

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

Quarterly Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934
for the Quarterly Period Ended June 30, 2004

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.)

10B Glenlake Parkway, Suite 600
Atlanta, Georgia 30328
(Address of principal executive offices)
(Zip Code)

(770) 407-3800
(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, and (2) has been subject to such filing requirements for the past 90 days.

Yes /x/

No / /

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Yes /x/

No / /

Number of shares of common stock outstanding (net of treasury shares) as of July 31, 2004: 274.9 million.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

NEWELL RUBBERMAID INC. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(Dollars and shares in millions, except per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net sales	\$1,735.8	\$1,795.3	\$3,268.1	\$3,342.9
Cost of products sold	1,249.4	1,270.3	2,372.4	2,387.7
GROSS MARGIN	486.4	525.0	895.7	955.2
Selling, general and administrative expenses	328.4	319.6	638.4	606.7
Impairment charges	25.1	—	25.1	—
Restructuring costs	25.1	52.8	47.9	77.2
OPERATING INCOME	107.8	152.6	184.3	271.3
Nonoperating expenses:				
Interest expense, net	29.5	34.3	60.4	71.4
Other, net	1.3	(3.0)	(3.0)	17.2
Net nonoperating expenses	30.8	31.3	57.4	88.6
INCOME BEFORE INCOME TAXES	77.0	121.3	126.9	182.7
Income taxes	19.4	39.3	35.1	59.4
NET INCOME FROM CONTINUING OPERATIONS	57.6	82.0	91.8	123.3
Gain/(loss) from discontinued operations, net of tax	3.4	(8.2)	(105.6)	(33.5)
NET INCOME (LOSS)	\$ 61.0	\$ 73.8	(\$ 13.8)	\$ 89.8
Weighted average shares outstanding:				
Basic	274.4	274.2	274.4	273.8
Diluted	274.5	274.7	274.5	274.2
Earnings (loss) per share:				
Basic –				
Income from continuing operations	\$ 0.21	\$ 0.30	\$ 0.33	\$ 0.45
Income (loss) from discontinued operations	0.01	(0.03)	(0.38)	(0.12)
Net income (loss) per common share	\$ 0.22	\$ 0.27	(\$ 0.05)	\$ 0.33
Diluted –				
Income from continuing operations	\$ 0.21	\$ 0.30	\$ 0.33	\$ 0.45
Income (loss) from discontinued operations	0.01	(0.03)	(0.38)	(0.12)
Net income (loss) per common share	\$ 0.22	\$ 0.27	(\$ 0.05)	\$ 0.33
Dividends per share	\$ 0.21	\$ 0.21	\$ 0.42	\$ 0.42

See Notes to Consolidated Financial Statements (Unaudited).

NEWELL RUBBERMAID INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In millions)

	June 30, 2004	December 31, 2003
	(Unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 111.0	\$ 144.4
Accounts receivable, net	1,309.2	1,397.1
Inventories, net	1,015.2	884.8
Deferred income taxes	114.5	152.7
Prepaid expenses and other	150.7	183.1
Current assets of discontinued operations	19.2	238.1
TOTAL CURRENT ASSETS	2,719.8	3,000.2
OTHER LONG-TERM INVESTMENTS	15.5	15.5
OTHER ASSETS	226.4	197.2
PROPERTY, PLANT AND EQUIPMENT, NET	1,448.6	1,608.8
DEFERRED INCOME TAXES	33.5	68.1
GOODWILL	1,983.8	1,989.0
OTHER INTANGIBLE ASSETS, NET	418.7	447.9
NON-CURRENT ASSETS OF DISCONTINUED OPERATIONS	19.1	154.0
TOTAL ASSETS	\$ 6,865.4	\$ 7,480.7

See Notes to Consolidated Financial Statements (Unaudited).

NEWELL RUBBERMAID INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (CONT.)

(Dollars and shares in millions, except per share data)

	June 30, 2004	December 31, 2003
	(Unaudited)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable	\$ 12.9	\$ 21.9
Accounts payable	657.9	694.7
Accrued compensation	101.2	122.1
Other accrued liabilities	873.0	960.4
Income taxes	71.7	80.8
Current portion of long-term debt	173.9	13.5
Current liabilities of discontinued operations	11.1	128.6
TOTAL CURRENT LIABILITIES	1,901.7	2,022.0
LONG-TERM DEBT	2,484.0	2,868.6
OTHER NONCURRENT LIABILITIES	578.9	572.3
LONG-TERM LIABILITIES OF DISCONTINUED OPERATIONS	0.5	1.5
STOCKHOLDERS' EQUITY:		
Common stock, authorized shares, 800.0 million at \$1.00 par value	290.1	290.1
Outstanding shares:		
2004 - 290.1 million		
2003 - 290.1 million		
Treasury stock, at cost;	(411.6)	(411.6)
Shares held:		
2004 - 15.7 million		
2003 - 15.7 million		
Additional paid-in capital	436.4	439.9
Retained earnings	1,736.2	1,865.7
Accumulated other comprehensive loss	(150.8)	(167.8)
TOTAL STOCKHOLDERS' EQUITY	1,900.3	2,016.3
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 6,865.4	\$ 7,480.7

See Notes to Consolidated Financial Statements (Unaudited).

NEWELL RUBBERMAID INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
(In millions)

	Six Months Ended June 30,	
	2004	2003
OPERATING ACTIVITIES:		
Net (loss) income	(\$13.8)	\$ 89.8
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	127.0	120.7
Deferred income taxes	58.6	0.1
Impairment charges	25.1	—
Noncash restructuring charges	25.3	62.9
(Gain)/loss on sale of assets/business	(5.5)	20.5
Loss on discontinued businesses	99.1	—
Other	(1.3)	22.3
Changes in current accounts excluding the effects of acquisitions:		
Accounts receivable	76.6	(23.5)
Inventories	(138.2)	(62.9)
Other current assets	31.1	5.2
Accounts payable	(32.4)	147.2
Discontinued operations	(29.8)	(41.4)
Accrued liabilities and other	(84.8)	(199.5)
NET CASH PROVIDED BY OPERATING ACTIVITIES	137.0	141.4
INVESTING ACTIVITIES:		
Acquisitions, net of cash acquired	—	(458.7)
Expenditures for property, plant and equipment	(70.1)	(188.4)
Sale of businesses and noncurrent assets	247.1	10.2
NET CASH PROVIDED BY (USED IN) INVESTING ACTIVITIES	177.0	(636.9)
FINANCING ACTIVITIES:		
Proceeds from issuance of debt	16.9	1,036.1
Proceeds from issuance of stock	—	200.1
Payments on notes payable and long-term debt	(248.8)	(651.4)
Cash dividends	(115.7)	(115.2)
Proceeds from exercised stock options and other	1.4	4.7
NET CASH (USED IN) PROVIDED BY FINANCING ACTIVITIES	(346.2)	474.3
Exchange rate effect on cash	(1.2)	1.5
DECREASE IN CASH AND CASH EQUIVALENTS	(33.4)	(19.7)
Cash and cash equivalents at beginning of year	144.4	55.1
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 111.0	\$ 35.4

See Notes to Consolidated Financial Statements (Unaudited).

NEWELL RUBBERMAID INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

Note 1 – Basis of Presentation

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

Seasonal Variations: The Company’s product groups are only moderately affected by seasonal trends. The Cleaning & Organization business segment typically has higher sales in the second half of the year due to retail stocking related to the holiday season; the Tools & Hardware and Home Fashions business segments typically have higher sales in the second and third quarters due to an increased level of do-it-yourself projects completed in the summer months; and the Office Products business segment typically has higher sales in the second and third quarters due to the back-to-school season. Because these seasonal trends are moderate, the Company’s consolidated quarterly sales generally do not fluctuate significantly, unless a significant acquisition is made.

Fair Value of Stock Options: The Company’s stock option plans are accounted for under Accounting Principles Board Opinion No. 25. As a result, the Company grants fixed stock options under which no compensation cost is recognized. Had compensation cost for the plans been determined consistent with Statement of Financial Accounting Standard No. 123 (FAS 123), “Accounting for Stock Based Compensation,” the Company’s net income and earnings per share would have been reduced to the following pro forma amounts for the three and six months ended June 30, *(in millions, except per share data)*:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net income (loss):				
As reported	\$ 61.0	\$ 73.8	(\$13.8)	\$ 89.8
Fair value option expense	(4.5)	(4.5)	(9.0)	(9.0)
Pro forma	\$ 56.5	\$ 69.3	(\$22.8)	\$ 80.8
Basic earnings (loss) per share:				
As reported	\$ 0.22	\$ 0.27	(\$0.05)	\$ 0.33
Pro forma	\$ 0.21	\$ 0.25	(\$0.08)	\$ 0.30
Diluted earnings (loss) per share:				
As reported	\$ 0.22	\$ 0.27	(\$0.05)	\$ 0.33
Pro forma	\$ 0.21	\$ 0.25	(\$0.08)	\$ 0.29

Reclassifications: Certain amounts in prior years have been reclassified to conform to the current year presentation. See Note 4 for a discussion of discontinued operations.

Note 2 – Restructuring Costs

In the second quarter of 2004, the Company completed its accounting charges associated with its strategic restructuring plan (the “Plan”) announced on May 3, 2001. The specific objectives of the Plan were to streamline the Company’s supply chain to become the best-cost global provider throughout the Company’s portfolio by reducing worldwide headcount and consolidating duplicative manufacturing facilities. The Company recorded \$462 million in restructuring charges under the

Plan, including previously recognized charges on discontinued operations of \$84.2 million. The following analysis excludes those restructuring amounts related to discontinued operations.

Pre-tax restructuring costs consisted of the following (*in millions*):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Facility and other exit costs	\$ 17.7	\$ 24.5	\$ 32.8	\$ 27.6
Employee severance and termination benefits	4.5	28.3	9.9	49.6
Exited contractual commitments and other	2.9	—	5.2	—
Recorded as Restructuring Costs	<u>\$ 25.1</u>	<u>\$ 52.8</u>	<u>\$ 47.9</u>	<u>\$ 77.2</u>

Restructuring provisions were determined based on estimates prepared at the time the restructuring actions were approved by management, and also include amounts recognized as incurred. In the second quarter, the Company reduced its restructuring reserve by approximately \$10.0 million, primarily as a result of higher proceeds received from fixed asset disposals. Cash paid for restructuring activities was \$40.5 million and \$47.1 million in the first six months of 2004 and 2003, respectively. A summary of the Company's restructuring plan reserves is as follows (*in millions*):

	12/31/02 Balance	Provision	Costs Incurred	06/30/03 Balance
Facility and other exit costs	\$ 31.4	\$ 27.6	(\$ 33.3)	\$ 25.7
Employee severance and termination benefits	36.4	49.6	(35.9)	50.1
	<u>\$ 67.8</u>	<u>\$ 77.2</u>	<u>(\$ 69.2)</u>	<u>\$ 75.8</u>

	12/31/03 Balance	Provision	Costs Incurred	06/30/04 Balance
Facility and other exit costs	\$ 77.5	\$ 32.8	(\$ 60.9)	\$ 49.4
Employee severance and termination benefits	61.8	9.9	(30.7)	41.0
Exited contractual commitments and other	6.5	5.2	(2.4)	9.3
	<u>\$ 145.8</u>	<u>\$ 47.9</u>	<u>(\$ 94.0)</u>	<u>\$ 99.7</u>

The facility and other exit cost reserves are primarily related to future minimum lease payments on vacated facilities and other closure costs.

Under the Plan, the Company exited 84 facilities and reduced headcount by approximately 12,000. The Company expects total annual savings of between \$125 and \$150 million (\$105 to \$115 million related to the reduced headcount, \$10 to \$20 million related to reduced depreciation, and \$10 to \$15 million related to other cash savings). The following table depicts the changes in accrued restructuring for the six months ended June 30, aggregated by reportable business segment (*in millions*):

Segment	12/31/02 Balance	Provision	Costs Incurred	06/30/03 Balance
Cleaning & Organization	\$ 3.8	\$ 23.3	(\$ 14.1)	\$ 13.0
Office Products	27.2	14.9	(21.3)	20.8
Home Fashions	12.4	18.4	(15.5)	15.3
Tools & Hardware	0.5	8.6	(1.4)	7.7
Other	3.6	9.3	(10.5)	2.4
Corporate	20.3	2.7	(6.4)	16.6
	<u>\$ 67.8</u>	<u>\$ 77.2</u>	<u>(\$ 69.2)</u>	<u>\$ 75.8</u>

Segment	12/31/03 Balance	Provision	Costs Incurred	06/30/04 Balance
Cleaning & Organization	\$ 56.2	21.5	(\$ 57.9)	\$ 19.8
Office Products	29.9	7.4	(10.5)	26.8
Home Fashions	17.7	7.3	(5.2)	19.8

Segment	12/31/03 Balance	Provision	Costs Incurred	06/30/04 Balance
Tools & Hardware	17.9	4.5	(11.4)	11.0
Other	9.6	7.0	(2.0)	14.6
Corporate	14.5	0.2	(7.0)	7.7
	<u>\$ 145.8</u>	<u>\$ 47.9</u>	<u>(\$94.0)</u>	<u>\$ 99.7</u>

Note 3 – Impairment Charges

For the three months ended June 30, 2004, the Company recorded a noncash pretax impairment loss as follows (*in millions*):

Description	Amount
Intangible assets	\$ 11.7
Long-lived assets	13.4
Total impairment loss	<u>\$ 25.1</u>

Intangible Assets

In the first quarter of 2004, the Company began exploring various options for certain businesses and product lines in the Home Fashions and Tools & Hardware reportable segments, including evaluating those businesses for potential sale. As this process progressed, the Company determined that the businesses had a net book value in excess of their fair value. Due to the apparent decline in value, the Company conducted an impairment test in the second quarter and recorded an impairment loss to write the net assets of these businesses and product lines to fair value.

Long-Lived Assets Held and Used

In 2004, the Company made the decision to exit certain product lines, which resulted in the impairment of fixed assets, primarily in the Cleaning & Organization segment. The Company determined the fair value of these fixed assets by estimating the future cash flows attributable to the fixed assets, including an estimate of the ultimate sale proceeds. Accordingly, the Company recorded a charge to write the assets to their estimated fair value.

Note 4 – Discontinued Operations

On January 31, 2004, the Company completed the sale of its Panex Brazilian low-end cookware division (previously reported in the Other operating segment) and European picture frames businesses (previously reported in the Home Fashions operating segment).

Effective April 13, 2004, the Company sold substantially all of its U.S. picture frame business (Burnes), its Anchor Hocking glassware business and its Mirro cookware business. Under the terms of the agreement, the Company retained the accounts receivable of the businesses and expects total proceeds, including the retained receivables, as a result of the transaction to be approximately \$310 million, subject to final negotiation. The Burnes picture frames business was previously reported in the Home Fashions operating segment, while the Anchor Hocking and Mirro businesses were previously reported in the Other operating segment.

On May 30, 2004, the Company entered into a definitive agreement to sell substantially all the assets and liabilities of Little Tikes Commercial Playground Systems business (“LTCPS”) for approximately \$41 million. LTCPS was previously reported in the Other operating segment, as a unit of the Company’s Little Tikes division. LTCPS is a manufacturer of commercial playground systems and contained playground environments. The Company will retain the consumer portion of its Little Tikes division. The effective date of the sale is July 1, 2004. The Company expects to recognize a pre-tax gain on the sale of LTCPS of approximately \$10-\$15 million in the third quarter.

The following table summarizes the results of the discontinued operations for the three and six months ended June 30, *(in millions)*:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net sales	\$ 29.0	\$ 180.8	\$ 171.2	\$ 369.5
Loss from discontinued operations, net of income taxes of (\$0.9) and (\$4.0) million for the three months ended June 30, 2004 and 2003, respectively, and (\$3.0) and (\$16.2) million for the six months ended June 30, 2004 and 2003, respectively	(\$ 2.1)	(\$ 8.2)	(\$ 6.5)	(\$ 33.5)
Gain/(Loss) on disposal of discontinued operations	\$ 5.5	—	(\$ 99.1)	—

No tax benefit was recorded on the loss on disposal of discontinued operations for the six months ended June 30, 2004. In addition, no amounts related to interest expense have been allocated to discontinued operations.

For the three months ended June 30, 2004, the Company recognized a gain on disposal of operations in the amount of \$5.5 million, primarily related to changes in net assets sold to the buyer and changes in estimate regarding amounts ultimately to be received under the sale agreements.

The following table presents summarized balance sheet information of the discontinued operations *(in millions)*:

	June 30, 2004	December 31, 2003
Accounts receivable, net	\$ 15.1	\$ 45.5
Inventories, net	3.9	181.4
Prepaid expenses and other current assets	0.2	11.2
Total Current Assets	19.2	238.1
Property, plant and equipment, net	16.6	152.3
Other assets	2.5	1.7
Total Assets	\$ 38.3	\$ 392.1
Accounts payable	\$ 8.2	\$ 82.8
Other accrued liabilities	2.9	45.8
Total Current Liabilities	11.1	128.6
Long-term liabilities	0.5	1.5
Total Liabilities	\$ 11.6	\$ 130.1

Note 5 – Income Taxes

During the three months ended June 30, 2004, the statute of limitations on certain transactions for which the Company had provided tax reserves, in whole or in part, expired resulting in the reversal of the provisions and interest accrued thereon in the amount of \$37.4 million. Accordingly, the impact was recorded in income taxes for the three months ended June 30, 2004.

In addition, due to significant restructuring activity and certain changes in the Company's business model affecting the utilization of net operating loss carryovers, particularly in certain European countries, the valuation allowance on these net operating losses previously tax-benefited has been increased by \$31.0 million. This amount was recorded in income taxes for the three months ended June 30, 2004.

Note 6 – Inventories

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

	June 30, 2004	December 31, 2003
Materials and supplies	\$ 271.2	\$ 240.4
Work in process	179.4	115.4
Finished products	564.6	529.0
	<u>\$ 1,015.2</u>	<u>\$ 884.8</u>

Note 7 – Long-term Debt

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

	June 30, 2004	December 31, 2003
Medium-term notes	\$1,647.0	\$ 1,647.0
Commercial paper	—	217.1
Preferred debt securities	450.0	450.0
Junior convertible subordinated debentures	515.5	515.5
Terminated interest rate swaps	45.4	46.7
Other long-term debt	—	5.8
Total debt	2,657.9	2,882.1
Current portion of long-term debt	(173.9)	(13.5)
Long-term Debt	<u>\$2,484.0</u>	<u>\$ 2,868.6</u>

Effective March 9, 2004, the Company terminated an interest rate swap agreement prior to the scheduled maturity date and received cash of \$9.2 million. Of this amount \$5.5 million represents the fair value of the swap that was terminated and the remainder represents net interest receivable on the swap. The cash received relating to the fair value of the swap has been included in Other as an operating activity in the Consolidated Statement of Cash Flows. The unamortized gain on the terminated interest rate swap is accounted for as long-term debt (of which \$0.7 million is classified as current). On March 9, 2004, the Company entered into a fixed to floating rate swap that effectively replaced the terminated swap.

Note 8 – Employee Benefit and Retirement Plans

The following table presents the components of the Company's pension expense for the three months ended June 30, (*in millions*):

	United States		International	
	2004	2003	2004	2003
Service cost-benefits earned during the year	\$ 10.0	\$ 8.8	\$ 1.8	\$ 2.2
Interest cost on projected benefit obligation	10.9	12.1	4.9	4.5
Expected return on plan assets	(13.3)	(17.1)	(4.5)	(4.3)
Curtailment, settlement cost	(1.8)	0.1	—	—
Actuarial loss	0.8	—	0.4	0.4
Net pension expense	<u>\$ 6.6</u>	<u>\$ 3.9</u>	<u>\$ 2.6</u>	<u>\$ 2.8</u>

The following table presents the components of the Company's pension expense for the six months ended June 30, (*in millions*):

	United States		International	
	2004	2003	2004	2003
Service cost-benefits earned during the year	\$ 21.0	\$ 17.5	\$ 3.6	\$ 4.4
Interest cost on projected benefit obligation	24.4	24.2	9.9	9.0
Expected return on plan assets	(29.6)	(34.2)	(9.1)	(8.7)
Curtailment, settlement cost	(1.8)	0.3	0.2	—
Actuarial loss	2.0	—	0.8	0.8
Net pension expense	<u>\$ 16.0</u>	<u>\$ 7.8</u>	<u>\$ 5.4</u>	<u>\$ 5.5</u>

The following table presents the components of the Company's other postretirement benefits expense for the three and six months ended June 30, (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Service cost-benefits earned during the year	\$ 1.2	\$ 1.3	\$ 2.5	\$ 2.5
Interest cost on projected benefit obligation	3.6	4.1	7.7	8.1
Amortization of prior service cost	(0.1)	—	(0.3)	0.1
Actuarial loss	—	—	0.5	—
Net pension expense	\$ 4.7	\$ 5.4	\$ 10.4	\$ 10.7

On December 8, 2003, Congress enacted the Medicare Prescription Drug, Improvement and Modernization Act (the "Drug Act") into law. The Drug Act introduces a prescription drug benefit under Medicare Part D as well as a federal subsidy to sponsors of retiree health care benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. Due to the levels of benefits provided under the Company's health care plans, management has concluded that the Company's health care plans are at least actuarially equivalent to Medicare Part D. The Company previously elected to defer recognition of the benefit to its postretirement healthcare plans. In April 2004, the Company sold certain businesses that resulted in a plan curtailment and a subsequent expiration of the election to defer. As a result, the Company has re-measured its postretirement benefit obligation and expense.

The re-measurement will reduce the Company's accumulated postretirement benefit obligation (APBO) by approximately 12% and decrease the unrecognized actuarial loss by the same amount. The impact of this re-measurement will be amortized over the average working life of the Company's employees eligible for postretirement benefits beginning January 1, 2004. The Company expects the 2004 other postretirement employment benefits (OPEB) expense to be reduced by approximately 15%, on an annualized basis, as a result of this change.

Note 9 – Earnings per Share

The calculation of basic and diluted earnings per share for the three and six months ended June 30, is shown below (in millions, except per share data):

	Basic Method	"In the Money" Options(1)	Convertible Preferred Securities(2)	Diluted Method
Three Months Ended June 30, 2004				
Income from continuing operations	\$ 57.6			\$ 57.6
Earnings per share	\$ 0.21			\$ 0.21
Income from discontinued operations	\$ 3.4			\$ 3.4
Income per share	\$ 0.01			\$ 0.01
Net income	\$ 61.0			\$ 61.0
Earnings per share	\$ 0.22			\$ 0.22
Weighted average shares outstanding	274.4	0.1		274.5
Three Months Ended June 30, 2003				
Income from continuing operations	\$ 82.0			\$ 82.0
Earnings per share	\$ 0.30			\$ 0.30
Loss from discontinued operations	(\$ 8.2)			(\$ 8.2)
Loss per share	(\$ 0.03)			(\$ 0.03)
Net income	\$ 73.8			\$ 73.8

	Basic Method	"In the Money" Options(1)	Convertible Preferred Securities(2)	Diluted Method
Earnings per share	\$ 0.27			\$ 0.27
Weighted average shares outstanding	274.2	0.5		274.7
Six Months Ended June 30, 2004				
Income from continuing operations	\$ 91.8			\$ 91.8
Earnings per share	\$ 0.33			\$ 0.33
Loss from discontinued operations	(\$105.6)			(\$105.6)
Loss per share	(\$ 0.38)			(\$ 0.38)
Net loss	(\$ 13.8)			(\$ 13.8)
Loss per share	(\$ 0.05)			(\$ 0.05)
Weighted average shares outstanding	274.4	0.1		274.5
Six Months Ended June 30, 2003				
Income from continuing operations	\$123.3			\$123.3
Earnings per share	\$ 0.45			\$ 0.45
Loss from discontinued operations	(\$ 33.5)			(\$ 33.5)
Loss per share	(\$ 0.12)			(\$ 0.12)
Net income	\$ 89.8			\$ 89.8
Earnings per share	\$ 0.33			\$ 0.33
Weighted average shares outstanding	273.8	0.4		274.2

- (1) The weighted average shares outstanding for the three months ended June 30, 2004 and 2003 exclude approximately 9.2 million and 7.6 million stock options, respectively, and approximately 9.0 million and 7.7 million stock options for the six months ended June 30, 2004 and 2003, respectively, because such options had an exercise price in excess of the average market value of the Company's common stock during the respective periods and would, therefore, be anti-dilutive.
- (2) The convertible preferred securities are anti-dilutive for the three and six months ended June 30, 2004 and 2003, and therefore have been excluded from diluted earnings per share. Had the convertible preferred shares been included in the diluted earnings per share calculation, net income would be increased by \$4.2 million for the three months ended June 30, 2004 and 2003, and by \$8.4 million for the six months ended June 30, 2004 and 2003, and weighted average shares outstanding would have increased by 9.9 million shares in all periods.

Note 10 – Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss encompasses foreign currency translation adjustments, net losses on derivative instruments and net minimum pension liability adjustments and is recorded within stockholders' equity.

The following table displays the components of accumulated other comprehensive loss (*in millions*):

	Foreign Currency Translation Gain	After-tax Derivatives Hedging Gain/(Loss)	After-tax Minimum Pension Liability	Accumulated Other Comprehensive Loss
Balance at December 31, 2003	\$ 15.6	\$ 6.6	(\$190.0)	(\$ 167.8)
Current year change	25.6	(8.6)	—	17.0
Balance at June 30, 2004	\$ 41.2	(\$ 2.0)	(\$190.0)	(\$ 150.8)

Total comprehensive income amounted to the following (*in millions*):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net income (loss)	\$ 61.0	\$ 73.8	(\$13.8)	\$ 89.8
Foreign currency translation (loss) gain	(21.0)	78.1	25.6	69.5
After-tax derivatives hedging gain (loss)	1.3	(2.9)	(8.6)	3.5
After-tax minimum pension liability	—	6.9	—	6.9
Comprehensive income	\$ 41.3	\$ 155.9	\$ 3.2	\$169.7

Note 11 — Industry Segments

In 2003, the Company divided the company into two major groups, and named two chief operating officers. As of December 31, 2003, the Company realigned its reporting segments to reflect the changes in the Company's structure and to more appropriately reflect the Company's focus on building large consumer brands, promoting organizational integration, achieving operating efficiencies and aligning the businesses with the Company's strategic account management strategy. The realignment streamlines what had previously been four operating segments (prior years' segment data has been reclassified to conform to the current segment structure). The Company reports its results in five reportable segments as follows:

Segment	Description of Products
Cleaning & Organization	Indoor/outdoor organization, storage, food storage, cleaning, refuse
Office Products	Ballpoint/roller ball pens, markers, highlighters, pencils, office products, art supplies
Tools & Hardware	Hand tools, power tool accessories, manual paint applicators, cabinet hardware, propane torches
Home Fashions	Drapery houseware, 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, and strollers

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net Sales (1)				
Cleaning & Organization	\$ 468.7	\$ 512.4	\$ 916.1	\$ 989.9
Office Products	489.2	507.8	822.0	830.1
Tools & Hardware	300.3	294.6	574.6	560.2
Home Fashions	224.2	227.8	451.0	447.3
Other	253.4	252.7	504.4	515.4
	<u>\$1,735.8</u>	<u>\$1,795.3</u>	<u>\$3,268.1</u>	<u>\$3,342.9</u>
Operating Income (2)				
Cleaning & Organization	\$ 8.5	\$ 21.0	\$ 20.7	\$ 61.0
Office Products	95.5	114.8	127.3	161.9
Tools & Hardware	43.5	47.7	86.6	83.1
Home Fashions	5.2	7.9	9.1	12.6
Other	15.0	20.3	30.8	43.4
Corporate (3)	(9.7)	(6.3)	(17.2)	(13.5)
Impairment Charges	(25.1)	—	(25.1)	—
Restructuring Costs	(25.1)	(52.8)	(47.9)	(77.2)
	<u>\$ 107.8</u>	<u>\$ 152.6</u>	<u>\$ 184.3</u>	<u>\$ 271.3</u>

Identifiable Assets	June 30, 2004	December 31, 2003
Cleaning & Organization	\$1,128.4	\$ 1,256.5
Office Products	1,150.1	997.5
Tools & Hardware	801.1	812.1
Home Fashions	604.0	630.2
Other	512.7	577.8
Corporate (4)	2,630.8	2,814.5
Discontinued Operations	38.3	392.1
	<u>\$6,865.4</u>	<u>\$ 7,480.7</u>

Geographic Area Information

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Net Sales				
United States	\$1,178.0	\$1,237.9	\$2,209.6	\$2,311.4
Canada	89.9	92.5	163.6	162.0
North America	1,267.9	1,330.4	2,373.2	2,473.4
Europe	371.1	370.2	719.0	701.2
Central and South America	58.6	60.6	100.8	102.0
All other	38.2	34.1	75.1	66.3
	<u>\$1,735.8</u>	<u>\$1,795.3</u>	<u>\$3,268.1</u>	<u>\$3,342.9</u>
Operating Income				
United States	\$ 109.3	\$ 145.2	\$ 188.3	\$ 249.1
Canada	19.9	18.0	32.6	28.4
North America	129.2	163.2	220.9	277.5
Europe	(28.6)	(23.4)	(40.0)	(25.3)
Central and South America	0.4	9.5	2.5	11.8
All other	6.8	3.3	0.9	7.3
	<u>\$ 107.8</u>	<u>\$ 152.6</u>	<u>\$ 184.3</u>	<u>\$ 271.3</u>

Identifiable Assets (5)	June 30, 2004	December 31, 2003
United States	\$4,705.3	\$ 5,012.1
Canada	105.6	136.2
North America	4,810.9	5,148.3
Europe	1,720.5	1,628.3
Central and South America	182.9	195.4
All other	112.8	116.6
Discontinued Operations	38.3	392.1
	<u>\$6,865.4</u>	<u>\$ 7,480.7</u>

- 1) All intercompany transactions have been eliminated. Sales to Wal*Mart Stores, Inc. and subsidiaries amounted to approximately 14.1% and 14.2% of consolidated net sales, excluding discontinued operations, in the first six months of 2004 and 2003, respectively. Sales to no other customer exceeded 10% of consolidated net sales for either period.
- 2) Operating income is net sales less cost of products sold, selling, general and administrative expenses, impairment charges, and restructuring costs. Certain headquarters expenses of an operational nature are allocated to business segments and geographic areas primarily on a net sales basis.
- 3) Corporate operating expenses consist primarily of administrative costs that cannot be allocated to a particular segment.
- 4) Corporate assets primarily include trade names, goodwill, equity investments and deferred tax assets.
- 5) Transfers of finished goods between geographic areas are not significant.

Note 12 – Contingencies

The Company is involved in legal proceedings in the ordinary course of its business. These proceedings include claims for damages arising out of use of the Company's products, allegations of infringement of intellectual property, commercial disputes and employment related matters, as well as environmental matters. Some of the legal proceedings include claims for punitive as well as compensatory damages, and a few proceedings purport to be class actions.

Although management of the Company cannot predict the ultimate outcome of these legal proceedings with certainty, it believes that the ultimate resolution of the Company's legal proceedings, including any amounts it may be required to pay in excess of amounts reserved, will not have a material effect on the Company's financial statements.

In the normal course of business and as part of its acquisition and divestiture strategy, the Company may provide certain representations and indemnifications related to legal, environmental, product liability, tax or other types of issues. Based on the nature of these representations and indemnifications, it is not possible to predict the maximum potential payments under all of these agreements due to the conditional nature of the Company's obligations and the unique facts and circumstances involved in each particular agreement. Historically, payments made by the Company under these agreements did not have a material effect on the Company's business, financial condition or results of operation.

Item 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

Overview

The Company has made significant progress in the first half of 2004 toward achieving its previously announced 2004 key objectives. The Company's 2004 priorities remain unchanged as it continues to work to reconfigure its portfolio through divestitures, rationalization of low-margin product lines and restructuring. The Company's key objectives, and the progress made in the first half of 2004 toward achieving such priorities, are highlighted below:

1. Continue to divest non-strategic businesses: The Company has completed its previously announced plan to divest certain under-performing, non-strategic businesses in order to concentrate on leveraging brand strength and product innovation in its core portfolio of businesses. In January 2004, the Company completed the sale of its Panex Brazilian low-end cookware division and European picture frames businesses. In April 2004, the Company sold substantially all of its U.S. picture frames business (Burnes), its Anchor Hocking glassware business and its Mirro cookware business for total proceeds of approximately \$310 million. On May 30, 2004, the Company entered into a definitive agreement to sell substantially all the assets and liabilities of Little Tikes Commercial Playground Systems business, a division of the Company's Little Tikes division ("LTCPS") for approximately \$41 million. LTCPS is a manufacturer of commercial playground systems and contained playground environments. The Company will retain the consumer portion of its Little Tikes division. The effective date of the LTCPS sale is July 1, 2004.

In connection with these divestitures, the Company recorded a pretax loss on the sale of these businesses of approximately \$99.1 million in the first half of 2004 and expects to record an additional pretax gain in the third quarter of approximately \$10-\$15 million. Total 2003 sales of the divested businesses were \$851.0 million. The divestitures of these businesses are expected to reduce 2004 earnings per share by approximately \$0.11 to \$0.13, exclusive of the loss to be recognized in 2004. In addition, operating cash flow is expected to be reduced by \$40 to \$45 million, annually.

2. Complete the 2001 restructuring plan: In the second quarter of 2004, the Company completed the accounting charges associated with its 2001 restructuring plan. The 2001 restructuring plan resulted in total charges of \$462 million, including previously recognized charges on discontinued operations of \$84.2 million. In total, the Company exited 84 facilities and reduced headcount by approximately 12,000. The Company expects total annual savings to be approximately \$125 to \$150 million as a result of this restructuring program.

3. Continue to rationalize low-margin product lines: In the first half of 2004, the Company exited approximately \$125 million in sales of low-margin product lines. The Company will continue to rationalize low-margin product lines throughout 2004. The completion of this program is expected to reduce annual sales by \$225 to \$250 million.

4. Deploy Newell Operational Excellence (NWL OPEX): The Company is committed to reducing costs by at least 5% annually. In connection with this goal, the Company is committed to deploying and implementing NWL OPEX, which is a methodical process focused on lean manufacturing. It includes installing the right manufacturing and distribution metrics and driving improvement quarter after quarter. In addition to cost reduction, other key components of NWL OPEX are improved quality and service levels and the reduction of inventory and lead times. The Company's program for driving productivity throughout its manufacturing network gained traction in the first half of 2004. The Company delivered approximately \$57 million of gross productivity savings during the first half of 2004.

Results of Operations

The following table sets forth for the periods indicated items from the Consolidated Statements of Operations as a percentage of net sales (*in millions, except percentages*):

	Three Months Ended June 30,				Six Months Ended June 30,			
	2004		2003		2004		2003	
Net sales	\$1,735.8	100.0%	\$1,795.3	100.0%	\$3,268.1	100.0%	\$3,342.9	100.0%
Cost of products sold	<u>1,249.4</u>	<u>72.0</u>	<u>1,270.3</u>	<u>70.8</u>	<u>2,372.4</u>	<u>72.6</u>	<u>2,387.7</u>	<u>71.4</u>
Gross margin	486.4	28.0	525.0	29.2	895.7	27.4	955.2	28.6
Selling, general and administrative expenses	328.4	18.9	319.6	17.8	638.4	19.5	606.7	18.1
Impairment charges	25.1	1.4	—	—	25.1	0.8	—	—
Restructuring costs	<u>25.1</u>	<u>1.4</u>	<u>52.8</u>	<u>2.9</u>	<u>47.9</u>	<u>1.5</u>	<u>77.2</u>	<u>2.3</u>
Operating income	107.8	6.2	152.6	8.5	184.3	5.6	271.3	8.1
Nonoperating expenses:								
Interest expense, net	29.5	1.7	34.3	1.9	60.4	1.8	71.4	2.1
Other, net	<u>1.3</u>	<u>0.1</u>	<u>(3.0)</u>	<u>(0.2)</u>	<u>(3.0)</u>	<u>(0.1)</u>	<u>17.2</u>	<u>0.5</u>
Net nonoperating expenses	<u>30.8</u>	<u>1.8</u>	<u>31.3</u>	<u>1.7</u>	<u>57.4</u>	<u>1.8</u>	<u>88.6</u>	<u>2.7</u>
Income before income taxes	77.0	4.4	121.3	6.8	126.9	3.9	182.7	5.5
Income taxes	<u>19.4</u>	<u>1.1</u>	<u>39.3</u>	<u>2.2</u>	<u>35.1</u>	<u>1.1</u>	<u>59.4</u>	<u>1.8</u>
Net income from continuing operations	<u>57.6</u>	<u>3.3</u>	<u>82.0</u>	<u>4.6</u>	<u>91.8</u>	<u>2.8</u>	<u>123.3</u>	<u>3.7</u>
Gain (loss) from discontinued operations, net of tax	<u>3.4</u>	<u>0.2</u>	<u>(8.2)</u>	<u>(0.5)</u>	<u>(105.6)</u>	<u>(3.2)</u>	<u>(33.5)</u>	<u>(1.0)</u>
Net income (loss)	<u>\$ 61.0</u>	<u>3.5%</u>	<u>\$ 73.8</u>	<u>4.1%</u>	<u>(\$ 13.8)</u>	<u>(0.4)%</u>	<u>\$ 89.8</u>	<u>2.7%</u>

Three Months Ended June 30, 2004 vs. Three Months Ended June 30, 2003

Consolidated Operating Results:

Net sales for the three months ended June 30, 2004 (second quarter) were \$1,735.8 million, representing a decrease of \$59.5 million, or 3.3%, from \$1,795.3 million in the comparable quarter of 2003. The decrease resulted from product line rationalization of \$65 million, or 3.6%, unfavorable pricing of \$15 million, or 0.8%, and a decline in core sales of \$8 million, or 0.5%, partially offset by favorable foreign currency translation of \$28 million, or 1.6%, for the quarter.

Gross margin as a percentage of net sales in the second quarter of 2004 was 28.0%, or \$486.4 million, versus 29.2%, or \$525.0 million, in the comparable quarter of 2003. The decline in gross margin is primarily related to unfavorable pricing of \$15 million, or 0.8%, raw material inflation of \$18 million, and other pre-tax charges of \$11 million related to product line exits, partially offset by favorable mix driven by the rationalization of unprofitable product lines, primarily in the Rubbermaid Home Products business. Gross productivity in the quarter of \$32 million was largely offset by restructuring related costs of \$25 million.

Selling, general and administrative expenses (SG&A) in the second quarter of 2004 were 18.9% of net sales, or \$328.4 million, versus 17.8%, or \$319.6 million, in the comparable quarter of 2003. The increase in SG&A reflects a foreign currency impact of \$7 million and pension cost increases of \$4 million. All other SG&A was flat with streamlining initiatives offsetting continued investments in the business.

The Company recorded a non-cash pretax impairment loss of \$25.1 million in the second quarter of 2004. These charges were required to write certain assets to fair value. See Note 3 to the Consolidated Financial Statements (Unaudited) for additional information.

The Company recorded pre-tax strategic restructuring charges of \$25.1 million and \$52.8 million in the second quarter of 2004 and 2003, respectively. The 2004 second quarter pre-tax charge included \$17.7 million of facility and other exit costs, \$4.5 million of employee severance and termination benefits, and \$2.9 million in other restructuring costs. The 2003 second quarter pre-tax charge included \$24.5 million of facility and other exit costs and \$28.3 million of employee severance and termination benefits. See Note 2 to the Consolidated Financial Statements (Unaudited) for further information on the strategic restructuring plan.

Operating income in the second quarter of 2004 was 6.2% of net sales, or \$107.8 million, versus operating income of 8.5% or \$152.6 million, in the comparable quarter of 2003. The decrease in operating margins is primarily the result of the factors described above.

Net nonoperating expenses in the second quarter of 2004 were 1.8% of net sales, or \$30.8 million, versus 1.7%, or \$31.3 million, in the comparable quarter of 2003. Net interest expense decreased \$4.8 million for the second quarter of 2004 compared to the second quarter of 2003 as a result of a reduction in average borrowings of \$575.5 million, the maturation of \$415.5 million of medium term notes with higher interest rates, the maturation of \$50.0 million of fixed rate interest rate swaps in 2003 and the conversion of \$800.0 million of interest rate swaps from fixed to floating rates.

The effective tax rate was 25.2% in the second quarter of 2004 versus 32.4% in the second quarter of 2003. See Note 5 to the Consolidated Financial Statements (Unaudited) for further information.

Net income from continuing operations for the second quarter of 2004 was \$57.6 million, compared to \$82.0 million in the second quarter of 2003. Diluted earnings per share from continuing operations were \$0.21 in the second quarter of 2004 compared to \$0.30 in the second quarter of 2003.

The net gain recognized from discontinued operations for the second quarter of 2004 was \$3.4 million, net of tax, compared to a net loss of \$8.2 million, net of tax, in the second quarter of 2003. Diluted earnings (loss) per share from discontinued operations was \$0.01 in the second quarter of 2004 compared to (\$0.03) in the second quarter of 2003. See Note 4 to the Consolidated Financial Statements (Unaudited) for further information.

Net income for the second quarter of 2004 was \$61.0 million, compared to \$73.8 million in the second quarter of 2003. Diluted earnings per share was \$0.22 in the second quarter of 2004 compared to diluted earnings per share of \$0.27 in the second quarter of 2003.

Business Group Operating Results:

Net sales in the five segments in which the Company operates were as follows for the three months ended June 30, *(in millions)*:

	2004	2003	% Change
Cleaning & Organization	\$ 468.7	\$ 512.4	(8.5)%
Office Products	489.2	507.8	(3.7)
Tools & Hardware	300.3	294.6	1.9
Home Fashions	224.2	227.8	(1.6)
Other	253.4	252.7	0.3
Total Net Sales (1)	<u>\$1,735.8</u>	<u>\$1,795.3</u>	<u>(3.3)%</u>

Operating income by segment was as follows for the three months ended June 30, *(in millions)*:

	2004	2003	% Change
Cleaning & Organization	\$ 8.5	\$ 21.0	(59.5)%
Office Products	95.5	114.8	(16.8)
Tools & Hardware	43.5	47.7	(8.8)
Home Fashions	5.2	7.9	(34.2)
Other	15.0	20.3	(26.1)
Corporate Costs (2)	(9.7)	(6.3)	
Impairment Charges	(25.1)		
Restructuring Costs	(25.1)	(52.8)	
Total Operating Income (3)	<u>\$107.8</u>	<u>\$152.6</u>	<u>(29.4)%</u>

- (1) All intercompany transactions have been eliminated. Sales to Wal*Mart Stores, Inc. and subsidiaries amounted to approximately 14.2% and 14.5% of consolidated net sales, excluding discontinued operations, in the three months ended June 30, 2004 and 2003, respectively. Sales to no other customer exceeded 10% of consolidated net sales for either period.
- (2) Corporate operating expenses consist primarily of administrative costs that cannot be allocated to a particular segment.
- (3) Operating income is net sales less cost of products sold, selling, general and administrative expenses, impairment charges and restructuring costs. Certain headquarters expenses of an operational nature are allocated to business segments and geographic areas primarily on a net sales basis.

Cleaning & Organization

Net sales for the second quarter of 2004 were \$468.7 million, a decrease of \$43.7 million, or 8.5%, from \$512.4 million in the second quarter of 2003, driven primarily by a double-digit decline in the Rubbermaid Home Products business due to planned product line rationalization in certain low margin product lines.

Operating income for the second quarter of 2004 was \$8.5 million, a decrease of \$12.5 million, or 59.5%, from \$21.0 million in the second quarter of 2003. The decrease in operating income is the result of higher raw material costs, lost absorption in manufacturing facilities and restructuring related charges.

Office Products

Net sales for the second quarter of 2004 were \$489.2 million, a decrease of \$18.6 million, or 3.7%, from \$507.8 million in the second quarter of 2003, driven primarily by market share losses in the everyday writing category and the exit of low margin resin based products in the Eldon office products business.

Operating income for the second quarter of 2004 was \$95.5 million, a decrease of \$19.3 million, or 16.8%, from \$114.8 million in the second quarter of 2003, driven by lower sales and raw material and other cost inflation of approximately \$11 million.

Tools & Hardware

Net sales for the second quarter of 2004 were \$300.3 million, an increase of \$5.7 million, or 1.9%, from \$294.6 million in the second quarter of 2003, driven by high single digit sales increases at Lenox and BernzOmatic.

Operating income for the second quarter of 2004 was \$43.5 million, a decrease of \$4.2 million, or 8.8%, from \$47.7 million in the second quarter of 2003, driven by increases in raw material costs, particularly steel, restructuring related costs and increased SG&A investment of \$8 million, partially offset by the sales increase and strong productivity in the second quarter of 2004.

Home Fashions

Net sales for the second quarter of 2004 were \$224.2 million, a decrease of \$3.6 million, or 1.6%, from \$227.8 million in the second quarter of 2003, driven by a single digit decline in the Levolor business due to soft sales in low-margin stock blinds.

Operating income for the second quarter of 2004 was \$5.2 million, a decrease of \$2.7 million, or 34.2%, from \$7.9 million in the second quarter of 2003. The decrease in operating income was due primarily to unfavorable pricing in the quarter.

Other

Net sales for the second quarter of 2004 were \$253.4 million, an increase of \$0.7 million, or 0.3%, from \$252.7 million in the second quarter of 2003.

Operating income for the second quarter of 2004 was \$15.0 million, a decrease of \$5.3 million, or 26.1%, from \$20.3 million in the second quarter of 2003, driven primarily by raw material inflation and restructuring related costs.

Six Months Ended June 30, 2004 vs. Six Months Ended June 30, 2003

Consolidated Operating Results:

Net sales for the six months ended June 30, 2004 were \$3,268.1 million, representing a decrease of \$74.8 million, or 2.2%, from \$3,342.9 million in the comparable period of 2003. The decrease resulted from product line rationalization of \$125 million, or 3.6%, and unfavorable pricing of \$28 million, or 0.8%, partially offset by favorable foreign currency translation of \$85 million, or 2.5%, for the period.

Gross margin as a percentage of net sales for the six months ended June 30, 2004 was 27.4%, or \$895.7 million, versus 28.6%, or \$955.2 million, in the comparable period of 2003. The decline in gross margin is primarily related to unfavorable pricing of \$28 million, or 0.8%, and raw material inflation of \$39 million, partially offset by favorable mix driven by the rationalization of unprofitable product lines, primarily in the Rubbermaid Home Products business. Gross productivity of \$57 million was offset by restructuring related costs of \$51 million.

Selling, general and administrative expenses (SG&A) for the six months ended June 30, 2004 were 19.5% of net sales, or \$638.4 million, versus 18.1%, or \$606.7 million, in the comparable period of 2003. The increase in SG&A reflects a foreign currency impact of \$23 million and pension cost increases of \$8 million. All other SG&A was flat with streamlining initiatives offsetting continued investments in the business.

The Company recorded a non-cash pretax impairment loss of \$25.1 million in the second quarter of 2004. These charges were required to write certain assets to fair value. See Note 3 to the Consolidated Financial Statements (Unaudited) for additional information.

The Company recorded pre-tax strategic restructuring charges of \$47.9 million and \$77.2 million for the six months ended June 30, 2004 and 2003, respectively. The 2004 pre-tax charge included \$32.8 million of facility and other exit costs, \$9.9 million of employee severance and termination benefits, and \$5.2 million in other restructuring costs. The 2003 pre-tax charge included \$27.6 million of facility and other exit costs and \$49.6 million of employee severance and termination benefits. See Note 2 to the Consolidated Financial Statements (Unaudited) for further information on the strategic restructuring plan.

Operating income for the six months ended June 30, 2004 was 5.6% of net sales, or \$184.3 million, versus operating income of 8.1%, or \$271.3 million, in the comparable period of 2003. The decrease in operating margins is primarily the result of the factors described above.

Net nonoperating expenses for the six months ended June 30, 2004 were 1.8% of net sales, or \$57.4 million, versus 2.7%, or \$88.6 million, in the comparable period of 2003. In March 2003, the Company recognized a \$21.2 million non-cash pre-tax loss on the sale of the Cosmolab business. Net interest expense decreased \$11.0 million for the six months ended June 30, 2004 compared to the six months ended June 30, 2003 as a result of a reduction in average borrowings of \$397.4 million, the maturation of \$415.5 million of medium term notes with higher interest rates, the maturation of \$50.0 million of fixed rate interest rate swaps in 2003 and the conversion of \$800.0 million of interest rate swaps from fixed to floating rates.

The effective tax rate was 27.7% for the six months ended June 30, 2004 versus 32.5% for the six months ended June 30, 2003. See Note 5 to the Consolidated Financial Statements (Unaudited) for further information.

Net income from continuing operations for the six months ended June 30, 2004 was \$91.8 million, compared to \$123.3 million for the six months ended June 30, 2003. Diluted earnings per share from continuing operations were \$0.33 for the six months ended June 30, 2004 compared to \$0.45 for the six months ended June 30, 2003.

The net loss recognized from discontinued operations for the six months ended June 30, 2004 was \$105.6 million, net of tax, compared to \$33.5 million, net of tax, for the six months ended June 30, 2003. Diluted loss per share from discontinued operations was (\$0.38) for the six months ended June 30, 2004 compared to (\$0.12) for the six months ended June 30, 2003. See Note 4 to the Consolidated Financial Statements (Unaudited) for further information.

Net loss for the six months ended June 30, 2004 was \$13.8 million, compared to \$89.8 million of net income for the six months ended June 30, 2003. Diluted loss per share was (\$0.05) for the six months ended June 30, 2004 compared to diluted earnings per share of \$0.33 for the six months ended June 30, 2003.

Business Segment Operating Results:

Net sales in the five segments in which the Company operates were as follows for the six months ended June 30, *(in millions)*:

	2004	2003	% Change
Cleaning & Organization	\$ 916.1	\$ 989.9	(7.5)%
Office Products	822.0	830.1	(1.0)
Tools & Hardware	574.6	560.2	2.6
Home Fashions	451.0	447.3	0.8
Other	504.4	515.4	(2.1)
Total Net Sales (1)	<u>\$3,268.1</u>	<u>\$3,342.9</u>	<u>(2.2)%</u>

Operating income by segment was as follows for the six months ended June 30, *(in millions)*:

	2004	2003	% Change
Cleaning & Organization	\$ 20.7	\$ 61.0	(66.1)%
Office Products	127.3	161.9	(21.4)
Tools & Hardware	86.6	83.1	4.2
Home Fashions	9.1	12.6	(27.8)
Other	30.8	43.4	(29.0)
Corporate Costs (2)	(17.2)	(13.5)	
Impairment Charges	(25.1)	—	
Restructuring Costs	(47.9)	(77.2)	
Total Operating Income (3)	<u>\$184.3</u>	<u>\$271.3</u>	<u>(32.1)%</u>

- (1) All intercompany transactions have been eliminated. Sales to Wal*Mart Stores, Inc. and subsidiaries amounted to approximately 14.1% and 14.2% of consolidated net sales, excluding discontinued operations, in the first six months of 2004 and 2003. Sales to no other customer exceeded 10% of consolidated net sales for either period.
- (2) Corporate operating expenses consist primarily of administrative costs that cannot be allocated to a particular segment.
- (3) Operating income is net sales less cost of products sold, selling, general and administrative expenses, impairment charges and restructuring costs. Certain headquarters expenses of an operational nature are allocated to business segments and geographic areas primarily on a net sales basis.

Cleaning & Organization

Net sales for the six months ended June 30, 2004 were \$916.1 million, a decrease of \$73.8 million, or 7.5%, from \$989.9 million in the comparable period of 2003, driven primarily by a double-digit decline in the Rubbermaid Home Products business due to planned product line rationalizations in low-margin products.

Operating income for the six months ended June 30, 2004 was \$20.7 million, a decrease of \$40.3 million, or 66.1%, from \$61.0 million in the comparable period of 2003. The decrease in operating income is the result of higher raw material costs, lost absorption in manufacturing facilities and restructuring related charges.

Office Products

Net sales for the six months ended June 30, 2004 were \$822.0 million, a decrease of \$8.1 million, or 1.0%, from \$830.1 million in the comparable period of 2003, driven primarily by market share losses in the everyday writing category and the exit of low margin resin based products in the Eldon office products business.

Operating income for the six months ended June 30, 2004 was \$127.3 million, a decrease of \$34.6 million, or 21.4%, from \$161.9 million in the comparable period of 2003, driven by lower sales, restructuring related costs in the European writing instruments business, raw material inflation, primarily in resin costs in the Eldon office products division, and other cost inflation.

Tools & Hardware

Net sales for the six months ended June 30, 2004 were \$574.6 million, an increase of \$14.4 million, or 2.6%, from \$560.2 million in the comparable period of 2003. The increase in net sales was driven by high single digit increases in the Lenox and BernzOmatic businesses.

Operating income for the six months ended June 30, 2004 was \$86.6 million, an increase of \$3.5 million, or 4.2%, from \$83.1 million in the comparable period of 2003. The increase in operating income was related to the sales increases described above and strong productivity, partially offset by increases in raw material costs, particularly steel, restructuring related costs and increased SG&A investment.

Home Fashions

Net sales for the six months ended June 30, 2004 were \$451.0 million, an increase of \$3.7 million, or 0.8%, from \$447.3 million in the comparable period of 2003. The increase in net sales was driven by favorable foreign currency fluctuation, partially offset by a low single digit decline in the Levolor business due to soft sales in low-margin stock blinds.

Operating income for the six months ended June 30, 2004 was \$9.1 million, a decrease of \$3.5 million, or 27.8%, from \$12.6 million in the comparable period of 2003. The decrease in operating income was due primarily to unfavorable pricing.

Other

Net sales for the six months ended June 30, 2004 were \$504.4 million, a decrease of \$11.0 million, or 2.1%, from \$515.4 million in the comparable period of 2003. The decrease in net sales was primarily attributable to the sale of Cosmolab in March 2003, which contributed \$10 million in sales in the first quarter of 2003.

Operating income for the six months ended June 30, 2004 was \$30.8 million, a decrease of \$12.6 million, or 29.0%, from \$43.4 million in the comparable period of 2003. The decrease in operating income was due primarily to raw material inflation, restructuring related costs and unfavorable product mix.

Liquidity and Capital Resources

Cash and cash equivalents decreased by \$33.4 million for the six months ended June 30, 2004. The change in cash and cash equivalents is as follows as of the six months ended June 30 (in millions):

	2004	2003
Cash provided by operating activities	\$ 137.0	\$ 141.4
Cash provided by (used in) investing activities	177.0	(636.9)
Cash (used in)/provided by financing activities	(346.2)	474.3
Exchange effect on cash and cash equivalents	(1.2)	1.5
Decrease in cash and cash equivalents	<u>(\$33.4)</u>	<u>(\$19.7)</u>

Sources:

The Company's primary sources of liquidity and capital resources include cash provided from operations and use of available borrowing facilities.

Cash provided by operating activities for the six months ended June 30, 2004 was \$137.0 million compared to \$141.4 million for the comparable period of 2003. The decrease in cash provided from operating activities was due to a reduction in the year over year improvement in working capital and other assets in 2004 compared to 2003, which used an additional \$2.6 million, and a reduction in cash received from the termination of certain interest rate swap arrangements, partially offset by an increase in earnings before non cash charges of \$21.8 million (as shown in the following table). The deferred gain from these swap agreements was (\$1.3) million in 2004 compared to \$22.3 million in 2003 and were included in Other in the Consolidated Statement of Cash Flows.

The following table reconciles earnings before non-cash charges to net (loss) income as of June 30, (in millions):

	2004	2003	Change
Net (loss)/income	(\$13.8)	\$ 89.8	
Depreciation and amortization	127.0	120.7	
Impairment charges	25.1	—	
Non-cash restructuring charges	25.3	62.9	
Deferred income taxes	58.6	0.1	
(Gain)/loss on sale of assets/business	(5.5)	20.5	
Loss on discontinued businesses	99.1	—	
Earnings before non-cash charges	<u>\$ 315.8</u>	<u>\$294.0</u>	<u>\$ 21.8</u>

The Company did not renew its \$650.0 million 364-day Syndicated Revolving Credit Agreement, which expired on its scheduled maturity date of June 11, 2004. The Company's \$650.0 million five-year Syndicated Revolving Credit Agreement (the "Revolver") that is scheduled to expire in June 2007 remains in place. At June 30, 2004, there were no borrowings under the Revolver.

In lieu of borrowings under the Revolver, the Company may issue up to \$650.0 million of commercial paper. The Revolver provides the committed backup liquidity required to issue commercial paper. Accordingly, commercial paper may only be issued up to the amount available for borrowing under the Revolver. At June 30, 2004, no commercial paper was outstanding.

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 Ratio, as defined in the agreement. The agreement also limits Subsidiary Indebtedness. As of June 30, 2004, the Company was in compliance with this agreement.

In the first six months of 2004, the Company received proceeds from the issuance of debt of \$16.9 million compared to \$1,036.1 million in the year ago period.

In the first six months of 2004, the Company received cash proceeds of \$247.1 million related to the sale of businesses, compared to \$10.2 million related to the sale of businesses in the year ago period. The Company used the proceeds from the sale of these businesses to reduce its commercial paper borrowings.

Uses:

The Company's primary uses of liquidity and capital resources include acquisitions, payments on notes payable and long-term debt, dividend payments and capital expenditures.

In the first six months of 2004, the Company did not make any acquisitions, compared to \$458.7 million used in the first six months of 2003 relating to the acquisition of Lenox.

In the first six months of 2004, the Company made payments on notes payable and long-term debt of \$248.8 million compared to \$651.4 million in the year ago period.

Cash used for restructuring activities was \$40.5 million and \$47.1 million in the first six months of 2004 and 2003, respectively. Such cash payments represent primarily employee termination benefits.

Capital expenditures were \$70.1 million and \$188.4 million in the first six months of 2004 and 2003, respectively. The reduction in capital expenditures is primarily due to the Company's decision to reduce capital investment in the Rubbermaid Home Products business, where capital expenditures decreased from \$61.3 million in the first six months of 2003 to \$5.0 million in the first six months of 2004.

Aggregate dividends paid were \$115.7 million and \$115.2 million in the first six months of 2004 and 2003, respectively.

Retained earnings decreased in the first six months of 2004 by \$129.5 million. The reduction in retained earnings is due to cash dividends paid on common stock and the current year net loss.

Working capital at June 30, 2004 was \$818.1 million compared to \$978.2 million at December 31, 2003. The current ratio at June 30, 2004 was 1.43:1 compared to 1.48:1 at December 31, 2003. The reduction in working capital is due to the use of cash to pay down commercial paper and the collection of accounts receivable, partially offset by seasonal inventory build.

Total debt to total capitalization (total debt is net of cash and cash equivalents, and total capitalization includes total debt and stockholders' equity) was .57:1 at June 30, 2004 and .58:1 at December 31, 2003.

The Company believes that cash provided from operations and available borrowing facilities will continue to provide adequate support for the cash needs of existing businesses on a short-term basis; however, certain events, such as significant acquisitions, could require additional external financing on a long-term basis.

Market Risk

The Company's market risk is impacted by changes in interest rates, foreign currency exchange rates and certain commodity prices. Pursuant to the Company's policies, natural hedging techniques and derivative financial instruments may be utilized to reduce the impact of adverse changes in market prices. The Company does not hold or issue derivative instruments for trading purposes.

The Company's primary market risk is foreign exchange and interest rate exposure.

The Company manages interest rate exposure through its conservative debt ratio target and its mix of fixed and floating rate debt. Interest rate swaps may be used to adjust interest rate exposures when appropriate based on market conditions, and, for qualifying hedges, the interest differential of swaps is included in interest expense.

The Company's foreign exchange risk management policy emphasizes hedging anticipated intercompany and third party commercial transaction exposures of one-year duration or less. The Company focuses on natural hedging techniques of the following form: 1) offsetting or netting of like foreign currency flows, 2) structuring foreign subsidiary balance sheets with appropriate levels of debt to reduce subsidiary net investments and subsidiary cash flows subject to conversion risk, 3) converting excess foreign currency deposits into U.S. dollars or the relevant functional currency and 4) avoidance of risk by denominating contracts in the appropriate functional currency. In addition, the Company utilizes forward contracts and purchased options to hedge commercial and intercompany transactions. Gains and losses related to qualifying hedges of commercial and intercompany transactions are deferred and included in the basis of the underlying transactions. Derivatives used to hedge intercompany loans are marked to market with the corresponding gains or losses included in the Company's Consolidated Statements of Operations.

The Company purchases certain raw materials that are subject to price volatility caused by unpredictable factors. While future movements of raw material costs are uncertain, a variety of programs, including periodic raw material purchases, purchases of raw materials for future delivery and customer price adjustments help the Company address this risk. Generally, the Company does not use derivatives to manage the volatility related to this risk.

The amounts shown below represent the estimated potential economic loss that the Company could incur from adverse changes in either interest rates or foreign exchange rates using the value-at-risk estimation model. The value-at-risk model uses historical foreign exchange rates and interest rates to estimate the volatility and correlation of these rates in future periods. This model estimates a loss in fair market value using statistical modeling techniques that are based on a variance/covariance approach and includes substantially all market risk exposures (specifically excluding equity-method investments). The fair value losses shown in the table below have no impact on results of operations or financial condition at June 30, 2004 as they represent hypothetical, not realized losses. The following table indicates the calculated amounts for the six months ended June 30, (*in millions*):

	2004 Six Month Average	June 30, 2004	2003 Six Month Average	June 30, 2003	Confidence Level
Interest rates	\$ 12.8	\$ 13.2	\$ 23.1	\$ 24.3	95%
Foreign exchange	\$ 2.6	\$ 1.7	\$ 1.3	\$ 0.9	95%

The 95% confidence interval signifies the Company's degree of confidence that actual losses would not exceed the estimated losses shown above. The amounts shown here disregard the possibility that interest rates and foreign currency exchange rates could move in the Company's favor. The value-at-risk model assumes that all movements in these rates will be adverse. Actual experience has shown that gains and losses tend to offset each other over time, and it is highly unlikely that the Company could experience losses such as these over an extended period of time. These amounts should not be considered projections of future losses, because actual results may differ significantly depending upon activity in the global financial markets.

Forward Looking Statements

Forward-looking statements in this Report are made in reliance upon the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements relate to, but are not limited to, such matters as sales, income, earnings per share, return on equity, return on invested capital, capital expenditures, working capital, dividends, capital structure, debt to capitalization ratios, interest rates, internal growth rates, impacts of changes in accounting standards, pending legal proceedings and claims (including environmental matters), future economic performance, operating income improvements, synergies, management's plans, goals and objectives for future operations and growth or the assumptions relating to any of the forward-looking statements. The Company cautions that forward-looking statements are not guarantees because there are inherent difficulties in predicting future results. Actual results could differ materially from those expressed or implied in the forward-looking statements. Factors that could cause actual results to differ include, but are not limited to, those matters set forth in this Report and Exhibit 99.1 to this Report.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

The information required by this item is incorporated herein by reference to the section entitled "Market Risk" in the Company's Management's Discussion and Analysis of Results of Operations and Financial Condition (Part I, Item 2).

Item 4. Controls and Procedures

As of June 30, 2004, an evaluation was performed by the Company's management, under the supervision and with the participation of the Company's chief executive officer and chief financial officer, of the effectiveness of the Company's disclosure controls and procedures. Based on that evaluation, the chief executive officer and the chief financial officer concluded that the Company's disclosure controls and procedures were effective.

There were no changes in the Company's internal control over financial reporting that occurred during the quarter ended June 30, 2004 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Information required under this Item is contained above in Part I. Financial Information, Item 1 and is incorporated herein by reference.

Item 4. Submission of Matters to a Vote of Security Holders

On May 12, 2004, the 2004 Annual Meeting of Stockholders of the Company was held. The following is a brief description of the matters voted upon at the meeting and tabulation of the voting therefor:

Proposal 1. Election of four directors of the Company to serve for a term of three years.

Nominee	Number of Shares	
	For	Withheld
Scott S. Cowen	234,657,017	8,180,599
Cynthia A. Montgomery	237,137,565	5,700,051
Allan P. Newell	234,861,506	7,976,110
Gordon R. Sullivan	234,938,008	7,899,608

Proposal 2. Appointment of Independent Accountants. A proposal to ratify the appointment of Ernst & Young LLP as the Company's independent accountants for the year 2004 was adopted, with 236,062,413 votes cast for, 5,242,777 votes cast against, and 1,532,426 votes abstained.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- 2.1 Stock and Asset Purchase Agreement, dated as of March 12, 2004 between the Company and Global Home Products LLC, and Amendment No. 1 thereto, dated as of April 13, 2004 (incorporated by reference to Exhibit 2.1 and Exhibit 2.2 to the Company's Report on Form 8-K, filed April 28, 2004)
- 3.2 By-Laws of Newell Rubbermaid Inc., as amended through May 10, 2004.
- 10.1 The Newell Rubbermaid Inc. 2003 Stock Plan, effective May 7, 2003 (incorporated by reference to Exhibit B of the Company's 2003 Proxy Statement, dated March 24, 2003, and filed with the Securities and Exchange Commission on March 31, 2003), as amended by the First Amendment to the 2003 Stock Plan, effective May 12, 2004.
- 12 Statement of Computation of Ratio of Earnings to Fixed Charges.
- 31.1 Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or Rule 15d-14(a), as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 99.1 Safe Harbor Statement.

(b) Reports on Form 8-K

Report on Form 8-K, dated April 13, 2004, reporting the disposition of assets and pro forma financial information.

Report on Form 8-K, dated April 29, 2004, that included a press release announcing results for the fiscal quarter ended March 31, 2004.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NEWELL RUBBERMAID INC.
Registrant

Date: August 9, 2004

/s/ J. Patrick Robinson
J. Patrick Robinson
Vice President – Corporate Controller and Chief Financial Officer

BY-LAWS, AS AMENDED AS OF MAY 10, 2004
As adopted by the Newell Rubbermaid Board of Directors, effective as of May 10, 2004

BY-LAWS
OF
NEWELL RUBBERMAID INC.

(a Delaware corporation)
(as amended May 10, 2004)

ARTICLE I

OFFICES

1.1 REGISTERED OFFICE. The registered office of the Corporation in the State of Delaware shall be located in the City of Dover and County of Kent. The Corporation may have such other offices, either within or without the State of Delaware, as the Board of Directors may designate or the business of the Corporation may require from time to time.

1.2 PRINCIPAL OFFICE IN ILLINOIS. The principal office of the Corporation in the State of Illinois shall be located in the City of Freeport and County of Stephenson.

ARTICLE II

STOCKHOLDERS

2.1 ANNUAL MEETING. The annual meeting of stockholders shall be held each year at such time and date as the Board of Directors may designate prior to the giving of notice of such meeting, but if no such designation is made, then the annual meeting of stockholders shall be held on the second Wednesday in May of each year for the election of directors and for the transaction of such other business as may come before the meeting. If the day fixed for the annual meeting shall be a legal holiday, such meeting shall be held on the next succeeding business day.

2.2 SPECIAL MEETINGS. Special meetings of the stockholders, for any purpose or purposes, may be called by the Chairman, by the Board of Directors or by the President.

2.3 PLACE OF MEETING. The Board of Directors may designate any place, either within or without the State of Delaware, as the place of meeting for any annual meeting or for any special meeting called by the Board of Directors. If no designation is made, or if a special meeting be otherwise called, the place of meeting shall be the principal office of the Corporation in the State of Illinois.

2.4 NOTICE OF MEETING. Written notice stating the place, date and hour of the meeting, and, in the case of a special meeting, the purpose or purposes for which the meeting is called, shall be given not less than ten nor more than sixty days before the date of the meeting, or in the case of a merger or consolidation of the Corporation requiring stockholder approval or a sale, lease or exchange of substantially all of the Corporation's property and assets, not less than twenty nor more than sixty days before the date of meeting, to each stockholder of record entitled to vote at such meeting. If mailed, notice shall be deemed given when deposited in the United States mail, postage prepaid, directed to the stockholder at his address as it appears on the records of the Corporation. When a meeting is adjourned to another time or place, notice need not be given of the adjourned meeting if the time and place thereof are announced at the meeting at which the adjournment is taken, unless the adjournment is for more than thirty days, or unless, after adjournment, a new record date is fixed for the adjourned meeting, in either of which cases notice of the adjourned meeting shall be given to each stockholder of record entitled to vote at the meeting.

2.5 FIXING OF RECORD DATE. For the purpose of determining the stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, or to express consent (to the extent permitted, if permitted) to corporate action in writing without a meeting, or entitled to receive payment of any dividend or other distribution or allotment of any rights, or entitled to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board of Directors may fix, in advance, a record date, which shall not be more than sixty nor less than ten days before the date of such meeting, nor more than sixty days prior to any other action. If no record date is fixed, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be the close of business on the day next preceding the day on which notice is given, or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held, and the record date for determining stockholders for any other purpose shall be the close of business on the day on which the Board of Directors adopts the resolution relating thereto. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting unless the Board of Directors fixes a new record date for the adjourned meeting.

2.6 VOTING LISTS. The officer who has charge of the stock ledger of the Corporation shall prepare and make, at least ten days before every meeting of stockholders, a complete list of the stockholders entitled to vote at the meeting, arranged in alphabetical order, and showing the address of each stockholder and the number of shares registered in his name, which list, for a period of ten days prior to such meeting, shall be kept on file either at a place within the city where the meeting is to be held and which place shall be specified in the notice of the meeting, or, if not so specified, at the place where the meeting is to be held, and shall be open to the examination of any stockholder, for any purpose germane to the meeting, at any time during ordinary business hours. Such lists shall also be produced and kept at the time and place

of the meeting during the whole time thereof, and may be inspected by any stockholder who is present. The stock ledger shall be the only evidence as to who are the stockholders entitled to examine the stock ledger, the list of stockholders entitled to vote, or the books of the Corporation, or to vote in person or by proxy at any meeting of stockholders.

2.7 QUORUM. The holders of shares of stock of the Corporation entitled to cast a majority of the total votes that all of the outstanding shares of stock of the Corporation would be entitled to cast at the meeting, represented in person or by proxy, shall constitute a quorum at any meeting of stockholders; provided, that if less than a majority of the outstanding shares of capital stock are represented at said meeting, a majority of the shares of capital stock so represented may adjourn the meeting. If a quorum is present, the affirmative vote of a majority of the votes entitled to be cast by the holders of shares of capital stock represented at the meeting shall be the act of the stockholders, unless a different number of votes is required by the General Corporation Law, the Certificate of Incorporation or these By-Laws. At any adjourned meeting at which a quorum shall be present, any business may be transacted which might have been transacted at the original meeting. Withdrawal of stockholders from any meeting shall not cause failure of a duly constituted quorum at that meeting.

2.8 PROXIES. Each stockholder entitled to vote at a meeting of stockholders or to express consent or dissent to corporate action in writing without a meeting may authorize another person or persons to act for such stockholder by proxy, but no such proxy shall be voted or acted upon after three years from its date, unless the proxy provides for a longer period. Without limiting the manner in which a stockholder may authorize another person or persons to act for such stockholder as proxy pursuant to the foregoing sentence, a stockholder may validly grant such authority (i) by executing a writing authorizing another person or persons to act for such stockholder as proxy or (ii) by authorizing another person or persons to act for such stockholder as proxy by transmitting or authorizing the transmission of a telegram, cablegram, or other means of electronic transmission to the person who will be the holder of the proxy or to a proxy solicitation firm, proxy support service organization or like agent duly authorized by the person who will be the holder of the proxy to receive such transmission, provided that any such telegram, cablegram or other means of electronic transmission must either set forth or be submitted with information from which it can be determined that the telegram, cablegram or other electronic transmission was authorized by the stockholder, or by any other means permitted under the Delaware General Corporation Law.

2.9 VOTING OF STOCK. Each stockholder shall be entitled to such vote as shall be provided in the Certificate of Incorporation, or, absent provision therein fixing or denying voting rights, shall be entitled to one vote per share with respect to each matter submitted to a vote of stockholders.

2.10 VOTING OF STOCK BY CERTAIN HOLDERS. Persons holding stock in a fiduciary capacity shall be entitled to vote the shares so held. Persons whose stock is pledged shall be entitled to vote, unless in the transfer by the pledgor on the books of the Corporation he has expressly empowered the pledgee to vote thereon, in which case only the pledgee or his proxy may represent such stock and vote thereon. Stock standing in the name of another corporation, domestic or foreign, may be voted by such officer, agent or proxy as the charter or by-laws of such corporation may prescribe or, in the absence of such provision, as the board of

directors of such corporation may determine. Shares of its own capital stock belonging to the Corporation or to another corporation, if a majority of the shares entitled to vote in the election of directors of such other corporation is held by the Corporation, shall neither be entitled to vote nor counted for quorum purposes, but shares of its capital stock held by the Corporation in a fiduciary capacity may be voted by it and counted for quorum purposes.

2.11 VOTING BY BALLOT. Voting on any question or in any election may be by voice vote unless the presiding officer shall order or any stockholder shall demand that voting be by ballot.

ARTICLE III

DIRECTORS

3.1 GENERAL POWERS. The business of the Corporation shall be managed by its Board of Directors.

3.2 NUMBER, TENURE AND QUALIFICATION. The number of directors of the Corporation shall be not less than ten and not more than twelve, with the exact number to be fixed from time to time by the Board of Directors, and the term of office of each director shall be as set forth in the Restated Certificate of Incorporation, as amended. A director may resign at any time upon written notice to the Corporation. Directors need not be stockholders of the Corporation.

3.3 REGULAR MEETINGS. A regular meeting of the Board of Directors shall be held without other notice than this By-Law, immediately after, and at the same place as, the annual meeting of stockholders. The Board of Directors may provide, by resolution, the time and place, either within or without the State of Delaware, for the holding of additional regular meetings without other notice than such resolution.

3.4 SPECIAL MEETINGS. Special meetings of the Board of Directors may be called by or at the request of the Chief Executive Officer or any two directors. The person or persons authorized to call special meetings of the Board of Directors may fix any place, either within or without the State of Delaware, as the place for holding any special meeting of the Board of Directors called by him or them.

3.5 NOTICE. Notice of any special meeting of directors, unless waived, shall be given, in accordance with Section 3.6 of the By-Laws, in person, by mail, by telegram or cable, by telephone, or by any other means that reasonably may be expected to provide similar notice. Notice by mail and, except in emergency situations as described below, notice by any other means, shall be given at least two (2) days before the meeting. For purposes of dealing with an emergency situation, as conclusively determined by the director(s) or officer(s) calling the meeting, notice may be given in person, by telegram or cable, by telephone, or by any other means that reasonably may be expected to provide similar notice, not less than two hours prior to the meeting. If the secretary shall fail or refuse to give such notice, then the notice may be given by the officer(s) or director(s) calling the meeting. Any meeting of the Board of Directors shall

be a legal meeting without any notice thereof having been given, if all the directors shall be present at the meeting. The attendance of a director at any meeting shall constitute a waiver of notice of such meeting, and no notice of a meeting shall be required to be given to any director who shall attend such meeting. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the Board of Directors need be specified in the notice or waiver of notice of such meeting.

3.6 NOTICE TO DIRECTORS. If notice to a director is given by mail, such notice shall be deemed to have been given when deposited in the United States mail, postage prepaid, addressed to the director at his address as it appears on the records of the Corporation. If notice to a director is given by telegram, cable or other means that provide written notice, such notice shall be deemed to have been given when delivered to any authorized transmission company, with charges prepaid, addressed to the director at his address as it appears on the records of the Corporation. If notice to a director is given by telephone, wireless, or other means of voice transmission, such notice shall be deemed to have been given when such notice has been transmitted by telephone, wireless or such other means to such number or call designation as may appear on the records of the Corporation for such director.

3.7 QUORUM. Except as otherwise required by the General Corporation Law or by the Certificate of Incorporation, a majority of the number of directors fixed by these By-Laws shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, provided that, if less than a majority of such number of directors are present at said meeting, a majority of the directors present may adjourn the meeting from time to time without further notice. Interested directors may be counted in determining the presence of a quorum at a meeting of the Board of Directors or of a committee thereof.

3.8 MANNER OF ACTING. The vote of the majority of the directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

3.9 ACTION WITHOUT A MEETING. Any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all the members of the Board or committee, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board or committee.

3.10 VACANCIES. Vacancies on the Board of Directors, newly created directorships resulting from any increase in the authorized number of directors or any vacancies in the Board of Directors resulting from death, disability, resignation, retirement, disqualification, removal from office or other cause shall be filled in accordance with the provisions of the Certificate of Incorporation.

3.11 COMPENSATION. The Board of Directors, by the affirmative vote of a majority of directors then in office, and irrespective of any personal interest of any of its members, shall have authority to establish reasonable compensation of all directors for services to the Corporation as directors, officers, or otherwise. The directors may be paid their expenses, if any, of attendance at each meeting of the Board and at each meeting of any committee of the Board of

which they are members in such manner as the Board of Directors may from time to time determine.

3.12 PRESUMPTION OF ASSENT. A director of the Corporation who is present at a meeting of the Board of Directors or at a meeting of any committee of the Board at which action on any corporate matter is taken shall be conclusively presumed to have assented to the action taken unless his dissent shall be entered in the minutes of the meeting or unless he shall file his written dissent to such action with the person acting as the secretary of the meeting before the adjournment thereof or shall forward such dissent by registered mail to the Secretary of the Corporation within 24 hours after the adjournment of the meeting. Such right to dissent shall not apply to a director who voted in favor of such action.

3.13 COMMITTEES. By resolution passed by a majority of the whole Board, the Board of Directors may designate one or more committees, each such committee to consist of two or more directors of the Corporation. The Board may designate one or more directors as alternate members of any committee, who may replace any absent or disqualified member of any meeting of the committee. Any such committee, to the extent provided in the resolution or in these By-Laws, shall have and may exercise the powers of the Board of Directors in the management of the business and affairs of the Corporation, and may authorize the seal of the Corporation to be affixed to all papers which may require it. In the absence or disqualification of any member of such committee or committees, the member or members thereof present at the meeting and not disqualified from voting, whether or not he or they constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in the place of such absent or disqualified member.

3.14 CHAIRMAN AND VICE CHAIRMEN. The Board of Directors may from time to time designate from among its members a Chairman of the Board and one or more Vice Chairmen. The Chairman shall preside at all meetings of the Board of Directors. In the absence of the Chairman of the Board, the Chief Executive Officer and the President and Chief Operating Officer, and, in their absence, a Vice Chairman (with the longest tenure as Vice Chairman), shall preside at all meetings of the Board of Directors. The Chairman and each of the Vice Chairmen shall have such other responsibilities as may from time to time be assigned to each of them by the Board of Directors.

ARTICLE IV

OFFICERS

4.1 NUMBER. The officers of the Corporation shall be a Chief Executive Officer, a President and Chief Operating Officer, one or more Group Presidents (the number thereof to be determined by the Board of Directors), one or more vice presidents (the number thereof to be determined by the Board of Directors), a Treasurer, a Secretary and such Assistant Treasurers, Assistant Secretaries or other officers as may be elected by the Board of Directors.

4.2 ELECTION AND TERM OF OFFICE. The officers of the Corporation shall be elected annually by the Board of Directors at the first meeting of the Board of Directors held

after each annual meeting of stockholders. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. New offices may be created and filled at any meeting of the Board of Directors. Each officer shall hold office until his successor is elected and has qualified or until his earlier resignation or removal. Any officer may resign at any time upon written notice to the Corporation. Election of an officer shall not of itself create contract rights, except as may otherwise be provided by the General Corporation Law, the Certificate of Incorporation or these By-Laws.

4.3 REMOVAL. Any officer elected by the Board of Directors may be removed by the Board of Directors whenever in its judgement the best interests of the Corporation would be served thereby, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

4.4 VACANCIES. A vacancy in any office occurring because of death, resignation, removal or otherwise, may be filled by the Board of Directors.

4.5 [INTENTIONALLY OMITTED.]

4.6 THE CHIEF EXECUTIVE OFFICER. The Chief Executive Officer shall be the principal executive officer of the Corporation. Subject only to the Board of Directors, he shall be in charge of the business of the Corporation; he shall see that the resolutions and directions of the Board of Directors are carried into effect except in those instances in which that responsibility is specifically assigned to some other person by the Board of Directors; and, in general, he shall discharge all duties incident to the office of the chief executive officer of the Corporation and such other duties as may be prescribed by the Board of Directors from time to time. In the absence of the Chairman of the Board, the Chief Executive Officer shall preside at all meetings of the Board of Directors. The Chief Executive Officer shall have authority to vote or to refrain from voting any and all shares of capital stock of any other corporation standing in the name of the Corporation, by the execution of a written proxy, the execution of a written ballot, the execution of a written consent or otherwise, and, in respect to any meeting of the stockholders of such other corporation, and, on behalf of the Corporation, may waive any notice of the calling of any such meeting. The Chief Executive Officer or, in his absence, the President and Chief Operating Officer, the Vice President-Finance, the Vice President-Controller, the Treasurer or such other person as the Board of Directors or one of the preceding named officers shall designate, shall call any meeting of the stockholders of the Corporation to order and shall act as chairman of such meeting. In the event that no one of the Chief Executive Officer, the President and Chief Operating Officer, the Vice President-Finance, the Vice President-Controller, the Treasurer or a person designated by the Board of Directors or by one of the preceding named officers, is present, the meeting shall not be called to order until such time as there shall be present the Chief Executive Officer, the President and Chief Operating Officer, the Vice President-Finance, the Vice President-Controller, the Treasurer or a person designated by the Board of Directors or by one of the preceding named officers. The chairman of any meeting of the stockholders of this Corporation shall have plenary power to set the agenda, determine the procedure and rules of order, and make definitive rulings at meetings of the stockholders. The Secretary or an Assistant Secretary of the Corporation shall act as secretary at all meetings of the stockholders, but in the absence of the Secretary or an Assistant Secretary, the chairman of the meeting may appoint any person to act as secretary of the meeting.

4.7 THE PRESIDENT AND CHIEF OPERATING OFFICER. The President and Chief Operating Officer shall be the principal operating officer of the Corporation and, subject only to the Board of Directors and to the Chief Executive Officer, he shall have the general authority over and general management and control of the property, business and affairs of the Corporation. In general, he shall discharge all duties incident to the office of the principal operating officer of the Corporation and such other duties as may be prescribed by the Board of Directors and the Chief Executive Officer from time to time. In the absence of the Chairman of the Board and the Chief Executive Officer, the President and Chief Operating Officer shall preside at all meetings of the Board of Directors. In the absence of the Chief Executive Officer or in the event of his disability, or inability to act, or to continue to act, the President and Chief Operating Officer shall perform the duties of the Chief Executive Officer, and when so acting, shall have all of the powers of and be subject to all of the restrictions upon the office of Chief Executive Officer. Except in those instances in which the authority to execute is expressly delegated to another officer or agent of the Corporation or a different mode of execution is expressly prescribed by the Board of Directors or these By-Laws, he may execute for the Corporation certificates for its shares (the issue of which shall have been authorized by the Board of Directors), and any contracts, deeds, mortgages, bonds, or other instruments that the Board of Directors has authorized, and he may (without previous authorization by the Board of Directors) execute such contracts and other instruments as the conduct of the Corporation's business in its ordinary course requires, and he may accomplish such execution in each case either individually or with the Secretary, any Assistant Secretary, or any other officer thereunto authorized by the Board of Directors, according to the requirements of the form of the instrument. The President and Chief Operating Officer shall have authority to vote or to refrain from voting any and all shares of capital stock of any other corporation standing in the name of the Corporation, by the execution of a written proxy, the execution of a written ballot, the execution of a written consent or otherwise, and, in respect of any meeting of stockholders of such other corporation, and, on behalf of the Corporation, may waive any notice of the calling of any such meeting.

4.8 THE GROUP PRESIDENTS. Each of the Group Presidents shall have general authority over and general management and control of the property, business and affairs of certain businesses of the Corporation. Each of the Group Presidents shall report to the President and Chief Operating Officer or such other officer as may be determined by the Board of Directors or the President and Chief Operating Officer and shall have such other duties and responsibilities as may be assigned to him by the President and Chief Operating Officer and the Board of Directors from time to time.

4.9 THE VICE PRESIDENTS. Each of the Vice Presidents shall report to the President and Chief Operating Officer or such other officer as may be determined by the Board of Directors or the President and Chief Operating Officer. Each Vice President shall have such duties and responsibilities as from time to time may be assigned to him by the President and Chief Operating Officer and the Board of Directors.

4.10 THE TREASURER. The Treasurer shall: (i) have charge and custody of and be responsible for all funds and securities of the Corporation; receive and give receipts for monies due and payable to the Corporation from any source whatsoever, and deposit all such monies in the name of the Corporation in such banks, trust companies or other depositories as shall be selected in accordance with the provisions of Article V of these By-Laws; (ii) in general, perform

all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the President and Chief Operating Officer or the Board of Directors. In the absence of the Treasurer, or in the event of his incapacity or refusal to act, or at the direction of the Treasurer, any Assistant Treasurer may perform the duties of the Treasurer.

4.11 THE SECRETARY. The Secretary shall: (i) record all of the proceedings of the meetings of the stockholders and Board of Directors in one or more books kept for the purpose; (ii) see that all notices are duly given in accordance with the provisions of these By-Laws or as required by law; (iii) be custodian of the corporate records and of the seal of the Corporation and see that the seal of the Corporation is affixed to all certificates for shares of capital stock prior to the issue thereof and to all documents, the execution of which on behalf of the Corporation under its seal is duly authorized in accordance with the provisions of these By-Laws; (iv) keep a register of the post office address of each stockholder which shall be furnished to the Secretary by such stockholder; (v) have general charge of the stock transfer books of the Corporation and (vi) in general, perform all duties incident to the office of Secretary and such other duties as from time to time may be assigned to him by the President and Chief Operating Officer or the Board of Directors. In the absence of the Secretary, or in the event of his incapacity or refusal to act, or at the direction of the Secretary, any Assistant Secretary may perform the duties of Secretary.

ARTICLE V

CONTRACTS, LOANS, CHECKS AND DEPOSITS

5.1 CONTRACTS. Except as otherwise determined by the Board of Directors or provided in these By-Laws, all deeds and mortgages made by the Corporation and all other written contracts and agreements to which the Corporation shall be a party shall be executed in its name by the Chief Executive Officer, the President and Chief Operating Officer, or any Vice President so authorized by the Board of Directors.

5.2 LOANS. No loans shall be contracted on behalf of the Corporation and no evidences of indebtedness shall be issued in its name unless authorized by a resolution of the Board of Directors. Such authority may be general or confined to specific instances.

5.3 CHECKS, DRAFTS, ETC. All checks, drafts or other orders for the payment of money, notes or other evidences of indebtedness issued in the name of the Corporation, shall be signed by such officer or officers, agent or agents of the Corporation and in such manner as shall from time to time be determined by resolution of the Board of Directors.

5.4 DEPOSITS. All funds of the Corporation not otherwise employed shall be deposited from time to time to the credit of the Corporation in such banks, trust companies or other depositories as the Board of Directors may select.

ARTICLE VI
CERTIFICATES FOR SHARES OF
CAPITAL STOCK AND THEIR TRANSFER

6.1 SHARE OWNERSHIP; TRANSFERS OF STOCK. Shares of the capital stock of the Corporation may be certificated or uncertificated. Owners of shares of the capital stock of the Corporation shall be recorded in the books of the Corporation and ownership of such shares shall be evidenced by a certificate or book entry notation in the books of the Corporation. If shares are represented by certificates, such certificates shall be in such form as may be determined by the Board of Directors. Certificates shall be signed by the Chief Executive Officer or the President and Chief Operating Officer or any Vice President and by the Treasurer or the Secretary or an Assistant Secretary. If any such certificate is countersigned by a transfer agent other than the Corporation or its employee, or by a registrar other than the Corporation or its employee, any other signature on the certificate may be a facsimile. In case any officer, transfer agent or registrar who has signed or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent or registrar before such certificate is issued, it may be issued by the Corporation with the same effect as if he were such officer, transfer agent or registrar at the date of issue. All certificates for shares of capital stock shall be consecutively numbered or otherwise identified. The name of the person to whom the shares represented thereby are issued, with the number of shares and date of issue, shall be entered on the books of the Corporation. Each certificate surrendered to the Corporation for transfer shall be cancelled and no new certificate or other evidence of new shares shall be issued until the former certificate for a like number of shares shall have been surrendered and cancelled, except that in case of a lost, destroyed or mutilated certificate, a new certificate or other evidence of new shares may be issued therefor upon such terms and indemnity to the Corporation as the Board of Directors may prescribe. Uncertificated shares shall be transferred in the books of the Corporation upon the written instruction originated by the appropriate person to transfer the shares.

6.2 TRANSFER AGENTS AND REGISTERS. The Board of Directors may appoint one or more transfer agents or assistant transfer agents and one or more registrars of transfers, and may require all certificates for shares of capital stock of the Corporation to bear the signature of a transfer agent and a registrar of transfers. The Board of Directors may at any time terminate the appointment of any transfer agent or any assistant transfer agent or any registrar of transfers.

ARTICLE VII

LIABILITY AND INDEMNIFICATION

7.1 LIMITED LIABILITY OF DIRECTORS.

(a) No person who was or is a director of this Corporation shall be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a director, except for liability (i) for breach of the duty of loyalty to the Corporation or its stockholders; (ii) for acts of omissions not in good faith or that involve intentional misconduct or known violation of law; (iii) under Section 174 of the General Corporation Law; or (iv) for any transaction from which the director derived any improper personal benefit. If the General Corporation Law is amended after the effective date of the By-Law to further eliminate or limit, or to the effective date of this By-Law to further eliminate or limit, or to authorize further elimination or limitation of, the personal liability of a director to this Corporation or its stockholders shall be eliminated or limited to the full extent permitted by the General Corporation Law, as so amended. For purposes of this By-Law, "fiduciary duty as a director" shall include any fiduciary duty arising out of serving at the request of this Corporation as a director of another corporation, partnership, joint venture, trust or other enterprise, and any liability to such other corporation, partnership, joint venture, trust or other enterprise, and any liability to this Corporation in its capacity as a security holder, joint venturer, partner, beneficiary, creditor, or investor of or in any such other corporation, partnership, joint venture, trust or other enterprise.

(b) Any repeal or modification of the foregoing paragraph by the stockholders of this Corporation shall not adversely affect the elimination or limitation of the personal liability of a director for any act or omission occurring prior to the effective date of such repeal or modification. This provision shall not eliminate or limit the liability of a director for any act or omission occurring prior to the effective date of this By-Law.

7.2 LITIGATION BROUGHT BY THIRD PARTIES. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative (other than an action by or in the right of the Corporation) by reason of the fact that he is or was or has agreed to become a director or officer of the Corporation; or is or was serving or has agreed to serve at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or omitted in such capacity, against costs, charges and other expenses (including attorneys' fees) ("Expenses"), judgments, fines and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit or proceeding and any appeal thereof if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his conduct was unlawful. The termination of any action, suit or proceeding by judgment, order, settlement, conviction, or plea of nolo contendere or its equivalent, shall not, of itself, create a presumption that the person did not act in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation, and, with respect to any criminal action or proceeding, had reasonable cause to believe that his conduct was unlawful. For purposes of this By-Law, "serving or has agreed to serve at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise" shall include any service by a director or officer of the Corporation as a director, officer, employee, agent or fiduciary of such other corporation, partnership, joint venture trust or other enterprise, or with respect to any employee benefit plan (or its participants or beneficiaries) of the Corporation or any such other enterprise.

7.3 LITIGATION BY OR IN THE RIGHT OF THE CORPORATION. The Corporation shall indemnify any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action or suit by or in the right of the Corporation to procure a judgment in its favor by reason of the fact that he is or was or has agreed to become a director or officer of the Corporation, or is or was serving or has agreed to serve at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, or by reason of any action alleged to have been taken or omitted in such capacity against Expenses actually and reasonably incurred by him in connection with the investigation, defense or settlement of such action or suit and any appeal thereof if he acted in good faith and in a manner he reasonably believed to be in or not opposed to the best interests of the Corporation and except that no indemnification shall be made in respect of any claim, issue or matter as to which such person shall have been adjudged to be liable to the Corporation unless and only to the extent that the Court of Chancery of Delaware or the court in which such action or suit was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such Expenses as the Court of Chancery of Delaware or such other court shall deem proper.

7.4 SUCCESSFUL DEFENSE. To the extent that any person referred to in section 7.2 or 7.3 of these By-Laws has been successful on the merits or otherwise, including, without limitation, the dismissal of an action without prejudice, in defense of any action, suit or proceeding referred to therein or in defense of any claim, issue or matter therein, he shall be indemnified against Expenses actually and reasonably incurred by him in connection therewith.

7.5 DETERMINATION OF CONDUCT. Any indemnification under section 7.2 or 7.3 of these By-Laws (unless ordered by a court) shall be made by the Corporation only as authorized in the specific case upon a determination that indemnification of the director or officer is proper in the circumstances because he has met the applicable standard of conduct set forth in section 7.2 or 7.3. Such determination shall be made (i) by the Board of Directors by a majority vote of a quorum (as defined in these By-laws) consisting of directors who were not parties to such action, suit or proceeding, or (ii) if such quorum is not obtainable, or, even if obtainable a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, or (iii) by the stockholders.

7.6 ADVANCE PAYMENT. Expenses incurred in defending a civil or criminal action, suit or proceeding shall be paid by the Corporation in advance of the final disposition of such action, suit or proceeding and any appeal upon receipt by the Corporation of an undertaking by or on behalf of the director or officer to repay such amount if it shall ultimately be determined that he is not entitled to be indemnified by the Corporation.

7.7 DETERMINATION OF ENTITLEMENT TO INDEMNIFICATION. The determination of the entitlement of any person to indemnification under section 7.2, 7.3 or 7.4 or to advancement of Expenses under section 7.6 of these By-Laws shall be made promptly, and in any event within 60 days after the Corporation has received a written request for payment from or on behalf of a director or officer and payment of amounts due under such sections shall be made immediately after such determination. If no disposition of such request is made within said 60 days or if payment has not been made within 10 days thereafter, or if such request is rejected,

the right to indemnification or advancement of Expenses provided by this By-Law shall be enforceable by or on behalf of the director or officer in any court of competent jurisdiction. In addition to the other amounts due under this By-Law, Expenses incurred by or on behalf of a director or officer in successfully establishing his right to indemnification or advancement of Expenses, in whole or in part, in any such action (or settlement thereof) shall be paid by the Corporation.

7.8 BY-LAWS NOT EXCLUSIVE: CHANGE IN LAW. The indemnification and advancement of Expenses provided by these By-Laws shall not be deemed exclusive of any other rights to which those seeking indemnification or advancement of Expenses may be entitled under any law (common or statutory), the Certificate of Incorporation, agreement, vote of stockholders or disinterested directors or otherwise, both as to action in his official capacity and as to action in another capacity while holding such office, or while employed by or acting as a director or officer of the Corporation or as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, and shall continue as to a person who has ceased to be a director or officer and shall inure to the benefit of the heirs, executors and administrators of such a person. Notwithstanding the provisions of these By-Laws, the Corporation shall indemnify or make advancement of Expenses to any person referred to in section 7.2 or 7.3 of this By-Law to the full extent permitted under the laws of Delaware and any other applicable laws, as they now exist or as they may be amended in the future.

7.9 CONTRACT RIGHTS. All rights to indemnification and advancement of Expenses provided by these By-Laws shall be deemed to be a contract between the Corporation and each director or officer of the Corporation who serves, served or has agreed to serve in such capacity, or at the request of the Corporation as director or officer of another corporation, partnership, joint venture, trust or other enterprise, at any time while these By-Laws and the relevant provisions of the General Corporation Law or other applicable law, if any, are in effect. Any repeal or modification of these By-Laws, or any repeal or modification of relevant provisions of the Delaware General Corporation Law or any other applicable law, shall not in any way diminish any rights to indemnification of or advancement of Expenses to such director or officer or the obligations of the Corporation.

7.10 INSURANCE. The Corporation shall have power to purchase and maintain insurance on behalf of any person who is or was or has to become a director or officer of the Corporation, or is or was serving or has agreed to serve at the request of the Corporation as a director or officer of another corporation, partnership, joint venture, trust or other enterprise, against any liability asserted against him and incurred by him in any such capacity, or arising out of his status as such, whether or not the Corporation would have the power to indemnify him against such liability under the provisions of these By-Laws.

7.11 INDEMNIFICATION OF EMPLOYEES OR AGENTS. The Board of Directors may, by resolution, extend the provisions of these By-Laws pertaining to indemnification and advancement of Expenses to any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding by reason of the fact that he is or was or has agreed to become an employee, agent or fiduciary of the Corporation or is or was serving or has agreed to serve at the request of the Corporation as a director, officer, employee, agent or fiduciary of another Corporation, partnership, joint venture, trust or other enterprise or

with respect to any employee benefit plan (or its participants or beneficiaries) of the Corporation or any such other enterprise.

ARTICLE VIII

FISCAL YEAR

8.1 The fiscal year of the Corporation shall end on the thirty-first day of December in each year.

ARTICLE IX

DIVIDENDS

9.1 The Board of Directors may from time to time declare, and the Corporation may pay, dividends on its outstanding shares of capital stock in the manner and upon the terms and conditions provided by law and its Certificate of Incorporation.

ARTICLE X

SEAL

10.1 The Board of Directors shall provide a corporate seal which shall be in the form of a circle and shall have inscribed thereon the name of the Corporation and the words "Corporate Seal, Delaware."

ARTICLE XI

WAIVER OF NOTICE

11.1 Whenever any notice whatever is required to be given under any provision of these By-Laws or of the Certificate of Incorporation or of the General Corporation Law, a written waiver thereof, signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. Attendance of a person at a meeting of stockholders shall constitute a waiver of notice of such meeting, except when the stockholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any regular or special meeting of the stockholders need be specified in any written waiver of notice.

ARTICLE XII

AMENDMENTS

12.1 These By-Laws may be altered, amended or repealed and new By-Laws may be adopted at any meeting of the Board of Directors of the Corporation by a majority of the whole Board of Directors.

NEWELL RUBBERMAID INC. AND SUBSIDIARIES
STATEMENT OF COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES

(In millions, except ratio data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
Earnings available for fixed charges				
Income before income taxes	\$ 77.0	\$ 121.3	\$ 126.9	\$ 182.7
Fixed charges:				
Interest expense	30.9	35.4	63.4	74.0
Portion of rent determined to be interest (1)	10.4	10.7	20.7	20.9
	<u>\$ 118.3</u>	<u>\$ 167.4</u>	<u>\$ 211.0</u>	<u>\$ 277.6</u>
Fixed charges:				
Interest expense	\$ 30.9	\$ 35.4	\$ 63.4	\$ 74.0
Portion of rent determined to be interest (1)	10.4	10.7	20.7	20.9
	<u>\$ 41.3</u>	<u>\$ 46.1</u>	<u>\$ 84.1</u>	<u>\$ 94.9</u>
Ratio of earnings to fixed charges	<u>2.86</u>	<u>3.63</u>	<u>2.51</u>	<u>2.93</u>

(1) A standard ratio of 33% was applied to gross rent expense to approximate the interest portion of short-term and long-term leases.

CERTIFICATION

I, Joseph Galli, Jr., certify that:

1. I have reviewed this report on Form 10-Q for the quarterly period ended June 30, 2004 of Newell Rubbermaid Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2004

/s/ Joseph Galli, Jr.

Joseph Galli, Jr.
Chief Executive Officer

CERTIFICATION

I, J. Patrick Robinson, certify that:

1. I have reviewed this report on Form 10-Q for the quarterly period ended June 30, 2004 of Newell Rubbermaid Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2004

/s/ J. Patrick Robinson

J. Patrick Robinson
Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Newell Rubbermaid Inc. (the "Company") on Form 10-Q for the period ending June 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Joseph Galli, Jr., Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Joseph Galli, Jr.

Joseph Galli, Jr.
Chief Executive Officer
August 9, 2004

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of Newell Rubbermaid Inc. (the "Company") on Form 10-Q for the period ending June 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, J. Patrick Robinson, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ J. Patrick Robinson

J. Patrick Robinson
Chief Financial Officer
August 9, 2004

NEWELL RUBBERMAID INC. SAFE HARBOR STATEMENT

The Company has made statements in its Annual Report on Form 10-K for the year ended December 31, 2003, as well as in its Quarterly Report on Form 10-Q for the quarter ended June 30, 2004, and the documents incorporated by reference therein that constitute forward-looking statements, as defined by the Private Securities Litigation Reform Act of 1995. These statements are subject to risks and uncertainties. The statements relate to, and other forward-looking statements that may be made by the Company may relate to, information or assumptions about sales, income, earnings per share, return on equity, return on invested capital, capital expenditures, working capital, dividends, capital structure, debt to capitalization ratios, interest rates, internal growth rates, impact of changes in accounting standards, pending legal proceedings and claims (including environmental matters), future economic performance, operating income improvements, synergies, management's plans, goals and objectives for future operations and growth. These statements generally are accompanied by words such as "intend," "anticipate," "believe," "estimate," "project," "target," "expect," "should" or similar statements. You should understand that forward-looking statements are not guarantees because there are inherent difficulties in predicting future results. Actual results could differ materially from those expressed or implied in the forward-looking statements. The factors that are discussed below, as well as the matters that are set forth generally in the 2003 Form 10-K, the 2nd Quarter 2004 Form 10-Q and the documents incorporated by reference therein could cause actual results to differ. Some of these factors are described as criteria for success. Our failure to achieve, or limited success in achieving, these objectives could result in actual results differing materially from those expressed or implied in the forward-looking statements. In addition, there can be no assurance that we have correctly identified and assessed all of the factors affecting the Company or that the publicly available and other information we receive with respect to these factors is complete or correct.

Retail Economy

Our 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 such factors as consumer demand and the condition of the consumer products retail industry, which, in turn, are affected by general economic conditions and events such as the terrorist attacks of September 11, 2001. In recent years, the consumer products retail industry in the U.S. and, increasingly, elsewhere has been characterized by intense competition and consolidation among both product suppliers and 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 creditworthiness of its customers.

Nature of the Marketplace

We compete with numerous other manufacturers and distributors of consumer products, many of which are large and well-established. Our principal customers are large mass merchandisers, such as discount stores, home centers, warehouse clubs and office superstores. 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, many of which have strong bargaining power with suppliers. This environment significantly limits our ability to recover cost increases through selling price increases. Other trends among retailers are to foster high levels of competition among suppliers, to demand that manufacturers supply innovative new products and to require suppliers to maintain or reduce product prices and deliver products with shorter lead times. Another trend is for retailers to import products directly from foreign sources.

The combination of these market influences has created an intensely competitive environment in which our principal customers continuously evaluate which product suppliers to use, resulting in pricing pressures and the need for strong end-user brands, the continuing introduction of innovative new products and constant improvements in customer service.

New Product Development

Our long-term success in this competitive retail environment depends on our consistent ability to develop innovative new products that create consumer demand for our products. Although many of our businesses have had notable success in developing new products, we need to improve our new product development capability. There are numerous uncertainties inherent in successfully developing and introducing innovative new products on a consistent basis.

Raw Materials

Our business purchases certain raw materials, including resin, steel and aluminum that are subject to price volatility caused by unpredictable factors. We attempt to reduce our exposure to increases in such costs through a variety of programs, including periodic raw materials purchases, purchases of raw materials for future delivery and customer price adjustments, but we generally do not use derivatives to manage the volatility related to this risk. Future increases in the prices of these raw materials could materially impact our financial results.

Marketing

Our competitive success also depends increasingly on our ability to develop, maintain and strengthen our end-user brands so that our retailer customers will need our products to meet consumer demand. Our success also requires increased focus on serving our largest customers through key account management efforts. We will need to continue to devote substantial marketing resources to achieving these objectives.

Productivity and Streamlining

Our success also depends on our ability to improve productivity and streamline operations to control and reduce costs. We need to do this while maintaining consistently high customer service levels and making substantial investments in new product development and in marketing our end-user brands. Our objective is to become our retailer customers' low-cost provider and global supplier of choice. To do this, we will need continuously to improve our manufacturing efficiencies and develop sources of supply on a world-wide basis.

Acquisitions and Integration

The acquisition of companies that sell name-brand, staple consumer product lines to volume purchasers has historically been one of the foundations of our growth strategy. Over time, our ability to continue to make sufficient strategic acquisitions at reasonable prices and to integrate the acquired businesses successfully, obtaining anticipated cost savings and operating income improvements within a reasonable period of time, will be important factors in our future growth.

Foreign Operations

Foreign operations, especially in Europe (which is a focus of our international growth) but also in Asia, Central and South America and Canada, are increasingly important to our business. Foreign operations can be affected by factors such as currency devaluation, other currency fluctuations and the Euro currency conversion, tariffs, nationalization, exchange controls, interest rates, limitations on foreign investment in local business and other political, economic and regulatory risks and difficulties.