NEWELL RUBBERMAID INC
Form 10-K
February 16, 2006

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, 2005	COMMISSION FILE NUMBER 1-9608

NEWELL RUBBERMAID INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE (State or other jurisdiction of Incorporation or organization)	36-3514169 (I.R.S. Employer Identification No.)
10 B Glenlake Parkway, Suite 600 Atlanta, Georgia (Address of principal executive offices)	30328 (Zip Code)

Registrant s telephone number, including area code: (770) 407-3800
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 per share, and associated Common Stock Purchase Rights	New York Stock Exchange Chicago 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 T No £
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.
Yes £ No T
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 T 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 restraint is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):
Large Accelerated Filer T Accelerated Filer £ Non-Accelerated Filer £
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes £ No T
There were 274.5 million shares of the Registrant s Common Stock outstanding (net of treasury shares) as of January 31, 2006. The aggregate market value of the shares of Common Stock (based upon the closing price on the New York Stock Exchange on June 30, 2005) beneficially owned by non-affiliates of the Registrant was approximately $6,446.5 million. For purposes of the foregoing calculation only, which is required by Form 10-K, the Registrant has included in the shares owned by affiliates those shares owned by directors and officers of the Registrant, and such inclusion shall not be construed as an admission that any such person is an affiliate for any purpose.

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DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant s Definitive Proxy Statement for its Annual Meeting of Stockholders to be held May 9, 2006.

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PART I

ITEM 1. BUSINESS

Newell Rubbermaid or the Company refers to Newell Rubbermaid Inc. alone or with its wholly owned subsidiaries, as the context requires. When this report uses the words we or our, they refer to the Company and its subsidiaries unless the context otherwise requires.

WEBSITE ACCESS TO SECURITIES AND EXCHANGE COMMISSION REPORTS

The Company s Internet website can be found at *www.newellrubbermaid.com*. The Company makes available free of charge on or through its website its 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 soon as practicable after the Company files them with, or furnishes them to, the Securities and Exchange Commission.

GENERAL

Newell Rubbermaid is a global manufacturer and marketer of branded consumer products and their commercial extensions, serving a wide array of retail channels including department stores, discount stores, warehouse clubs, home centers, hardware stores, commercial distributors, office superstores, contract stationers, automotive stores, and baby superstores. The Company s basic business strategy is to create brands that matter by marketing a multi-product offering of everyday consumer and commercial products, backed by a focus on innovation and customer service excellence, in order to achieve maximum results for its stockholders. The Company s multi-product offering consists of well known name-brand consumer products and their commercial extensions in five business segments: Cleaning & Organization; Office Products; Tools & Hardware; Home Fashions; and Other. The Company s financial objectives are to achieve above-average sales and earnings per share growth, maintain a superior return on investment and maintain a conservative level of debt.

The Company s six transformational strategic initiatives are as follows: Productivity, Streamlining, New Product Development, Marketing, Strategic Account Management, and Collaboration.

Productivity is the initiative to continuously reduce the cost of manufacturing a product in order to become the best-cost supplier. Streamlining is the commitment to reduce non-strategic costs throughout the organization. New Product Development represents the commitment to develop and introduce cutting-edge, innovative new products at best-cost to meet end-user needs. The Marketing initiative represents the Company s commitment to transform from a push to pull marketing organization, focusing on the end-user. The Strategic Account Management initiative represents the Company s program to allocate resources to those strategic retailers the Company believes will continue to grow profitably with us in the future. Collaboration is the Company s initiative for the divisional operating units to work together to maximize economies of scale and reapply best practices.

Refer to the forward-looking statements section of Management s Discussion and Analysis of Financial Condition and Results of Operations for a discussion of the Company s forward-looking statements.

BUSINESS SEGMENTS

The Company s reporting segments reflect the Company s focus on building large consumer and commercial brands, promoting organizational integration, achieving operating efficiencies and aligning the businesses with the Company s strategic account management strategy. The Company reports its results in five reportable segments as follows:

Segment	Description of Products
Cleaning & Organization	Material handling, cleaning, refuse, indoor/outdoor organization, home storage, food storage
Office Products	Ballpoint/roller ball pens, markers, highlighters, pencils, correction fluids, office products, art supplies, on-demand labeling products

Tools & Hardware	Hand tools, power tool accessories, manual paint applicators, cabinet, window and convenience hardware, propane torches, solder
Home Fashions	Drapery hardware, window treatments
Other	Operating segments that do not meet aggregation criteria, including aluminum and stainless steel cookware, hair care accessory products, infant and juvenile products, including toys, high chairs, car seats, strollers, and play yards

In 2005, the Company completed its acquisition of DYMO, a global leader in designing, manufacturing and marketing on-demand labeling solutions. The results of DYMO are included in the Company s Office Products segment since November 23, 2005, the date of acquisition. Refer to Footnote 2 to the Consolidated Financial Statements for additional information.

During 2005, the Company divested its Curver business and entered into an agreement to sell its European Cookware business. The Company completed the divestiture of its European Cookware business on January 3, 2006. The businesses were previously reported in the Cleaning & Organization and Other operating segments, respectively. The results of these businesses are currently included in discontinued operations. Refer to Footnote 3 to the Consolidated Financial Statements for additional information.

CLEANING & ORGANIZATION

The Company s Cleaning & Organization segment is conducted by the Rubbermaid Home Products, Rubbermaid Foodservice Products, Rubbermaid Commercial Products, Rubbermaid Europe, Rubbermaid Canada, and Rubbermaid Asia Pacific divisions. These divisions design, manufacture or source, package and distribute indoor and outdoor organization, home storage, food storage, cleaning, refuse and material handling products.

Rubbermaid Home Products, Rubbermaid Foodservice Products, Rubbermaid Commercial Products, Rubbermaid Europe, Rubbermaid Canada, and Rubbermaid Asia Pacific primarily sell their products under the Rubbermaid®, Brute®, Roughneck® and TakeAlongs® trademarks.

Rubbermaid Home Products, Rubbermaid Foodservice Products, Rubbermaid Europe, Rubbermaid Canada, and Rubbermaid Asia Pacific market their products directly and through distributors to mass merchants, home centers, warehouse clubs, grocery/drug stores and hardware distributors. Rubbermaid Commercial Products markets its products directly and through distributors to commercial channels and home centers.

OFFICE PRODUCTS

The Company s Office Products segment is conducted by the divisions of Sanford North America, Sanford Europe, Sanford Latin America and Sanford Asia Pacific. Sanford North America primarily designs, manufactures or sources, packages and distributes permanent/waterbase markers, dry erase markers, overhead projector pens, highlighters, wood-cased pencils, ballpoint pens and inks, correction fluids, office products, art supplies and on-demand labeling products. It also distributes other writing instruments including roller ball pens and mechanical pencils for the retail marketplace. Sanford Europe, Latin America and Asia Pacific primarily design and manufacture or source, package and distribute ballpoint pens, wood-cased pencils, roller ball pens, art supplies and on-demand labeling products for the retail and distributor markets.

Office Products primarily sells its products under the trademarks Sharpie®, Paper Mate®, Parker®, Waterman®, Eberhard Faber®, Berol®, Grumbacher®, Reynolds®, rotring®, uni-Ball® (used under exclusive license from Mitsubishi Pencil Co. Ltd. and its subsidiaries in North America), Expo®, Accent®, Vis-à-Vis®, Expresso®, Liquid Paper®, Mongol®, Foohy®, Prismacolor®, Eldon®, Sensa® and DYMO®.

Sanford North America markets its products directly and through distributors to mass merchants, warehouse clubs, grocery/drug stores, office superstores, office supply stores, contract stationers, and hardware distributors. Sanford Europe, Latin America and Asia Pacific market their products directly to retailers, distributors and contract stationers.

TOOLS & HARDWARE

The Company s Tools & Hardware segment is conducted by the following divisions: IRWIN North America Power Tool Accessories, IRWIN North America Hand Tools, IRWIN Latin America, IRWIN Europe and Asia Pacific, LENOX and Amerock. IRWIN North America Power Tool Accessories, IRWIN North America Hand Tools, IRWIN Latin America, IRWIN Europe and Asia Pacific and LENOX design, manufacture or source, package and distribute hand tools and power tool accessories, propane torches, solder and accessories, and manual paint applicator products. Amerock designs, manufactures or sources, packages and distributes cabinet hardware for the retail and O.E.M. marketplace, window and door hardware for window and door manufactures and hardware for the retail marketplace.

IRWIN North America Power Tool Accessories, IRWIN North America Hand Tools, IRWIN Latin America and IRWIN Europe and Asia Pacific primarily sell their products under the trademarks IRWIN®, Vise-Grip®, Marathon®, Twill®, Speedbor®, Jack®, Quick-Grip®, Unibit ®, Strait-Line®, BernzOmatic®, Shur-Line® and Rubbermaid®. LENOX primarily sells its products under the LENOX® and Taramet Sterling® trademarks. Amerock primarily sells its products under the trademarks Amerock®, Allison®, Ashland® and Bulldog®.

IRWIN North America Power Tool Accessories, IRWIN North America Hand Tools, IRWIN Latin America, IRWIN Europe and Asia Pacific, LENOX, and Amerock market their products directly and through distributors to mass merchants, home centers, department/specialty stores, hardware distributors, industrial/construction outlets, custom shops, select contract customers and other professional customers.

HOME FASHIONS

The Company s Home Fashions segment is conducted by Levolor/Kirsch and the European Home Décor business. Levolor/Kirsch primarily designs, manufactures or sources, packages and distributes drapery hardware, custom and stock horizontal and vertical blinds, as well as pleated, cellular and roller shades in the U.S. retail marketplace. Levolor/Kirsch also produces window treatment components for custom window treatment fabricators. Home Décor primarily designs, manufactures, packages and distributes drapery hardware and custom window treatments and related components for the European retail marketplace.

Levolor/Kirsch primarily sells its products under the trademarks Levolor®, Newell®, and Kirsch®. Home Décor primarily sells its products under the trademarks Nenplas®, Homelux®, Gardinia®, and Kirsch®.

Levolor/Kirsch markets its products directly and through distributors to mass merchants, home centers, department/specialty stores, hardware distributors, industrial/construction outlets, custom shops, select contract customers and other professional customers. Home Décor markets its products to mass merchants and buying groups.

OTHER

The Company s Other segment is conducted by the following divisions: Calphalon, Little Tikes, Graco, and Goody. Calphalon primarily designs manufactures or sources, packages and distributes aluminum and stainless steel cookware, bakeware and cutlery. The Little Tikes and Graco businesses design, manufacture or source, package and distribute infant and juvenile products such as toys, high chairs, car seats, strollers, and play yards. Goody designs, manufactures or sources, packages and distributes hair care accessories.

Calphalon primarily sells its products under the trademarks Calphalon®, Kitchen Essentials®, Cooking with Calphalon , and Calphalon® One . Little Tikes and Graco primarily sell their products under the Little Tikes® and Graco® trademarks. Goody markets its products primarily under the Goody®, Ace® and ilm trademarks.

Calphalon markets its products directly to department and specialty stores. Little Tikes and Graco market their products directly and through distributors to mass merchants, warehouse clubs, and grocery/drug stores. Goody markets its products directly and through distributors to mass merchants, warehouse clubs, and grocery/drug stores.

NET SALES BY BUSINESS SEGMENT

The following table sets forth the amounts and percentages of the Company s net sales for the three years ended December 31, *(in millions, except percentages)* (including sales of acquired businesses from the time of acquisition), for the Company s five business segments. Sales to Wal*Mart Stores, Inc. and subsidiaries amounted to approximately 14%, 15%, and 15% of consolidated net sales for the years ended December 31, 2005, 2004 and 2003, respectively, substantially across all divisions. Sales to no other customer exceeded 10% of consolidated net sales. For more detailed segment information, including operating income and identifiable assets by segment, refer to Footnote 20 to the Consolidated Financial Statements.

	2005	% of Total	2004	% of Total	2003	% of Total
Cleaning & Organization	$1,614.6	25.5%	$1,702.7	26.3%	$1,848.6	27.9%
Office Products	1,713.3	27.0	1,686.2	26.0	1,681.2	25.4
Tools & Hardware	1,260.3	19.9	1,218.7	18.8	1,199.7	18.1
Home Fashions	824.0	13.0	906.8	14.0	901.0	13.6
Other	930.3	14.7	965.4	14.9	984.3	14.9
Total Company	$6,342.5	100.0%	$6,479.8	100.0%	$6,614.8	100.0%

GROWTH STRATEGY

The Company s growth strategy emphasizes internal growth and acquisitions.

Internal Growth

The Company focuses on internal growth principally by introducing innovative new products, entering new domestic and international markets, adding new customers, cross-selling existing product lines to current customers and supporting its U.S.-based customers international expansion. Internal growth is defined by the Company as growth from continuing businesses owned more than one year and minor acquisitions.

Acquisition Strategy

The Company supplements internal growth by selectively acquiring businesses with prominent end-user focused brands and improving the profitability of such businesses through the implementation of the Company s strategic initiatives. Other strategic criteria for an acquisition include: the Company s ability to grow the business; the ability to create strong, differentiated brands; its importance to key customers; its relationship to existing product lines; its function as a low-cost source of supply; its ability to provide the Company with an entrance into a new market; and the extent to which the Company can improve operational efficiency through shared resources. In addition, the Company will consider the business actual and potential impact on the Company s operating performance.

During 2005, the Company acquired DYMO, a global leader in designing, manufacturing and marketing on-demand labeling solutions, from Esselte. The purchase price was approximately $730 million, subject to adjustment for working capital and other items. The cash paid at closing was $706 million, reflecting a preliminary working capital adjustment relating to Esselte s retention of certain receivables, as well as an adjustment relating to a modification of the transaction structure. The final purchase price is subject to further adjustment relating to changes in the closing working capital. This acquisition strengthens the Company s global leadership position in the Office Products segment by expanding and enhancing the Company s product lines and customer base. See Footnote 2 to the Consolidated Financial Statements for further information on acquisitions.

Selective Globalization

The Company is pursuing selective international opportunities to further its internal growth and acquisition objectives. The growth of consumer goods economies and retail structures in several regions outside the U.S., particularly Asia, Mexico and South America, makes them attractive to the Company by providing selective opportunities to acquire businesses, develop partnerships with new foreign customers and extend relationships with the Company s domestic customers whose businesses are growing internationally. The Company had sales outside the U.S. of approximately 28%, 29%, and 28% of total sales in 2005, 2004, and 2003, respectively.

DIVESTITURE AND PRODUCT LINE RATIONALIZATION

The Company s divestiture and product line rationalization strategy emphasizes the divestiture of businesses and rationalization of product offerings that do not meet the Company s long-term strategic goals and objectives.

The Company consistently reviews its businesses and product offerings, assesses their strategic fit and seeks opportunities to divest non-strategic businesses. The criteria used by the Company in assessing the strategic fit include: the ability to increase sales for the business; the ability to create strong, differentiated brands; its importance to key customers; its relationship with existing product lines; its impact to the market; and the business actual and potential impact on the operating performance of the Company.

During 2005, the Company divested its Curver business and entered into an agreement to sell its European Cookware business. The Company completed the divestiture of its European Cookware business in January 2006. In 2004, the Company sold its U.S. picture frame business (Burnes), its Anchor Hocking glassware business, its Mirro cookware business, its Panex Brazilian low-end cookware business, its European picture frames business and its Little Tikes Commercial Playground Systems business. See Footnote 3 to the Consolidated Financial Statements for a description of discontinued operations.

In 2005 and 2004, the Company rationalized $200 million and $257 million, respectively, in low-margin product sales, primarily in the Cleaning & Organization segment. The Company s decision to exit these low margin product lines is consistent with its strategy to focus on high margin, high potential opportunities that support the Company s financial objectives.

STRATEGIC INITIATIVES

Productivity

The Company s objective is to reduce the cost of manufacturing a product on an ongoing basis. To achieve productivity, the Company focuses on reducing purchasing costs, material handling costs, manufacturing inefficiencies, removing excess overhead costs to reduce the overall cost of manufacturing products and reducing the cost of distribution and transportation.

The deployment of Newell Operational Excellence (Newell OPEX) throughout the Company s manufacturing network is aimed at delivering the Company s productivity targets. Newell OPEX is a methodical process focused on lean manufacturing that includes installing the right manufacturing and distribution metrics and driving improvements quarter after quarter. In addition to the cost reductions, other key components of Newell OPEX are improved quality and service levels and the reduction of inventory lead times.

In September 2005, the Company announced Project Acceleration aimed at strengthening and transforming the Company s portfolio. The project includes the approval by the Board of Directors of a three-year restructuring plan, which commenced in December 2005. While the Board of Directors has approved the overall plan, specific approval of each individual project is required prior to commencing the action in accordance with the Company s schedule of corporate authority. Project Acceleration is designed to reduce manufacturing overhead by strategically sourcing and manufacturing products in lower cost countries and includes the closure of approximately one-third of the Company s 80 manufacturing facilities (as of September 2005). The Company began executing the plan in the fourth quarter of 2005. See Footnote 4 to the Consolidated Financial Statements for additional information on restructuring.

Streamlining

The streamlining initiative represents the Company s commitment and focus on reducing non-strategic costs throughout the organization. The Company is vigilant in creating a leaner organization that is more flexible in its response time, both internally and externally.

New Product Development

The Company s goal is to become the leader in introducing innovative and patented new products to the consumer and commercial marketplace. The Company continues to implement a consistent, world class new product development process across the organization that begins with identifying unmet needs and developing solutions to deliver the ideal end-user experience. Excellence in new product development will enhance brand image and help drive internal sales growth.

Over the last two years, the Company launched a number of innovative new products, including the Sharpie® MINI and RT (retractable) permanent markers; IRWIN GrooveLock pliers; the Lenox® Gold utility knife; Rubbermaid® Paint Buddy paint touch-up tool; Rubbermaid® Collapsibles food storage containers; Rubbermaid® Commercial Microfiber cleaning tools and accessories; Calphalon® One Infused Anodized, Calphalon® One Nonstick and Contemporary Stainless lines of gourmet cookware and Katana Series cutlery line; and Graco® Mosaic stroller and travel system.

Marketing

The Company s objective is to develop long-term, mutually beneficial partnerships with its customers and become their supplier and brand of choice. To achieve this goal, the Company has a value-added marketing program that offers a family of leading brand name staple products, tailored sales programs, innovative merchandising support, in-store services and responsive top management.

The Company s marketing skills help customers stimulate store traffic and sales through timely advertising and innovative promotions. The Company also assists customers in differentiating their offerings by customizing products and packaging. Through self-selling packaging and displays that emphasize good-better-best value relationships, retail customers are encouraged to trade up to higher-value, best quality products.

The Company is also committed to increasing selective television or print advertising where appropriate, increasing brand awareness and trial among end-users of the product. In 2005, Sharpie® markers and IRWIN® Industrial Tools were sponsors of the #97 IRWIN®/Sharpie® car and sponsored the Sharpie® 500 NASCAR race in Bristol, Tennessee. IRWIN® and Sharpie® will sponsor the #26 car, and Sharpie® will continue its sponsorship of the Sharpie® 500 NASCAR race in 2006.

The Company s in-store and end user marketing effort focuses largely on an extensive grass roots marketing campaign, highlighted by the Phoenix Program. This program is an action-oriented field sales force consisting of recent university graduates. The team works in the field, primarily within our Strategic Account structure, performing in-store product demonstrations, event marketing, on-shelf merchandising, interacting with the end-user, and maintaining an ongoing relationship with store personnel. This initiative allows the Company to enhance product placement and minimize stock outages and, together with the Strategic Account Management Program, to maximize shelf space potential.

Strategic Account Management

The Strategic Account Management Program is the Company s sales and marketing approach that focuses growth efforts on strategic accounts with high long-term growth potential. Separate sales organizations have been established to more effectively manage the relationship at the largest strategic accounts. As part of this program, the Company established Sales President and Vice President level positions to more effectively manage the relationships with these accounts. The program allows the Company to present these customers with one face to enhance the Company s response time, understand the customer s needs and support the best possible customer relationship.

Collaboration

Collaboration represents the Company s focus on benefiting from the sharing of best practices and the reduction of costs achieved through economies of scale. For example, functions, such as purchasing and distribution and transportation, have been centralized to increase buying power across the Company.

Additionally, certain administrative functions are centralized at the corporate level including cash management, accounting systems, capital expenditure approvals, order processing, billing, credit, accounts receivable, data processing operations and legal functions. Centralization concentrates technical expertise in one location, making it easier to observe overall business trends and manage the Company s businesses.

OTHER INFORMATION

Multi-Product Offering

The Company s broad product coverage in multiple product lines permits it to more effectively meet the needs of its customers. With families of leading brand names and profitable and innovative new products, the Company also can help volume purchasers sell a more profitable product mix. As a potential single source for an entire product line, the Company can use program merchandising to improve product presentation, optimize display space for both sales and income and encourage impulse buying by retail customers.

Customer Service

The Company believes that one of the primary ways it distinguishes itself from its competitors is through customer service. The Company s ability to provide superior customer service is a result of its information technology, marketing and merchandising programs designed to enhance the sales and profitability of its customers and provide consistent on-time delivery of its products.

On-Time Delivery

A critical element of the Company s customer service is consistent on-time delivery of products to its customers. Retailers are pursuing a number of strategies to deliver the highest-quality, best-cost products to their customers. A growing trend among retailers is to purchase on a just-in-time basis in order to reduce inventory carrying costs and increase returns on investment. As retailers shorten their lead times for orders, manufacturers need to more closely anticipate consumer-buying patterns. The Company supports its retail customers just-in-time inventory strategies through more responsive sourcing, manufacturing and distribution capabilities and electronic communications. The Company currently manufactures the majority of its products and has extensive experience in high-volume, cost-effective manufacturing.

Foreign Operations

Information regarding the Company s 2005, 2004 and 2003 foreign operations and financial information by geographic area is included in Footnote 20 to the Consolidated Financial Statements and is incorporated by reference herein. Information regarding risks relating to the Company s foreign operations is set forth in Part I, Item 1A of this report and is incorporated by reference herein.

Raw Materials

The Company has multiple foreign and domestic sources of supply for substantially all of its material requirements. The raw materials and various purchased components required for its products have generally been available in sufficient quantities. The Company s product offerings require the purchase of resin, steel, aluminum and corrugate. The Company has experienced inflation in these raw materials, especially in resin, and expects such inflation pressures to continue in 2006. The Company has reduced the volume of its resin purchases through product line rationalization and strategic divestitures. In 2005, the Company purchased approximately 900 million pounds of resin and expects to purchase approximately 10% less in 2006. See Management s Discussion and Analysis of Financial Condition and Results of Operations for further discussion.

Backlog

The dollar value of unshipped factory orders is not material.

Seasonal Variations

The Company s sales and operating income in the first quarter are generally lower than any other quarter during the year, driven principally by reduced volume and the mix of products sold in the quarter. The Cleaning & Organization and Other business segments typically have higher sales in the second half of the year due to retail stocking related to the holiday season; the Home Fashions business segment typically has higher sales in the second and third quarters due to an increased level of do-it-yourself projects completed in the summer months; the Tools & Hardware business segment typically has higher sales in the third and fourth quarters due to an increased level of home improvement projects completed in the summer and fall months and purchases of tools as gifts for the holiday season; and the Office Products business segment has higher sales in the second and third quarters due to the back-to-school season.

Patents and Trademarks

The Company has many patents, trademarks, brand names and trade names that are, in the aggregate, important to its business. The Company s most significant registered trademarks are Rubbermaid®, Sharpie®, Paper Mate®, LENOX®, IRWIN®, Graco® and DYMO®.

Customers / Competition

The Company s principal customers are large mass merchandisers, such as discount stores, home centers, warehouse clubs and office superstores, and commercial distributors. The rapid growth of these large mass merchandisers, together with changes in consumer shopping patterns, have contributed to a significant consolidation of the consumer products retail industry and the formation of dominant multi-category retailers that have strong negotiating power with suppliers. This environment limits the Company s ability to recover cost increases through selling prices.

Current trends among retailers include fostering high levels of competition among suppliers, demanding innovative new products and requiring suppliers to maintain or reduce product prices and deliver products with shorter lead times. Other trends, in the absence of a strong new product development effort or strong end-user brands, are for the retailer to import generic products directly from foreign sources and to source and sell products, under their own private label brands, that compete with products of the Company. The combination of these market influences has created an intensely competitive environment in which the Company s principal customers continuously evaluate which product suppliers to use, resulting in pricing pressures and the need for strong end-user brands, the ongoing introduction of innovative new products and continuing improvements in customer service. The Company competes with numerous manufacturers and distributors of consumer products, many of which are large and well established.

The Company has positioned itself to respond to the challenges of this retail environment by developing strong relationships with large, high-volume purchasers. The Company markets its strong multi-product offering through virtually every category of high-volume retailer, including discount, drug, grocery and variety chains, warehouse clubs, department, hardware and specialty stores, home centers, office superstores, contract stationers and military exchanges. The Company s largest customer, Wal*Mart (which includes Sam s Club), accounted for approximately 14% of net sales in 2005, across substantially all divisions. The Company s top ten customers included (*in alphabetical order*): Ace Hardware, Lowe s, Office Depot, Office Max, Staples, Target, The Home Depot, Toys R Us, United Stationers and Wal*Mart.

The Company s principal methods of meeting its competitive challenges are high brand name recognition, superior customer service (including innovative good-better-best marketing and merchandising programs), consistent on-time delivery, decentralized manufacturing and marketing, centralized administration, outsourcing certain production to low cost suppliers and lower cost countries where appropriate and experienced management.

Environmental Matters

Information regarding the Company s environmental matters is included in Management s Discussion and Analysis section of this report and in Footnote 21 to the Consolidated Financial Statements and is incorporated by reference herein.

Research and Development

Information regarding the Company s research and development costs for each of the past three fiscal years is included in Footnote 1 to the Consolidated Financial Statements and is incorporated by reference herein.

Employees

As of December 31, 2005, the Company had approximately 27,900 employees worldwide, of whom approximately 4,000 are covered by collective bargaining agreements or, in certain countries, other collective arrangements decreed by statute.

ITEM 1A. RISK FACTORS

The factors that are discussed below, as well as the matters that are generally set forth in this report on Form 10-K and the documents incorporated by reference herein, could materially and adversely affect the Company s business, results of operations and financial condition.

The Company is subject to risks related to its dependence on the strength of retail economies in various parts of the world.

The Company s business depends on the strength of the retail economies in various parts of the world, primarily in North America and to a lesser extent Europe, Central and South America and Asia. These retail economies are affected primarily by factors such as consumer demand and the condition of the retail industry, which, in turn, are affected by general economic conditions and specific events such as natural disasters and the terrorist attacks of September 11, 2001. In recent years, the retail industry in the U.S. and, increasingly, elsewhere has been characterized by intense competition and consolidation among retailers. Because such competition, particularly in weak retail economies, can cause retailers to struggle or fail, the Company must continuously monitor, and adapt to changes in, the profitability, creditworthiness and pricing policies of its customers.

The Company is subject to intense competition in a marketplace dominated by large retailers.

The Company competes with numerous other manufacturers and distributors of consumer and commercial products, many of which are large and well established. The Company s principal customers are large mass merchandisers, such as discount stores, home centers, warehouse clubs and office superstores, and commercial distributors. The rapid growth of these large mass merchandisers, together with changes in consumer shopping patterns, have contributed to the formation of dominant multi-category retailers that have strong negotiating power with suppliers. Current trends among retailers include fostering high levels of competition among suppliers, demanding innovative new products and requiring suppliers to maintain or reduce product prices and deliver products with shorter lead times. Other trends are for retailers to import products directly from foreign sources and to source and sell products, under their own private label brands, that compete with products of the Company.

The combination of these market influences has created an intensely competitive environment in which the Company s principal customers continuously evaluate which product suppliers to use, resulting in downward pricing pressures and the need for strong end-user brands, the ongoing introduction of innovative new products, continuing improvements in customer service, and the maintenance of strong relationships with large, high-volume purchasers. The Company also faces the risk of changes in the strategy or structure of its major retailer customers, such as overall store and inventory reductions and retailer consolidation. The resulting risks to the Company include possible loss of sales, reduced profitability and limited ability to recover cost increases through price increases.

To compete successfully, the Company must develop a continuing stream of innovative new products that create consumer demand.

The Company s long-term success in this competitive retail environment depends on its ability to develop a continuing stream of innovative new products that create consumer demand for the Company s products. The Company also faces the risk that its competitors will introduce innovative new products that compete with the Company s products. Project Acceleration, a three-year initiative announced in September 2005, includes increased investment in new product development. There are, nevertheless, numerous uncertainties inherent in successfully developing and introducing innovative new products on a continuing basis, and new product launches may not deliver expected growth results.

To compete successfully, the Company must develop and maintain strong end-user brands.

The Company s competitive success also depends increasingly on its ability to develop and maintain strong end-user brands so that the Company s retailer customers will need the Company s products to meet consumer demand. The development and maintenance of such brands requires significant investment in brand building and marketing initiatives. While the Company is substantially increasing its expenditures for advertising and other brand building and marketing initiatives as a part of Project Acceleration, the increased investment may not deliver the anticipated results.

Price increases in raw materials could harm the Company s financial results.

The Company purchases some raw materials, including resin, corrugate, steel and aluminum, that are subject to price volatility and inflationary pressure. The Company attempts to reduce its exposure to increases in those costs through a variety of programs, including periodic purchases, purchases for future delivery, long-term contracts and sales price adjustments. Where practical, the Company uses derivatives as part of its risk management process. Raw material price increases may offset productivity gains and could materially impact the Company s financial results.

The Company s success depends on its ability to continuously improve productivity and streamline operations, principally by reducing its manufacturing overhead.

The Company s objective is to become its retailer customers low-cost provider and global supplier and brand of choice. To do this, the Company needs to continuously improve its manufacturing efficiencies and develop sources of supply on a global basis. Project Acceleration includes the closure of approximately one-third of the Company s 80 manufacturing facilities (as of September 2005) over the next three years. The Company also needs to continue to divest low-margin product lines that do not fit in the Company s strategic plan. The Company runs the risk that Project Acceleration may not be completed substantially as planned, may be more costly to implement than expected, or may not have the positive effects anticipated, or that another major productivity and streamlining program may be required after Project Acceleration is completed. In addition, disruptions in the Company s ability to supply products on a timely basis, which may be incidental to any problems in the execution of Project Acceleration, could adversely affect the Company s future results.

The Company needs to continue to make strategic acquisitions and to integrate its acquired businesses.

Although the Company has in recent years increasingly emphasized internal growth rather than growth by acquisition, the Company s ability to continue to make strategic acquisitions and to integrate the acquired businesses successfully, obtaining anticipated cost savings and operating income improvements within a reasonable period of time, remain important factors in the Company s future growth. For example, the successful integration of the recently acquired DYMO business into the Company s Office Products segment is important to the Company s success. Furthermore, the cost of any future major acquisitions could constrain the Company s access to capital and increase the Company s borrowing costs.

The Company is subject to risks related to its international operations.

Foreign operations, especially in Europe, but also in Asia, Central and South America and Canada, are important to the Company s business. In November 2005, the Company acquired the DYMO business and thereby increased the magnitude of the Company s operations in Europe. In addition, as the Company increasingly sources products in low-cost countries, particularly in the Far East, it is exposed to additional risks and uncertainties. Foreign operations can be affected by factors such as currency devaluation, other currency fluctuations, tariffs, nationalization, exchange controls, interest rates, limitations on foreign investment in local business and other political, economic and regulatory risks and difficulties. The Company also faces risks due to the transportation and logistical complexities inherent in increased reliance on foreign sourcing.

The Company faces challenges and uncertainties as it transforms into a company that grows through strong brands and new product innovation.

The Company is undergoing a transformation from a portfolio-holding company that grew through acquisitions to a focused group of leadership platforms that generate internal growth driven by strong brands and new product innovation. Although the process is well underway, there remain significant challenges and uncertainties.

Impairment charges could have a material adverse effect on the Company s financial results.

Future events may occur that would adversely affect the reported value of the Company s assets and require impairment charges. Such events may include, but are not limited to, strategic decisions made in response to changes in economic and competitive conditions, the impact of the economic environment on the Company s customer base, or a material adverse change in its relationship with significant customers.

Product liability claims or regulatory actions could adversely affect the Company s financial results or harm its reputation or the value of its end-user brands.

Claims for losses or injuries purportedly caused by some of the Company s products arise in the ordinary course of the Company s business. In addition to the risk of substantial monetary judgments, product liability claims or regulatory actions could result in negative publicity that could harm the Company s reputation in the marketplace or the value of its end-user brands. The Company could also be required to recall possibly defective products, which could result in adverse publicity and significant expenses. Although the Company maintains product liability insurance coverage, potential product liability claims are subject to a self-insured retention or could be excluded under the terms of the policy.

ITEM 1B. UNRESOLVED STAFF COMMENTS

Not applicable.

ITEM 2. PROPERTIES

The following table shows the location and general character of the principal operating facilities owned or leased by the Company. The properties are listed within their designated business segment: Cleaning & Organization; Office Products; Tools & Hardware; Home Fashions; and Other. These are the primary manufacturing locations and in many instances also contain administrative offices and warehouses used for distribution of the Company s products. The Company also maintains sales offices throughout the United States and the world. The corporate offices are located in leased space in Atlanta, Georgia. Most of the Company s idle facilities, which are excluded from the following list, are subleased while being held pending sale or lease expiration. The Company s properties are generally in good condition, well maintained, and are suitable and adequate to carry on the Company s business.

BUSINESS SEGMENT	LOCATION	CITY	OWNED OR LEASED	GENERAL CHARACTER
CLEANING & ORGANIZATION				
	Mexico	Cadereyta	L	Commercial Products
	TN	Cleveland	O	Commercial Products
	VA	Winchester	O	Commercial Products
	IA	Centerville	O	Home Products
	OH	Mogadore	O	Home Products
	OH	Canton	O	Home Products
	KS	Winfield	O	Home Products
	Canada	Mississauga	O	Home Products

BUSINESS SEGMENT	LOCATION	CITY	OWNED OR LEASED	GENERAL CHARACTER
	Canada	Calgary	L	Home Products
	TX	Greenville	O	Home Products
	Brazil	Porto Alegre	O	Home Products
	MO	Jackson	O	Home Storage Systems
	Canada	Watford	L	Home Storage Systems
OFFICE PRODUCTS				
	CA	Santa Monica	L	Writing Instruments
	IL	Oak Brook	L	Writing Instruments
	TN	Lewisburg	O	Writing Instruments
	TN	Shelbyville	O	Writing Instruments
	WI	Janesville	L	Writing Instruments
	Thailand	Bangkok	O	Writing Instruments
	India	Chennai	L	Writing Instruments
	Colombia	Bogota	O	Writing Instruments
	France	St. Herblain	O	Writing Instruments
	France	Valence	O	Writing Instruments
	Germany	Hamburg	O	Writing Instruments
	Mexico	Tlalnepantla	O	Writing Instruments
	UK	Newhaven	O	Writing Instruments
	China	Dongguan	L	Writing Instruments
	China	Shanghai	L	Writing Instruments
	Venezuela	Maracay	O	Writing Instruments
	TN	Maryville	O	Office & Storage Organizers
	WI	Madison	O	Office & Storage
	CT	Stamford	L	On-Demand Labeling Products
	Belgium	Sint Niklaas	O	On-Demand Labeling Products
TOOLS & HARDWARE				
	WI	Saint Francis	O	Paint Applicators
	China	Shanghai	O	Paint Applicators
	NY	Medina	O	Propane/Oxygen Hand Torches
	IN	Lowell	O	Window Hardware
	NE	DeWitt	O	Tools
	MA	East Longmeadow	O	Tools
	ME	Gorham	O	Tools
	NC	Huntersville	L	Tools
	New Zealand	Wellsford	O	Tools
	Poland	Brodnica	O	Tools
	Brazil	Sao Paulo	O	Tools
	Brazil	Carlos Barbosas	O	Tools
	UK	Sheffield	O	Tools
	Denmark	Asnaes	O	Tools
	Denmark	Thisted	O	Tools
	Netherlands	Helmond	O	Tools

	India	Grajarat	O	Tools
	Mexico	Monterrey	L	Hardware
	Canada	Woodbridge	L	Hardware
	China	Shenzhen	L	Hardware
HOME FASHIONS				
	Mexico	Agua Prieta	L	Window Treatments
	Mexico	Esqueda	L	Window Treatments
	Canada	Calgary	L	Window Treatments
	Denmark	Hornum	O	Window Treatments
	France	Feuquieres-en-Vimeu	O	Window Treatments

BUSINESS SEGMENT	LOCATION	CITY	OWNED OR LEASED	GENERAL CHARACTER
	France	Tremblay-les-Village	O	Window Treatments
	France	La Boissellerie	O	Window Treatments
	Germany	Borken	L	Window Treatments
	Germany	Isny	O	Window Treatments
	Germany	Bunde	O	Window Treatments
	Germany	Maierhofen	O	Window Treatments
	IL	Freeport	O	Window Treatments
	Italy	Figino	O	Window Treatments
	UK	Ashbourne	O	Window Treatments
	UK	Tamworth	O	Window Treatments
	Portugal	Porto	L	Window Treatments
	UT	Salt Lake City	L	Window Treatments
	Poland	Wrowclaw	O	Window Treatments
	China	Shenzhen	L	Window Treatments
OTHER				
	OH	Perrysburg	O	Cookware
	OH	Macedonia	O	Infant Products
	PA	Exton	L	Infant Products
	Mexico	Piedras Negras	L	Infant Products
	OH	Hudson	O	Juvenile Products
	GA	Manchester	O	Hair Accessories

ITEM 3. LEGAL PROCEEDINGS

Information regarding legal proceedings is included in Footnote 21 to the Consolidated Financial Statements and is incorporated by reference herein.

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

There were no matters submitted to a vote of the Company s shareholders during the fourth quarter of fiscal year 2005.

SUPPLEMENTARY ITEM EXECUTIVE OFFICERS OF THE REGISTRANT

Name	Age	Present Position With The Company
Mark D. Ketchum	56	President and Chief Executive Officer
James J. Roberts	47	President and Chief Operating Officer, Rubbermaid/IRWIN Group
Timothy J. Jahnke	46	President, Home & Family Products Group
Steven G. Marton	49	President, Office Products Group
J. Patrick Robinson	50	Vice President Chief Financial Officer
Dale L. Matschullat	60	Vice President General Counsel and Corporate Secretary
Hartley D. Blaha	40	President Corporate Development
James M. Sweet	53	Vice President Human Resources
Raymond J. Johnson	50	President Global Manufacturing and Supply Chain
Shaun P. Holliday	48	President New Business & Innovation

Mark D. Ketchum has been P