12.3 |
| Exited contractual commitments and other | 11.3 | | (1.0) | 10.3 |
| | $ 33.5 | $ | $ (10.9) | $ 22.6 |

The following table depicts the changes in accrued restructuring reserves for the three months ended March 31, 2011 aggregated by reportable business segment *(in millions)*:

| Segment | December 31, 2010 Balance | Provision | Costs Incurred | March 31, 2011 Balance |
|---|---|---|---|---|
| Home & Family | $ 4.0 | $ | $ (1.5) | $ 2.5 |
| Office Products | 11.1 | | (3.0) | 8.1 |
| Tools, Hardware & Commercial Products | 4.8 | | (0.6) | 4.2 |
| Corporate | 13.6 | | (5.8) | 7.8 |
| | $ 33.5 | $ | $ (10.9) | $ 22.6 |

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

| Segment | Three Months Ended March 31, 2011 | Three Months Ended March 31, 2010 |
|---|---|---|
| Home & Family | $ | $ 3.3 |
| Office Products | | 5.4 |
| Tools, Hardware & Commercial Products | | 1.3 |
| Corporate | 5.8 | 6.0 |
| | $ 5.8 | $ 16.0 |

Cash paid for all restructuring activities was $11.8 million and $16.1 million for the three months ended March 31, 2011 and 2010, respectively.

**Footnote 4 Inventories, Net**

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

| | March 31, 2011 | December 31, 2010 |
|---|---|---|
| Materials and supplies | $ 149.8 | $ 116.8 |
| Work in process | 140.3 | 101.0 |
| Finished products | 554.6 | 483.8 |
| | $ 844.7 | $ 701.6 |

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**Footnote 5 Debt**

The following is a summary of outstanding debt *(in millions)*:

| | March 31, 2011 | December 31, 2010 |
|---|---|---|
| Medium-term notes | $1,614.4 | $ 1,623.0 |
| Term loan | 150.0 | 150.0 |
| Convertible notes | 0.3 | 17.5 |
| Junior convertible subordinated debentures | 436.7 | 436.7 |
| Commercial paper | 174.0 | 34.0 |
| Receivables facility | 150.0 | 100.0 |
| Other debt | 7.0 | 7.7 |
| Total debt | 2,532.4 | 2,368.9 |
| Short-term debt | (325.0) | (135.0) |
| Current portion of long-term debt | (411.1) | (170.0) |
| Long-term debt | $1,796.3 | $ 2,063.9 |

**Interest Rate Swaps**

As of March 31, 2011, the Company had entered into fixed-for-floating interest rate swaps designated as fair value hedges. The interest rate swaps relate to $1.0 billion of the principal amount of the medium-term notes and result in the Company effectively paying a floating rate of interest on the medium-term notes subject to the interest rate swaps. The medium-term note balances at March 31, 2011 and December 31, 2010 include mark-to-market adjustments of $33.7 million and $42.3 million, respectively, to record the fair value of the hedges of the fixed-rate debt, and the mark-to-market adjustments had the effect of increasing the reported value of the medium-term notes. The interest rate swaps had the effect of reducing interest expense by $7.7 million and $7.8 million for the three months ended March 31, 2011 and 2010, respectively, compared to the stated rates of the underlying medium-term notes.

**Medium-term Notes**

As of March 31, 2011, the current portion of long-term debt includes $250.0 million principal amount of the 6.75% senior notes due March 2012.

**Convertible Notes**

In September 2010, the Company completed an exchange of newly issued shares of common stock and cash for $324.7 million of the $345.0 million outstanding principal amount of the Convertible Notes (the Exchange Offer ). In the aggregate, the Company paid approximately $52.0 million in cash and issued approximately 37.7 million shares of the Company s common stock for $324.7 million principal amount of the Convertible Notes validly offered for exchange by the holders pursuant to the Exchange Offer.

In March 2011, the Company completed exchanges of newly issued shares of common stock and cash for an additional $20.0 million outstanding principal amount of Convertible Notes. The Company paid approximately $3.1 million in cash and issued approximately 2.3 million shares of the Company s common stock for the $20.0 million principal amount of Convertible Notes. The Company determined that the fair value of total consideration (including cash) paid to the holders of Convertible Notes, using the fair market value of common stock at settlement, was $47.4 million. In accordance with the applicable authoritative accounting guidance, the Company determined the fair value of the liability component of the Convertible Notes received, with the residual value representing the equity component. The excess of the fair value of the liability component, or $21.8 million, over the carrying value of the Convertible Notes exchanged, $17.3 million, was recognized as a loss related to the extinguishment of debt during the three months ended March 31, 2011. Including the write-off of unamortized issuance costs, the Company recorded a pretax loss of $4.8 million, which is included in loss related to extinguishment of debt in the Condensed Consolidated

Statement of Income for the three months ended March 31, 2011. Further, the value of shares issued increased stockholders equity by $44.3 million, and the value of the equity component of the Convertible Notes received and extinguished reduced stockholders equity by $25.6 million during the three months ended March 31, 2011. As of March 31, 2011, $0.3 million principal amount of the Convertible Notes remained outstanding.

**Term Loan**

In September 2008, the Company entered into a $400.0 million credit agreement (the Agreement ), under which the Company received an unsecured three-year term loan in the amount of $400.0 million (the Term Loan ). As of March 31, 2011, the Company is required to repay the remaining outstanding principal amount of $150.0 million in September 2011, the maturity date. Borrowings under the Agreement bear interest at a rate of LIBOR plus a spread that is determined based on the credit rating of the Company, and interest is payable no less frequently than monthly. The $150.0 million of outstanding borrowings under the Agreement at March 31, 2011 bear interest at the rate of 2.3%. The Agreement has covenants similar to those in the Company s syndicated revolving credit facility, including, among other things, the maintenance of interest coverage and total indebtedness to total capital ratios and a limitation on the amount of indebtedness subsidiaries may incur, and the Company was in compliance with such covenants as of March 31, 2011.

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**Junior Convertible Subordinated Debentures**

In 1997, a 100% owned finance subsidiary (the Subsidiary ) of the Company issued 10.0 million shares of 5.25% convertible preferred securities (the Preferred Securities ). Each of these Preferred Securities is convertible into 0.9865 of a share of the Company s common stock. As of March 31, 2011, the Company fully and unconditionally guarantees the 8.4 million shares of the Preferred Securities issued by the Subsidiary that were outstanding as of that date, which are callable at 100% of the liquidation preference of $421.2 million. The proceeds received by the Subsidiary from the issuance of the Preferred Securities were invested in the Company s 5.25% Junior Convertible Subordinated Debentures (the Debentures ), which mature on December 1, 2027. The Preferred Securities are mandatorily redeemable upon the repayment of the Debentures at maturity or upon acceleration of the Debentures. As of March 31, 2011, the Company has not elected to defer interest payments on the $436.7 million of outstanding Debentures.

**Receivables-Related Borrowings**

The Company maintains a 364-day receivables facility that provides for borrowings of up to $200.0 million and expires in September 2011 (the Receivables Facility ). Under this facility, the Company and certain operating subsidiaries (collectively, the Originators ) sell their receivables to a financing subsidiary as the receivables are originated. The financing subsidiary is wholly owned by the Company and is the owner of the purchased receivables and the borrower under the facility. The assets of the financing subsidiary are restricted as collateral for the payment of debt or other obligations arising under the facility, and the financing subsidiary s assets and credit are not available to satisfy the debts and obligations owed to the Company s or any other Originator s creditors. The Company includes the financing subsidiary s assets, liabilities and results of operations in its consolidated financial statements. The Receivables Facility requires, among other things, that the Company maintain certain interest coverage and total indebtedness to total capital ratios, and the Company was in compliance with such requirements as of March 31, 2011. As of March 31, 2011, the financing subsidiary owned $624.3 million of outstanding accounts receivable, and these amounts are included in accounts receivable, net in the Company s Condensed Consolidated Balance Sheet at March 31, 2011. As of March 31, 2011, the Company had outstanding borrowings of $150.0 million under the facility which are classified as short-term borrowings, and the Company had $50.0 million available for borrowing under the facility. The $150.0 million of outstanding borrowings under the facility at March 31, 2011 bear interest at a weighted average rate of 1.3%.

**Revolving Credit Facility and Commercial Paper**

The Company currently has $665.0 million available for borrowing under a syndicated revolving credit facility which expires in November 2012 (the Revolver ). At March 31, 2011, there were no borrowings under the Revolver. The Revolver permits the Company to borrow funds on a variety of interest rate terms. The Revolver requires, among other things, that the Company maintain certain interest coverage and total indebtedness to total capital ratios, as defined in the agreement. The Revolver also limits the amount of indebtedness subsidiaries may incur. As of March 31, 2011, the Company was in compliance with the provisions of the agreement governing the Revolver.

In lieu of borrowings under the Revolver, the Company may issue up to $665.0 million of commercial paper. The Revolver provides the committed backup liquidity required to issue commercial paper. Accordingly, commercial paper may be issued only up to the amount available for borrowing under the Revolver. As of March 31, 2011 and December 31, 2010, the Company had outstanding commercial paper obligations of $174.0 million and $34.0 million, respectively. The Revolver also provides for the issuance of up to $100.0 million of standby letters of credit so long as there is a sufficient amount available for borrowing under the Revolver. There were no standby letters of credit issued or outstanding under the Revolver as of March 31, 2011.

**Footnote 6 Derivatives**

The use of financial instruments, including derivatives, exposes the Company to market risk related to changes in interest rates, foreign currency exchange rates and commodity prices. The Company enters into interest rate swaps related to debt obligations with initial maturities ranging from five to ten years. The Company uses interest rate swap agreements to manage its interest rate exposure and to achieve a desired proportion of variable and fixed-rate debt. These derivatives are designated as fair value hedges based on the nature of the risk being hedged. The Company also uses derivative instruments, such as forward contracts, to manage the risk associated with the volatility of future cash flows denominated in foreign currencies and changes in fair value resulting from changes in foreign currency exchange rates. The Company s foreign exchange risk management policy generally emphasizes hedging transaction exposures of one-year duration or less and hedging foreign currency intercompany financing activities with derivatives with maturity dates of one year or less. The Company uses derivative instruments to hedge various foreign exchange exposures, including the following: (i) variability in foreign currency-denominated cash flows, such as the hedges of inventory purchases for products produced in one currency and sold in another currency and (ii) currency risk associated with foreign currency-denominated operating assets and liabilities, such as forward contracts and other instruments that hedge cash flows associated with intercompany financing activities. Additionally, the Company purchases certain raw materials which are subject to price volatility caused by unpredictable factors. Where practical, the Company uses derivatives as part of its commodity risk management process. The Company reports its derivative positions in the Condensed Consolidated Balance Sheets on a gross basis and does not net asset and liability derivative positions with the same counterparty. The Company monitors its positions with, and the credit quality of, the financial institutions that are parties to its financial transactions.

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Derivative instruments are accounted for at fair value. The accounting for changes in the fair value of a derivative depends on the intended use and designation of the derivative instrument. For a derivative instrument that is designated and qualifies as a fair value hedge, the gain or loss on the derivative as well as the offsetting loss or gain on the hedged item attributable to the hedged risk are recognized in current earnings. For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is initially reported as a component of accumulated other comprehensive income (loss) ( AOCI ), net of tax, and is subsequently reclassified into earnings when the hedged transaction affects earnings. The ineffective portion of the gain or loss is recognized in current earnings. Gains and losses from changes in fair values of derivatives that are not designated as hedges for accounting purposes are recognized currently in earnings, and such amounts were not material for the three months ended March 31, 2011 and 2010.

The following table summarizes the Company s outstanding derivative instruments and their effects on the Condensed Consolidated Balance Sheets as of March 31, 2011 and December 31, 2010 *(in millions)*:

| **Derivatives designated as hedging instruments** | **Balance Sheet Location** | **Assets** March 31, 2011 | December 31, 2010 | **Balance Sheet Location** | **Liabilities** March 31, 2011 | December 31, 2010 |
|---|---|---|---|---|---|---|
| Interest rate swaps | Prepaid expenses and other | $ 8.0 | $ | Other accrued liabilities | $ | $ |
| Interest rate swaps | Other noncurrent assets | 25.7 | 42.3 | Other noncurrent liabilities | | |
| Foreign exchange contracts on inventory-related purchases | Prepaid expenses and other | 0.1 | 1.4 | Other accrued liabilities | 4.3 | 2.0 |
| Foreign exchange contracts on intercompany borrowings | Prepaid expenses and other | 0.5 | 1.2 | Other accrued liabilities | 0.3 | |
| Total assets | | $ 34.3 | $ 44.9 | Total liabilities | $ 4.6 | $ 2.0 |

The fair values of outstanding derivatives that are not designated as hedges for accounting purposes were not material as of March 31, 2011 and December 31, 2010.

The Company is a party to an interest rate swap in an asset position; in the event the interest rate swap is in a liability position, settlement could be accelerated if the Company s credit rating falls below investment-grade. The Company is not a party to any derivatives that require collateral to be posted prior to settlement.

**Fair Value Hedges**

The following table presents the pretax effects of derivative instruments designated as fair value hedges on the Company s Condensed Consolidated Statement of Income for the three months ended March 31, *(in millions)*:

| **Derivatives in fair value relationships** | **Location of gain (loss) recognized in income** | **Amount of gain (loss) recognized in income** 2011 | 2010 |
|---|---|---|---|
| Interest rate swaps | Interest expense, net | $ (8.6) | $ 14.4 |
| Fixed-rate debt | Interest expense, net | $ 8.6 | $ (14.4) |

The Company did not record any ineffectiveness related to fair value hedges during the three months ended March 31, 2011 and 2010.

**Cash Flow Hedges**

The following table presents the pretax effects of derivative instruments designated as cash flow hedges on the Company s Condensed Consolidated Statement of Income and AOCI for the three months ended March 31, *(in millions)*:

| **Derivatives in cash flow hedging relationships** | **Location of gain (loss) recognized in income** | **Amount of gain (loss) reclassified from AOCI into income** | | **Amount of gain (loss) recognized in AOCI** | |
|---|---|---|---|---|---|
| | | **2011** | **2010** | **2011** | **2010** |
| Foreign exchange contracts on inventory-related purchases | Cost of products sold | $ (1.6) | $ (0.1) | $ (5.3) | $ (0.6) |
| Foreign exchange contracts on intercompany borrowings | Interest expense, net | (0.1) | 0.1 | (1.9) | 2.4 |
| | | $ (1.7) | $ | $ (7.2) | $ 1.8 |

The Company did not record any ineffectiveness related to cash flow hedges during the three months ended March 31, 2011 and 2010.

The Company estimates that during the next 12 months it will reclassify losses of approximately $4.3 million included in the pretax amount recorded in AOCI as of March 31, 2011 into earnings, as the anticipated cash flows occur.

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**Footnote 7 Employee Benefit and Retirement Plans**

The following table presents the components of the Company s pension cost, including supplemental retirement plans, for the three months ended March 31, *(in millions)*:

| | U.S. | | International | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| Service cost-benefits earned during the period | $ 1.4 | $ 1.3 | $ 1.4 | $ 1.5 |
| Interest cost on projected benefit obligation | 12.7 | 12.9 | 6.3 | 7.2 |
| Expected return on plan assets | (14.6) | (14.1) | (6.5) | (6.3) |
| Amortization of prior service cost and actuarial loss | 4.4 | 3.2 | 0.3 | 0.5 |
| Net periodic pension cost | $ 3.9 | $ 3.3 | $ 1.5 | $ 2.9 |

The following table presents the components of the Company s other postretirement benefit costs for the three months ended March 31, *(in millions)*:

| | **2011** | **2010** |
|---|---|---|
| Service cost-benefits earned during the period | $ 0.3 | $ 0.4 |
| Interest cost on projected benefit obligation | 2.1 | 2.3 |
| Amortization of prior service benefit and actuarial loss, net | (0.3) | (0.4) |
| Net other postretirement benefit costs | $ 2.1 | $ 2.3 |

The Company made a cash contribution to the Company-sponsored profit sharing plan of $17.6 million and $17.1 million during the three months ended March 31, 2011 and 2010, respectively.

**Footnote 8 Income Taxes**

As of March 31, 2011, there were no significant changes to the Company s unrecognized tax benefits as reported in its Form 10-K for the year ended December 31, 2010.

The Company s income tax expense and resulting effective tax rate are based upon the respective estimated annual effective tax rates applicable for the respective periods adjusted for the effect of items required to be treated as discrete to the period, including adjustments to write down deferred tax assets determined not to be realizable due to the vesting or cancellation of equity-based compensation awards, changes in tax laws, changes in estimated exposures for uncertain tax positions, and other items. The Company s effective tax rate for the three months ended March 31, 2011 was favorably impacted by a change in the geographical mix in earnings.

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**Footnote 9 Earnings per Share**

The calculation of basic and diluted earnings per share is shown below for the three months ended March 31, *(in millions, except per share data):*

| | 2011 | 2010 |
|---|---|---|
| Numerator for basic and diluted earnings per share: | | |
| Net income | $ 75.7 | $ 58.4 |
| Dividends and equivalents for share-based awards expected to be forfeited | | |
| Net income for basic earnings per share | $ 75.7 | $ 58.4 |
| Effect of Preferred Securities (1) | | |
| Net income for diluted earnings per share | $ 75.7 | $ 58.4 |
| Denominator: | | |
| Weighted-average shares outstanding | 291.2 | 278.0 |
| Share-based payment awards classified as participating securities | 3.0 | 3.1 |
| Denominator for basic earnings per share | 294.2 | 281.1 |
| Dilutive securities (2) | 3.1 | 1.8 |
| Convertible Notes (3) | 0.9 | 16.5 |
| Warrants (4) | | 8.4 |
| Preferred Securities (1) | | |
| Denominator for diluted earnings per share | 298.2 | 307.8 |
| Basic earnings per share | $ 0.26 | $ 0.21 |
| Diluted earnings per share | $ 0.25 | $ 0.19 |

(1) The Preferred Securities are anti-dilutive for each of the three months ended March 31, 2011 and 2010, and therefore have been excluded from diluted earnings per share. Had the Preferred Securities been included in the diluted earnings per share calculation, net income would be increased by $3.5 million and weighted-average shares outstanding would be increased by 8.3 million shares for each of the three months ended March 31, 2011 and 2010.

(2) Dilutive securities include in the money options, non-participating restricted stock units and performance share awards. The weighted-average shares outstanding exclude the effect of approximately 12.3 million and 13.1 million stock options for the three months ended March 31, 2011 and 2010, respectively, because such options were anti-dilutive.

(3) The Convertible Notes are dilutive to the extent the average price during the period is greater than $8.61, the conversion price of the Convertible Notes, and the Convertible Notes are only dilutive for the in the money portion of the Convertible Notes that could be settled with the Company s stock. The Convertible Notes were dilutive for the three months ended March 31, 2011 and 2010, as the average price of the Company s common stock during the three months ended March 31, 2011 and 2010 was greater than $8.61. As disclosed in Footnote 5 of the Notes to Condensed Consolidated Financial Statements, substantially all of the remaining outstanding principal amount of the Convertible Notes were extinguished in March 2011, and as such, dilution for the three months ended March 31, 2011 takes into consideration the period of time the Convertible Notes were outstanding. The Convertible Notes will not meaningfully impact diluted average shares outstanding in subsequent periods because the maximum amount of shares required to settle the in the money portion of the $0.3 million of Convertible Notes outstanding as of March 31, 2011 is less than 0.1 million shares.

(4) The warrant transaction was settled during September 2010 and as such the warrants will not impact diluted average shares outstanding in subsequent periods. The warrants were dilutive for the three months ended March 31, 2010, as the average price of the Company s common stock during the three months ended March 31, 2010 was greater than $11.59, the exercise price of the warrants.

**Footnote 10 Stock-Based Compensation**

The Company accounts for stock-based compensation pursuant to certain authoritative guidance which requires measurement of compensation cost for all stock awards at fair value on the date of grant and recognition of compensation, net of estimated forfeitures, over the requisite service period for awards expected to vest. The Company recognized $8.1 million and $10.5 million of pretax stock-based compensation during the three months ended March 31, 2011 and 2010, respectively.

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In determining the fair value of stock options granted during the three months ended March 31, 2011, the Company utilized its historical experience to estimate the expected life of the options and volatility.

The following table summarizes the changes in the number of shares of common stock under option for the three months ended March 31, 2011 *(shares in millions)*:

| | Shares | Weighted Average Exercise Price | Exercisable at Period End | Aggregate Intrinsic Value Exercisable |
|---|---|---|---|---|
| Outstanding at December 31, 2010 | 16.3 | $ 22 | 8.9 | $ 1.5 |
| Granted | 0.8 | 20 | | |
| Forfeited / expired | (0.4) | 23 | | |
| Outstanding at March 31, 2011 | 16.7 | $ 21 | 9.8 | $ 1.6 |

The following table summarizes the changes in the number of shares of restricted stock and restricted stock units for the three months ended March 31, 2011 *(shares in millions)*:

| | Shares | Weighted-Average Grant Date Fair Value |
|---|---|---|
| Outstanding at December 31, 2010 | 5.2 | $ 13 |
| Granted | 1.1 | 20 |
| Vested | (0.6) | 22 |
| Forfeited | (0.1) | 11 |
| Outstanding at March 31, 2011 | 5.6 | $ 13 |

During the three months ended March 31, 2011, the Company awarded approximately 0.5 million performance-based restricted stock units which entitle recipients to shares of the Company s stock at the end of a three-year vesting period if specified market conditions are achieved. The performance-based restricted stock units entitle recipients to shares of common stock equal to 0% up to 200% of the number of units granted at the vesting date depending on the level of achievement of the specified conditions. As of March 31, 2011, 2.3 million performance-based restricted stock units were outstanding, and based on performance through March 31, 2011, recipients of performance-based restricted stock units would be entitled to 3.1 million shares at the vesting date. The performance-based restricted stock units are included in the preceding table as if the participants earn shares equal to 100% of the units granted.

**Footnote 11 Fair Value Disclosures**

**Recurring Fair Value Measurements**

The following tables present the Company s non-pension financial assets and liabilities which are measured at fair value on a recurring basis as of March 31, 2011 and December 31, 2010 *(in millions)*:

| Description | Fair Value as of March 31, 2011 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Assets | | | | |
| Money market fund investments (1) | $ 11.5 | $ | $ 11.5 | $ |
| Investment securities, including mutual funds (2) | 24.0 | 7.6 | 16.4 | |
| Interest rate swaps | 33.7 | | 33.7 | |
| Foreign currency derivatives | 0.6 | | 0.6 | |
| Total | $ 69.8 | $ 7.6 | $ 62.2 | $ |
| Liabilities | | | | |
| Foreign currency derivatives | $ 4.6 | $ | $ 4.6 | $ |
| Total | $ 4.6 | $ | $ 4.6 | $ |

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| Description | Fair Value as of December 31, 2010 | Quoted Prices in Active Markets for Identical Assets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) |
|---|---|---|---|---|
| Assets | | | | |
| Money market fund investments (1) | $ 10.5 | $ | $ 10.5 | $ |
| Investment securities, including mutual funds (2) | 22.7 | 7.4 | 15.3 | |
| Interest rate swaps | 42.3 | | 42.3 | |
| Foreign currency derivatives | 2.6 | | 2.6 | |
| Total | $ 78.1 | $ 7.4 | $ 70.7 | $ |
| Liabilities | | | | |
| Foreign currency derivatives | $ 2.0 | $ | $ 2.0 | $ |
| Total | $ 2.0 | $ | $ 2.0 | $ |

(1) Investments in money market funds are classified as cash equivalents due to their short-term nature and the ability for them to be readily converted into cash. Investments in money market funds are valued at the net asset value per share or unit multiplied by the number of shares or units held as of the measurement date and, accordingly, have been classified as Level 2 investments.

(2) The values of investment securities, including mutual funds, are classified as cash and cash equivalents ($7.6 million and $7.4 million as of March 31, 2011 and December 31, 2010, respectively) and other assets ($16.4 million and $15.3 million as of March 31, 2011 and December 31, 2010, respectively). For mutual funds that are publicly traded, fair value is determined on the basis of quoted market prices and, accordingly, these investments have been classified as Level 1. Other investment securities are valued at the net asset value per share or unit multiplied by the number of shares or units held as of the measurement date and have been classified as Level 2.

**Non-recurring Fair Value Measurements**

The Company s nonfinancial assets which are measured at fair value on a nonrecurring basis include property, plant and equipment, goodwill, intangible assets and certain other assets. During the three months ended March 31, 2011, impairments associated with plans to dispose of certain property, plant and equipment were not material. The Company generally uses projected cash flows, discounted as necessary, to estimate the fair values of the impaired assets using key inputs such as management s projections of cash flows on a held-and-used basis (if applicable), management s projections of cash flows upon disposition and discount rates. Accordingly, these fair value measurements fall in Level 3 of the fair value hierarchy. These assets and certain liabilities are measured at fair value on a nonrecurring basis as part of the Company s impairment assessments and as circumstances require. During the three months ended March 31, 2011, no nonrecurring fair value measurements were required for testing goodwill and other indefinite-lived intangible assets for impairment.

**Financial Instruments**

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

| | March 31, 2011 | | December 31, 2010 | |
|---|---|---|---|---|
| | Fair Value | Book Value | Fair Value | Book Value |
| Medium-term notes | $ 1,656.1 | $ 1,614.4 | $ 1,650.7 | $ 1,623.0 |
| Preferred securities underlying the junior convertible subordinated debentures | 403.6 | 421.2 | 353.8 | 421.2 |

The carrying amounts of all other significant debt, including the term loan, approximate fair value. The term loan is not publicly traded and accordingly, the fair value of this instrument was determined using a discounted cash flow model and market rates of interest as of March 31, 2011.

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**Footnote 12 Segment Information**

The Company s reportable segments are as follows:

| **Segment** | **Key Brands** | **Description of Primary Products** |
|---|---|---|
| Home & Family | Rubbermaid®, Graco®, Aprica®, Levolor®, Calphalon®, Goody® | Indoor/outdoor organization, food storage and home storage products; infant and juvenile products such as car seats, strollers, highchairs and playards; drapery hardware, window treatments and cabinet hardware; gourmet cookware, bakeware, cutlery and small kitchen electrics; hair care accessories |
| Office Products | Sharpie®, Expo®, Dymo®, Mimio®, Paper Mate®, Parker®, Waterman® | Writing instruments, including pens, pencils, markers and highlighters, and art products; fine writing instruments and leather goods; office technology solutions such as label makers and printers, interactive teaching solutions and on-line postage |
| Tools, Hardware & Commercial Products | Lenox®, Rubbermaid® Commercial Products, Irwin®, Shur-line®, Bulldog®, BernzOmatic® | Industrial bandsaw blades and cutting tools for pipes and HVAC systems; hand tools and power tool accessories; manual paint applicators, window hardware, convenience hardware and propane torches; cleaning and refuse products, hygiene systems, material handling solutions and medical and computer carts and wall-mounted work stations |

The Company s segment results are as follows *(in millions)*:

| | **Three Months Ended March 31, 2011** | **2010** |
|---|---|---|
| Net Sales (1) | | |
| Home & Family | $ 534.1 | $ 556.9 |
| Office Products | 364.9 | 351.6 |
| Tools, Hardware & Commercial Products | 403.7 | 397.9 |
| | $ 1,302.7 | $ 1,306.4 |
| Operating Income (Loss) (2) | | |
| Home & Family | $ 56.6 | $ 68.8 |
| Office Products | 54.9 | 47.3 |
| Tools, Hardware & Commercial Products | 49.4 | 51.6 |
| Corporate | (24.5) | (21.6) |

| | | |
|---|---|---|
| Restructuring costs | (5.8) | (16.0) |
| | $ 130.6 | $ 130.1 |

| | March 31, 2011 | December 31, 2010 |
|---|---|---|
| Identifiable Assets | | |
| Home & Family | $ 935.7 | $ 896.4 |
| Office Products | 1,036.1 | 972.0 |
| Tools, Hardware & Commercial Products | 972.1 | 931.5 |
| Corporate (3) | 3,693.3 | 3,605.4 |
| | $ 6,637.2 | $ 6,405.3 |

**Geographic Area Information**

| | Three Months Ended March 31, | |
|---|---|---|
| | 2011 | 2010 |
| Net Sales (1), (4) | | |
| United States | $ 868.0 | $ 904.6 |
| Canada | 81.5 | 78.0 |
| Total North America | 949.5 | 982.6 |
| Europe, Middle East and Africa | 188.5 | 188.8 |
| Latin America | 73.1 | 55.7 |
| Asia Pacific | 91.6 | 79.3 |
| Total International | 353.2 | |