

CHURCH & DWIGHT CO INC /DE/

Form 10-Q

November 09, 2010

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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF**  
**THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarter ended October 1, 2010**

**Commission file number 1-10585**

**CHURCH & DWIGHT CO., INC.**

(Exact name of registrant as specified in its charter)

Delaware

13-4996950

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(State or other jurisdiction of  
incorporation or organization)

(I.R.S. Employer  
Identification No.)

469 North Harrison Street, Princeton, N.J. 08543

(Address of principal executive offices)

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

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 twelve months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

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

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

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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

As of November 4, 2010, there were 71,133,550 shares of Common Stock outstanding.

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	Three Months Ended		Nine Months Ended	
	October 1, 2010	September 25, 2009	October 1, 2010	September 25, 2009
<b>(Dollars in thousands, except per share data)</b>				
<b>Net Sales</b>	<b>\$ 656,901</b>	<b>\$ 646,157</b>	<b>\$ 1,932,341</b>	<b>\$ 1,850,143</b>
Cost of sales	<b>367,962</b>	361,272	<b>1,067,022</b>	1,034,349
<b>Gross Profit</b>	<b>288,939</b>	284,885	<b>865,319</b>	815,794
Marketing expenses	<b>90,215</b>	100,225	<b>241,940</b>	260,302
Selling, general and administrative expenses	<b>85,769</b>	86,759	<b>258,480</b>	253,929
Patent litigation settlement, net	<b>0</b>	(20,000)	<b>0</b>	(20,000)
<b>Income from Operations</b>	<b>112,955</b>	117,901	<b>364,899</b>	321,563
Equity in earnings of affiliates	<b>799</b>	2,704	<b>3,646</b>	9,401
Investment earnings	<b>191</b>	289	<b>415</b>	1,095
Other income (expense), net	<b>(62)</b>	382	<b>177</b>	1,673
Interest expense	<b>(8,052)</b>	(8,609)	<b>(21,542)</b>	(26,588)
<b>Income before Income Taxes</b>	<b>105,831</b>	112,667	<b>347,595</b>	307,144
Income taxes	<b>36,357</b>	42,643	<b>123,875</b>	116,387
<b>Net Income</b>	<b>69,474</b>	70,024	<b>223,720</b>	190,757
Noncontrolling interest	<b>(4)</b>	(4)	<b>(4)</b>	4
<b>Net Income attributable to Church &amp; Dwight Co., Inc.</b>	<b>\$ 69,478</b>	\$ 70,028	<b>\$ 223,724</b>	\$ 190,753
Weighted average shares outstanding - Basic	<b>71,109</b>	70,419	<b>70,963</b>	70,332
Weighted average shares outstanding - Diluted	<b>72,228</b>	71,624	<b>72,148</b>	71,443
<b>Net income per share - Basic</b>	<b>\$ 0.98</b>	\$ 0.99	<b>\$ 3.15</b>	\$ 2.71
<b>Net income per share - Diluted</b>	<b>\$ 0.96</b>	\$ 0.98	<b>\$ 3.10</b>	\$ 2.67
<b>Cash dividends per share</b>	<b>\$ 0.17</b>	\$ 0.14	<b>\$ 0.45</b>	\$ 0.32

See Notes to Condensed Consolidated Financial Statements.

**Table of Contents****CHURCH & DWIGHT CO., INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(Unaudited)**

(Dollars in thousands, except share and per share data)	October 1, 2010	December 31, 2009
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 453,515	\$ 447,143
Accounts receivable, less allowances of \$5,460 and \$5,782	250,623	222,158
Inventories	215,395	216,870
Deferred income taxes	19,869	20,432
Other current assets	25,244	21,662
<b>Total Current Assets</b>	<b>964,646</b>	928,265
<b>Property, Plant and Equipment, Net</b>	<b>455,711</b>	455,636
<b>Equity Investment in Affiliates</b>	<b>10,200</b>	12,815
<b>Tradenames and Other Intangibles</b>	<b>838,949</b>	794,891
<b>Goodwill</b>	<b>851,141</b>	838,078
<b>Other Assets</b>	<b>79,359</b>	88,761
<b>Total Assets</b>	<b>\$ 3,200,006</b>	\$ 3,118,446
<b>Liabilities and Stockholders' Equity</b>		
<b>Current Liabilities</b>		
Short-term borrowings	\$ 0	\$ 34,895
Accounts payable and accrued expenses	359,953	332,450
Current portion of long-term debt	145,827	184,054
Income taxes payable	1,843	15,633
<b>Total Current Liabilities</b>	<b>507,623</b>	567,032
<b>Long-term Debt</b>	<b>512,217</b>	597,347
<b>Deferred Income Taxes</b>	<b>239,899</b>	201,256
<b>Deferred and Other Long Term Liabilities</b>	<b>81,999</b>	112,440
<b>Pension, Postretirement and Postemployment Benefits</b>	<b>39,754</b>	38,599
<b>Total Liabilities</b>	<b>1,381,492</b>	1,516,674
<b>Commitments and Contingencies</b>		
<b>Stockholders' Equity</b>		
Preferred Stock-\$1.00 par value		
Authorized 2,500,000 shares, none issued	0	0
Common Stock-\$1.00 par value		
Authorized 300,000,000 shares, issued 73,213,775 shares	73,214	73,214

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Additional paid-in capital	<b>298,894</b>	276,099
Retained earnings	<b>1,466,912</b>	1,275,117
Accumulated other comprehensive income	<b>6,130</b>	10,078
Common stock in treasury, at cost:		
2,162,075 shares in 2010 and 2,664,312 shares in 2009	<b>(26,825)</b>	(32,925)
<b>Total Church &amp; Dwight Co., Inc. Stockholders Equity</b>	<b>1,818,325</b>	1,601,583
Noncontrolling interest	<b>189</b>	189
<b>Total Stockholders Equity</b>	<b>1,818,514</b>	1,601,772
<b>Total Liabilities and Stockholders Equity</b>	<b>\$ 3,200,006</b>	\$ 3,118,446

See Notes to Condensed Consolidated Financial Statements.

**Table of Contents****CHURCH & DWIGHT CO., INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW****(Unaudited)**

	Nine Months Ended	
	October 1, 2010	September 25, 2009
<b>(Dollars in thousands)</b>		
<b>Cash Flow From Operating Activities</b>		
<b>Net Income</b>	<b>\$ 223,720</b>	<b>\$ 190,757</b>
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	33,907	43,473
Amortization expense	20,531	21,418
Equity in earnings of affiliates	(3,646)	(9,401)
Distributions from unconsolidated affiliates	6,261	7,165
Deferred income taxes	27,793	31,095
Other asset write-offs	362	5,160
Gain on sale of assets	(1,031)	0
Non cash compensation expense	10,061	11,025
Unrealized foreign exchange loss (gain) and other	3,006	(2,979)
Change in assets and liabilities:		
Accounts receivable	(33,266)	(9,397)
Inventories	1,589	(21,891)
Other current assets	1,698	(27,498)
Accounts payable and accrued expenses	24,780	55,803
Income taxes payable	(21,660)	11,823
Excess tax benefit on stock options exercised	(6,476)	(2,122)
Other liabilities	1,071	4,399
<b>Net Cash Provided By Operating Activities</b>	<b>288,700</b>	<b>308,830</b>
<b>Cash Flow From Investing Activities</b>		
Proceeds from sale of assets	8,215	30,125
Additions to property, plant and equipment	(37,399)	(87,181)
Acquisitions	(80,025)	0
Proceeds from note receivable	1,688	1,324
Contingent acquisition payments	(476)	(579)
Other	(173)	468
<b>Net Cash Used In Investing Activities</b>	<b>(108,170)</b>	<b>(55,843)</b>
<b>Cash Flow From Financing Activities</b>		
Long-term debt repayment	(123,358)	(50,938)
Short-term debt (repayments) borrowings, net	(34,895)	29,542
Proceeds from stock options exercised	11,503	5,079
Excess tax benefit on stock options exercised	6,476	2,122
Payment of cash dividends	(31,929)	(22,476)
Purchase of treasury stock	(87)	(389)
<b>Net Cash Used In Financing Activities</b>	<b>(172,290)</b>	<b>(37,060)</b>
Effect of exchange rate changes on cash and cash equivalents	(1,868)	5,316

<b>Net Change In Cash and Cash Equivalents</b>	<b>6,372</b>	221,243
<b>Cash and Cash Equivalents at Beginning of Period</b>	<b>447,143</b>	197,999
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 453,515</b>	\$ 419,242

See Notes to Condensed Consolidated Financial Statements.



**Table of Contents****CHURCH & DWIGHT CO., INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW-CONTINUED****(Unaudited)**

	<b>Nine Months Ended</b>	
	<b>October 1, 2010</b>	<b>September 25, 2009</b>
Cash paid during the year for:		
Interest (net of amounts capitalized)	<b>\$ 15,747</b>	\$ 18,346
Income taxes	<b>\$ 117,738</b>	\$ 72,220
Supplemental disclosure of non-cash investing activities:		
Property, plant and equipment expenditures included in Accounts Payable	<b>\$ 1,493</b>	\$ 15,593
Acquisitions in which liabilities were assumed are as follows:		
Fair value of assets	<b>\$ 80,025</b>	\$ 0
Purchase price	<b>(80,025)</b>	0
Liabilities assumed	<b>\$ 0</b>	\$ 0

See Notes to Condensed Consolidated Financial Statements.

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## CHURCH &amp; DWIGHT CO., INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

For the Nine Months Ended October 1, 2010 and September 25, 2009

(Unaudited)

(in thousands)	Number of Shares				Amounts					
	Common Stock	Treasury Stock	Common Stock	Treasury Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Church & Dwight Co., Inc. Stockholder Equity	Noncontrolling Interest	Total Stockholders Equity
<b>December 31, 2008</b>	<b>73,214</b>	<b>(3,141)</b>	<b>\$ 73,214</b>	<b>\$ (37,304)</b>	<b>\$ 252,129</b>	<b>\$ 1,063,928</b>	<b>\$ (20,454)</b>	<b>\$ 1,331,513</b>	<b>\$ 192</b>	<b>\$ 1,331,705</b>
Net income	0	0	0	0	0	190,753	0	190,753	4	190,757
Translation adjustments	0	0	0	0	0	0	25,426	25,426	7	25,433
Derivative agreements, net of taxes of \$259	0	0	0	0	0	0	239	239	0	239
Defined benefit plans, net of taxes of \$37	0	0	0	0	0	0	(94)	(94)	0	(94)
Cash dividends	0	0	0	0	0	(22,476)	0	(22,476)	0	(22,476)
Stock Purchases	0	(7)	0	(389)	0	0	0	(389)	0	(389)
Stock based compensation expense and stock option plan transactions, including related income tax benefits of \$2,382	0	242	0	2,386	16,061	0	0	18,447	0	18,447
Other stock issuances	0	13	0	138	583	0	0	721	0	721
<b>September 25, 2009</b>	<b>73,214</b>	<b>(2,893)</b>	<b>\$ 73,214</b>	<b>\$ (35,169)</b>	<b>\$ 268,773</b>	<b>\$ 1,232,205</b>	<b>\$ 5,117</b>	<b>\$ 1,544,140</b>	<b>\$ 203</b>	<b>\$ 1,544,343</b>
<b>December 31, 2009</b>	<b>73,214</b>	<b>(2,664)</b>	<b>\$ 73,214</b>	<b>\$ (32,925)</b>	<b>\$ 276,099</b>	<b>\$ 1,275,117</b>	<b>\$ 10,078</b>	<b>\$ 1,601,583</b>	<b>\$ 189</b>	<b>\$ 1,601,772</b>
Net income	0	0	0	0	0	223,724	0	223,724	(4)	223,720
Translation adjustments	0	0	0	0	0	0	(7,395)	(7,395)	4	(7,391)
Derivative agreements, net of taxes of \$496	0	0	0	0	0	0	3,447	3,447	0	3,447
Cash dividends	0	0	0	0	0	(31,929)	0	(31,929)	0	(31,929)
Stock purchases	0	(2)	0	(87)	0	0	0	(87)	0	(87)
Stock based compensation expense and stock	0	476	0	5,804	22,624	0	0	28,428	0	28,428

option plan transactions, including related income tax benefits of \$7,419											
Other stock issuances	0	28	0	383	171	0	0	554	0	554	
<b>October 1, 2010</b>	<b>73,214</b>	<b>(2,162)</b>	<b>\$ 73,214</b>	<b>\$ (26,825)</b>	<b>\$ 298,894</b>	<b>\$ 1,466,912</b>	<b>\$ 6,130</b>	<b>\$ 1,818,325</b>	<b>\$ 189</b>	<b>\$ 1,818,514</b>	

See Notes to Condensed Consolidated Financial Statements.

**Table of Contents****CHURCH & DWIGHT CO., INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****1. Basis of Presentation**

The condensed consolidated balance sheets as of October 1, 2010 and December 31, 2009, the condensed consolidated statements of income for the three months and nine months ended October 1, 2010 and September 25, 2009, and the condensed consolidated statements of cash flow and the condensed consolidated statements of stockholders' equity for the nine months ended October 1, 2010 and September 25, 2009 have been prepared by the Company. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position at October 1, 2010 and results of operations and cash flow for all periods presented have been made.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2009. The results of operations for the three and nine month periods ended October 1, 2010 are not necessarily indicative of the operating results for the full year.

The Company's fiscal year begins on January 1st and ends on December 31st. Quarterly periods are based on a 4 weeks - 4 weeks - 5 weeks methodology. As a result, the first quarter can include a partial or expanded week in the first four week period of the quarter. Similarly, the last five week period in the fourth quarter could include a partial or expanded week. As a result, the first fiscal quarter of 2010 was six days longer than the first fiscal quarter of 2009 and, therefore, the first nine fiscal months of 2010 were six days longer than the first nine fiscal months of 2009. Consequently, the fourth quarter of 2010 will have six fewer days than the fourth quarter of 2009. Certain subsidiaries operating outside of North America are included for periods beginning and ending one month prior to the periods presented in the consolidated financial statements, which enables timely consolidation of operating results. There were no material intervening events that occurred with respect to these subsidiaries in the one month period prior to the period presented.

The Company incurred research and development expenses in the third quarter of 2010 and 2009 of \$13.1 million and \$12.6 million, respectively. The Company incurred research and development expenses in the first nine months of 2010 and 2009 of \$38.6 million and \$37.2 million, respectively. These expenses are included in selling, general and administrative expenses.

**2. Recently Adopted Accounting Pronouncements**

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2010-06, an amendment to FASB Accounting Standard Codification (ASC) Topic 820, which requires more robust disclosures about (1) the different classes of assets and liabilities measured at fair value, (2) the valuation techniques and the inputs used to develop fair value measurements, (3) the activity in Level 3 fair value measurements, which are based on significant unobservable inputs, and (4) the transfers between Levels 1, 2 and 3. The Company adopted this amendment effective January 1, 2010, and the amendment did not have a material impact on the Company's consolidated financial statements. Refer to Note 7 for disclosures relating to fair value measurements.

**3. Inventories**

Inventories consist of the following:

(In thousands)	October 1, 2010	December 31, 2009
Raw materials and supplies	\$ 54,709	\$ 57,305
Work in process	11,566	9,141
Finished goods	149,120	150,424
Total	\$ 215,395	\$ 216,870



**Table of Contents****4. Property, Plant and Equipment**

Property, Plant and Equipment ( PP&E ) consist of the following:

(In thousands)	October 1, 2010	December 31, 2009
Land	\$ 25,921	\$ 25,930
Buildings and improvements	227,630	226,783
Machinery and equipment	452,828	444,235
Office equipment and other assets	32,712	30,106
Software	47,640	48,395
Mineral rights	1,573	1,521
Construction in progress	49,461	29,293
	<b>837,765</b>	806,263
Less accumulated depreciation and amortization	<b>382,054</b>	350,627
Net Property, Plant and Equipment	<b>\$ 455,711</b>	\$ 455,636

(In thousands)	Three Months Ended		Nine Months Ended	
	October 1, 2010	September 25, 2009	October 1, 2010	September 25, 2009
Depreciation and amortization on PP&E	\$ 11,342	\$ 14,161	\$ 33,907	\$ 43,473
Interest charges capitalized (in construction in progress)	\$ 269	\$ 862	\$ 640	\$ 1,962

The Company closed its North Brunswick, New Jersey facility in the fourth quarter of 2009 and recorded accelerated depreciation charges in the Consumer Domestic Segment on those facilities following the announcement of this event in June 2008. The accelerated depreciation charge for the three and nine months ended September 25, 2009 was \$4.5 million and \$13.5 million, respectively, and was included in cost of sales.

**5. Earnings Per Share ( EPS )**

Basic EPS is calculated based on income available to common shareholders and the weighted-average number of shares outstanding during the reported period. Diluted EPS reflects additional dilution from potential common stock issuable upon the exercise of outstanding stock options. The following table sets forth a reconciliation of the weighted average number of common shares outstanding to the weighted average number of shares outstanding on a diluted basis.

(In thousands)	Three Months Ended		Nine Months Ended	
	October 1, 2010	September 25, 2009	October 1, 2010	September 25, 2009
Weighted average common shares outstanding - basic	71,109	70,419	70,963	70,332
Dilutive effect of stock options	1,119	1,205	1,185	1,111
Weighted average common shares outstanding - diluted	<b>72,228</b>	71,624	<b>72,148</b>	71,443
Antidilutive stock options outstanding	<b>617</b>	842	<b>617</b>	1,090



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The following table provides a summary of option activity during the nine months ended October 1, 2010:

	Options (In thousands)	Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Term	Aggregate Intrinsic Value (In thousands)
Outstanding at December 31, 2009	4,448	\$ 39.70		
Granted	607	66.68		
Exercised	(472)	24.36		
Cancelled	(36)	54.32		
Outstanding at October 1, 2010	4,547	\$ 44.78	6.3	\$ 93,848
Exercisable at October 1, 2010	2,623	\$ 34.65	4.6	\$ 80,173

The following table provides information regarding the intrinsic value of stock options exercised, stock compensation expense related to stock option awards, weighted average fair value of stock options issued and assumptions used in determining fair value:

	Three Months Ended		Nine Months Ended	
	October 1, 2010	September 25, 2009	October 1, 2010	September 25, 2009
Intrinsic Value of Stock Options Exercised (in thousands)	\$ 2,465	\$ 1,873	\$ 19,641	\$ 7,884
Stock Compensation Expense Related to Stock Option Awards (in thousands)	\$ 1,609	\$ 1,634	\$ 9,265	\$ 10,305
Issued Stock Options (in thousands)	0.5	9	607	704
Weighted Average Fair Value of Stock Options issued (per share)	\$ 16.40	\$ 15.44	\$ 16.72	\$ 14.83
Fair Value of Stock Options Issued (in thousands)	\$ 8	\$ 145	\$ 10,149	\$ 10,441

**Assumptions Used:**

Risk-free interest rate	2.7%	3.3%	2.7%	3.2%
Expected life in Years	6.4	6.3	6.5	6.4
Expected volatility	21.3%	21.7%	21.4%	21.9%
Dividend Yield	0.8%	0.6%	0.8%	0.7%

Stock compensation expense related to restricted stock awards was \$0.1 million and \$0.3 million for the three and nine months ended October 1, 2010, respectively, and \$0.1 million and \$0.4 million, respectively, for the same periods of 2009.

The fair value of stock options is based upon the Black Scholes option pricing model. The Company determined the options' life based on historical exercise behavior and determined the options' expected volatility and dividend yield based on the historical changes in stock price and dividend payments. The risk free interest rate is based on the yield of an applicable term Treasury instrument.

**7. Fair Value Measurements****Fair Value Hierarchy**

ASC Subtopic 820-10, *Fair Value Measurements and Disclosures*, establishes a hierarchy that prioritizes the inputs (generally, assumptions that market participants would use in pricing an asset or liability) used to measure fair value based on the quality and reliability of the information provided by the inputs, as follows:

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



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

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

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The Company recognizes transfers between input levels as of the actual date of the event. There were no transfers between input levels in the nine months ended October 1, 2010. The following table summarizes the Company's financial assets and liabilities that are measured at fair value on a recurring basis, all of which were measured based on Level 2 inputs:

(In thousands)	October 1, 2010 (Level 2)	December 31, 2009 (Level 2)
<b>Assets</b>		
Equity derivatives	\$ 0	\$ 1,452
Diesel fuel contracts	47	596
	\$ 47	\$ 2,048
<b>Liabilities</b>		
Foreign exchange contracts	\$ 462	\$ 743
Equity derivatives	200	0
Diesel fuel contracts	0	343
Interest rate collars and swaps	4,331	5,120
	\$ 4,993	\$ 6,206

The fair value of the foreign exchange contracts is based on observable forward rates in commonly quoted intervals for the full term of the contract.

The fair value of the equity derivatives is based on the quoted market prices of Company stock at the end of each reporting period.

The fair value of the diesel fuel contracts is based on home heating oil futures prices for the duration of the contract.

The fair value for the interest rate collars and swaps is derived using the forward three month LIBOR curve for the duration of the respective collars and swaps and a credit valuation adjustment relating to the credit risk of the counterparty.

**Fair Values of Other Financial Instruments**

The following table presents the carrying amounts and estimated fair values of the Company's other financial instruments at October 1, 2010 and December 31, 2009.

(In thousands)	October 1, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets:</b>				
Current portion of note receivable	\$ 1,554	\$ 1,581	\$ 1,388	\$ 1,388
Long-term note receivable	900	928	954	991
<b>Financial Liabilities:</b>				
Short-term borrowings	0	0	34,895	34,895
Current portion of long-term debt	145,827	143,646	184,054	178,045
6% Senior subordinated note debt	250,000	253,125	250,000	254,688
Long-term bank debt	262,217	257,483	347,347	328,686

The following methods and assumptions were used to estimate the fair value of each class of financial instruments reflected in the Consolidated Balance Sheets:

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*Note Receivable:* The fair value of the note receivable reflects what management believes is the appropriate interest factor at October 1, 2010 and December 31, 2009, respectively, based on similar risks in the market.

*Short-term Borrowings:* The carrying amounts of the Company's unsecured lines of credit and accounts receivable securitization equal fair value because of short maturities and variable interest rates.

*Long-term Bank Debt, Current Portion of Long-term Debt:* The Company determines fair value based upon the prevailing value of equivalent financing.

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*Senior Subordinated Note Debt:* The Company determines fair value of its senior subordinated notes based upon their quoted market value.

**8. Derivative Instruments and Risk Management**

Changes in interest rates, foreign exchange rates, the price of the Company's common stock and commodity prices expose the Company to market risk. The Company manages these risks by the use of derivative instruments, such as cash flow hedges, diesel hedge contracts, equity derivatives and foreign exchange forward contracts. The Company does not use derivatives for trading or speculative purposes.

At inception, the Company formally designates and documents qualifying instruments as hedges of underlying exposures. Changes in the fair value of derivatives designated as hedges and qualifying for hedge accounting are recorded in other comprehensive income and reclassified into earnings during the period in which the hedged exposure affects earnings. The Company reviews the effectiveness of its hedging instruments on a quarterly basis. If the Company determines that a derivative instrument is no longer highly effective in offsetting changes in fair values or cash flows, it recognizes in current period earnings the hedge ineffectiveness and discontinues hedge accounting with respect to the derivative instrument. Changes in fair value for derivatives not designated as hedges or those not qualifying for hedge accounting are recognized in current period earnings. Upon termination of cash flow hedges, the Company reclassifies gains and losses from other comprehensive income based on the timing of the underlying cash flows, unless the termination results from the failure of the intended transaction to occur in the expected timeframe. Such untimely transactions require immediate recognition in earnings of gains and losses previously recorded in other comprehensive income.

During the second quarter of 2010, the Company entered into hedge agreements with a financial counterparty to pay a fixed price per gallon of diesel fuel that was determined at the time the hedge was executed and receive a floating rate payment reflecting variable common carriers mileage surcharge. The last of the agreements expire on September 30, 2011. The floating rate payment is determined on a monthly basis based on the average price of the Department of Energy's Diesel Fuel Index price during the applicable month. The floating rate payment is designed to offset any increase or decrease in fuel surcharge payments that the Company pays to its common carriers. Since the agreements qualify for hedge accounting under ASC Subtopic 815-20, *Derivatives and Hedging: Hedging - General*, changes in the fair value of cash flow hedge agreements are recorded in Other Comprehensive Income.

During the fourth quarter of 2010, the Company anticipates paying off the outstanding Term Loan facility of \$408.0 million with available cash and borrowings available under the accounts receivable securitization facility. The Company also is planning on entering into a new revolving unsecured five-year credit agreement of approximately \$500.0 million in November 2010. The agreement will also contain an additional \$500.0 million through an accordion feature upon the satisfaction of certain conditions.

In addition, the Company anticipates terminating its interest rate collar and swap cash flow hedges. As a result of the planned refinancing, the Company determined, at the end of the third quarter, that it was probable that forecasted interest payments would not occur by the end of the originally specified contract time period. Therefore, the Company reclassified into interest expense an estimated net loss of \$4.3 million (pretax) from accumulated other comprehensive income in September 2010. The unamortized deferred financing costs of \$3.3 million associated with the variable rate debt will be charged to other expense in the fourth quarter.

For additional details on the Company's risk management activities and accounting for the Company's derivative instruments, refer to the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2009.

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The following tables summarize the fair value of our derivative instruments and the effect of derivative instruments on our Consolidated Statements of Income and on other comprehensive income ( OCI ):

**Fair Value of Derivative Instruments**

(In thousands)	Balance Sheet Location	Notional Amount October 1, 2010	October 1, 2010	Fair Value at December 31, 2009
<b>Derivatives designated as hedging instruments under ASC Subtopic 815-20</b>				
<i>Asset Derivatives</i>				
Diesel fuel contracts	Other current assets	\$ 4,946	\$ 47	\$ 0
Total assets			\$ 47	\$ 0
<i>Liability Derivatives</i>				
Foreign exchange contracts	Accounts payable and accrued expenses	\$ 26,700	\$ 408	\$ 743
Interest rate collars and swaps	Deferred and other long-term liabilities	\$ 0	0	5,120
Total liabilities			\$ 408	\$ 5,863
<b>Derivatives not designated as hedging instruments under ASC Subtopic 815-20</b>				
<i>Asset Derivatives</i>				
Diesel fuel contracts	Other current assets	\$ 0	\$ 0	\$ 596
Equity derivatives	Other current assets	\$ 0	0	1,452
Total assets			\$ 0	\$ 2,048
<i>Liability Derivatives</i>				
Equity derivatives	Accounts payable and accrued expenses	\$ 14,162	\$ 200	\$ 0
Foreign exchange contracts	Accounts payable and accrued expenses	\$ 1,720	54	0
Interest rate collars and swaps	Accounts payable and accrued expenses	\$ 250,000	4,331	0
Diesel fuel contracts	Accounts payable and accrued expenses	\$ 0	0	343
Total liabilities			\$ 4,585	\$ 343
(In thousands)	Income Statement Location	Amount of Gain (Loss) Recognized		Amount of Gain (Loss) Recognized in

		in Income Three Months Ended October 1, 2010	Income Three Months Ended September 25, 2009
<b>Derivatives not designated as hedging instruments under ASC Subtopic 815-20</b>			
Equity derivatives	Selling, general and administrative expenses	\$ 355	\$ 104
Foreign exchange contracts	Selling, general and administrative expenses	(53)	0
Diesel fuel contracts	Cost of sales	0	(673)
Total gain (loss) recognized in income		\$ 302	\$ (569)

		Amount of Gain (Loss) Recognized in OCI from Derivatives Three Months Ended October 1, 2010	Amount of Gain (Loss) Recognized in OCI from Derivatives Three Months Ended September 25, 2009
<b>(In thousands)</b>			
<b>Derivatives in ASC Subtopic 815-20 cash flow hedging relationship</b>			
Foreign exchange contracts (net of taxes)	Other comprehensive income (loss)	\$ (281)	\$ (447)
Diesel fuel contracts (net of taxes)	Other comprehensive income (loss)	775	0
Interest rate swap (net of taxes)	Other comprehensive income (loss)	635	(510)
Interest rate collars (net of taxes)	Other comprehensive income (loss)	2,160	291
Total gain (loss) recognized in OCI		\$ 3,289	\$ (666)

		Amount of Gain (Loss) Recognized in Income Nine Months Ended October 1, 2010	Amount of Gain (Loss) Recognized in Income Nine Months Ended September 25, 2009
<b>(In thousands)</b>			
<b>Derivatives not designated as hedging instruments under ASC Subtopic 815-20</b>			
Equity derivatives	Selling, general and administrative expenses	\$ 560	\$ 285
Foreign exchange contracts	Selling, general and administrative expenses	(146)	0
Diesel fuel contracts	Cost of sales	(552)	4
Total gain (loss) recognized in income		\$ (138)	\$ 289

		Amount of Gain (Loss) Recognized in OCI from Derivatives Nine Months Ended October 1, 2010	Amount of Gain (Loss) Recognized in OCI from Derivatives Nine Months Ended September 25, 2009
<b>(In thousands)</b>			
<b>Derivatives in ASC Subtopic 815-20 cash flow hedging relationship</b>			
Foreign exchange contracts (net of taxes)	Other comprehensive income (loss)	\$ 276	\$ (640)
Diesel fuel contracts (net of taxes)	Other comprehensive income (loss)	77	0
Interest rate swap (net of taxes)	Other comprehensive income (loss)	493	(421)
Interest rate collars (net of taxes)	Other comprehensive income (loss)	2,601	1,263
Total gain (loss) recognized in OCI		\$ 3,447	\$ 202

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The notional amount on a financial instrument is the nominal or face amount that is used to calculate payments made on that instrument. Other than the reclassification of losses related to the anticipated termination of interest rate swap and interest rate collar agreements in the fourth quarter of 2010, there were no other material reclassifications of gains (losses) from other comprehensive income to earnings for the nine months ended October 1, 2010 and September 25, 2009.

**9. Acquisition of Assets**

On June 4, 2010, the Company acquired the Simply Saline brand from Blairex Laboratories ( Simply Saline Acquisition ) for cash consideration of \$70.0 million. The Simply Saline brand will be managed principally within the Consumer Domestic segment. The fair values of the assets acquired are as follows:

(In thousands)	Fair Value of Assets Acquired
Inventory	\$ 1,725
Tradenames and other intangibles	55,635
Goodwill	12,665
<b>Total Assets</b>	<b>70,025</b>
<b>Liabilities</b>	<b>0</b>
 Purchase Price - Simply Saline	 <b>\$ 70,025</b>

On September 2, 2010, the Company acquired technology for battery-powered toothbrushes ( Toothbrush Acquisition ) for cash consideration of \$10.0 million. The new toothbrush technology will be managed principally within the Consumer Domestic segment.

Pro forma results reflecting the Simply Saline and Toothbrush Acquisitions are not presented because they did not have a material effect on the Company's consolidated financial results.

**10. Goodwill and Other Intangibles**

The following table provides information related to the carrying value of all intangible assets, other than goodwill:

(In thousands)	October 1, 2010			Amortization Period (Years)	December 31, 2009		
	Gross Carrying Amount	Accumulated Amortization	Net		Gross Carrying Amount	Accumulated Amortization	Net
<u>Amortizable intangible assets:</u>							
Tradenames	\$ 116,707	\$ (51,994)	\$ 64,713	3-20	\$ 118,373	\$ (46,721)	\$ 71,652
Customer Relationships	244,940	(47,151)	197,789	15-20	241,640	(37,205)	204,435
Patents/Formulas	37,370	(20,141)	17,229	4-20	27,370	(18,084)	9,286
Non Compete Agreement	1,378	(1,019)	359	5-10	1,143	(918)	225
<b>Total</b>	<b>\$ 400,395</b>	<b>\$ (120,305)</b>	<b>\$ 280,090</b>		<b>\$ 388,526</b>	<b>\$ (102,928)</b>	<b>\$ 285,598</b>
<u>Indefinite lived intangible assets - Carrying value</u>							
Tradenames	\$ 558,859				\$ 509,293		



Intangible amortization expense amounted to \$5.8 million for the third quarter of 2010 and \$6.1 million for the same period of 2009. Intangible amortization expense amounted to \$17.6 million for the first nine months of 2010 and \$18.2 million for the same period of 2009. The Company estimates that intangible amortization expense will be approximately \$23.5 million in 2010 and in each of the next four years.

Other intangible assets increased in 2010 due to the Simply Saline and Toothbrush Acquisitions. The acquired intangible assets reflect their allocable purchase price as of their respective purchase dates.

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The following table provides information regarding the changes in the carrying amount of goodwill for the nine months ended October 1, 2010:

(In thousands)	Consumer Domestic	Consumer International	Specialty Products	Total
Balance December 31, 2009	\$ 781,364	\$ 36,486	\$ 20,228	\$ 838,078
Simply Saline acquired goodwill	12,665	0	0	12,665
Additional contingent consideration	398	0	0	398
<b>Balance October 1, 2010</b>	<b>\$ 794,427</b>	<b>\$ 36,486</b>	<b>\$ 20,228</b>	<b>\$ 851,141</b>

The Company performed its annual goodwill impairment test in the beginning of the second quarter of 2010, and no adjustments were required.

**11. Short-Term Borrowings and Long-Term Debt**

Short-term borrowings and long-term debt consist of the following:

(In thousands)	October 1, 2010	December 31, 2009
<b>Short-term borrowings</b>		
Securitization of accounts receivable	\$ 0	\$ 30,000
Various debt due to international banks	0	4,895
Total short-term borrowings	\$ 0	\$ 34,895
<b>Long-term debt</b>		
Term Loan facility	\$ 408,044	\$ 531,401
6% Senior subordinated notes	250,000	250,000
Total long-term debt	658,044	781,401
Less: current maturities	145,827	184,054
Net long-term debt	\$ 512,217	\$ 597,347

The long-term debt principal payments required to be made are as follows:

(In thousands)	
Due by September 2011	\$ 145,827
Due by September 2012	512,217
	<b>\$ 658,044</b>

*Securitization*

During the first nine months of 2010, the Company repaid the entire borrowings of \$30.0 million under its accounts receivable securitization facility. In February 2010, the accounts receivable securitization facility was renewed with a new maturity date of February 2011 under similar

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terms and conditions to those previously in effect. The maximum funding available under the securitization facility is \$115 million.

### *New Debt Facility*

During the fourth quarter of 2010, the Company anticipates paying off the outstanding Term Loan facility of \$408.0 million with available cash and borrowings available under the accounts receivable securitization facility. The Company also is planning on entering into a new revolving unsecured five-year credit agreement of approximately \$500.0 million in November 2010. The agreement will also contain an additional \$500.0 million through an accordion feature upon the satisfaction of certain conditions.

In addition, the Company anticipates terminating its interest rate collar and swap cash flow hedges. As a result of the planned refinancing, the Company determined, at the end of the third quarter, that it was probable that forecasted interest payments would not occur by the end of the originally specified contract time period. Therefore, the Company reclassified into interest expense an estimated net loss of \$4.3 million (pretax) from accumulated other comprehensive income in September 2010. The unamortized deferred financing costs of \$3.3 million associated with the variable rate debt will be charged to other expense in the fourth quarter.

**Table of Contents****12. Comprehensive Income**

Comprehensive income is defined as net income and other changes in stockholders' equity from transactions and other events from sources other than stockholders.

*Consolidated Statement of Comprehensive Income*

The following table provides information related to the Company's comprehensive income for the three and nine months ended October 1, 2010 and September 25, 2009:

(In thousands)	Three Months Ended		Nine Months Ended	
	October 1, 2010	September 25, 2009	October 1, 2010	September 25, 2009
Net Income	\$ 69,474	\$ 70,024	\$ 223,720	\$ 190,757
Other Comprehensive Income, Net of Tax:				
Foreign Exchange Translation Adjustments	9,963	6,101	(7,391)	25,433
Derivative Agreements	3,289	(674)	3,447	239
Defined Benefit Plan Adjustments	0	(85)	0	(94)
Comprehensive Income	82,726	75,366	219,776	216,335
Comprehensive Income attributable to the noncontrolling interest	2	(1)	0	(11)
Comprehensive Income attributable to Church & Dwight Co., Inc.	\$ 82,728	\$ 75,365	\$ 219,776	\$ 216,324

*Accumulated Other Comprehensive Income*

The components of changes in accumulated other comprehensive income are as follows:

(In thousands)	Foreign Currency Adjustments	Defined Benefit Plans	Derivative Agreements	Accumulated Other Comprehensive Income (Loss)
Balance December 31, 2009	\$ 26,947	\$ (13,293)	\$ (3,576)	\$ 10,078
Comprehensive income changes during the nine months ended (net of tax of \$496)	(7,395)	0	3,447	(3,948)
Balance October 1, 2010	\$ 19,552	\$ (13,293)	\$ (129)	\$ 6,130

The change in comprehensive income related to derivatives reflects the \$4.3 million (pretax) reclass to interest expense related to the anticipated termination of the Company's interest rate collar and swap cash flow hedges.

**Table of Contents****13. Benefit Plans**

The following table provides information regarding the net periodic benefit cost for the Company's pension and postretirement plans for the three and nine months ended October 1, 2010 and September 25, 2009:

(In thousands)	Pension Costs Three Months Ended		Pension Costs Nine Months Ended	
	October 1, 2010	September 25, 2009	October 1, 2010	September 25, 2009
Components of Net Periodic Benefit Cost:				
Service cost	\$ 446	\$ 334	\$ 1,312	\$ 1,107
Interest cost	1,819	1,558	5,173	4,820
Expected return on plan assets	(1,342)	(1,502)	(3,950)	(4,463)
Amortization of prior service cost	121	0	349	0
Recognized actuarial loss	133	395	397	1,073
Net periodic benefit cost	\$ 1,177	\$ 785	\$ 3,281	\$ 2,537

(In thousands)	Postretirement Costs Three Months Ended		Postretirement Costs Nine Months Ended	
	October 1, 2010	September 25, 2009	October 1, 2010	September 25, 2009
Components of Net Periodic Benefit Cost:				
Service cost	\$ 93	\$ 57	\$ 279	\$ 220
Interest cost	319	293	956	924
Amortization of prior service cost	33	14	98	44
Recognized actuarial loss	0	1	0	4
Net periodic benefit cost	\$ 445	\$ 365	\$ 1,333	\$ 1,192

The Company made cash contributions of approximately \$1.8 million to its pension plans during the first nine months of 2010. The Company anticipates that it will make a \$3 million cash contribution to its pension plans during the remainder of the year to offset 2010 benefit payments and administrative costs in excess of investment returns.

On January 27, 2010, the Company's Board of Directors approved the termination, effective April 15, 2010, of the Church & Dwight Co., Inc. Retirement Plan for Hourly Employees (a defined benefit pension plan), under which approximately 766 participants have accrued benefits. The Company disclosed in its Annual Report on Form 10-K for the year ended December 31, 2009 (the 2009 Form 10-K) an anticipated cash requirement of \$11 million to \$14 million (pretax) to purchase annuities to provide for accrued benefits, and a one-time expense of \$20 million to \$23 million. After giving effect to the anticipated 2010 cash contribution, the estimated one-time cash contribution to purchase annuities would be approximately \$15 million and the one-time expense would be approximately \$25 million. The Company continues to evaluate its options in terminating this pension plan.

**14. Commitments, Contingencies and Guarantees**

a. In December 1981, the Company formed a partnership with a supplier of raw materials that mines and processes sodium-based mineral deposits. The Company purchases the majority of its sodium-based raw material requirements from the partnership. The partnership agreement terminates upon two years' written notice by either partner. Under the partnership agreement, the Company has an annual commitment to purchase 240,000 tons of sodium-based raw materials at the prevailing market price. The Company is not engaged in any other material transactions with the partnership or the Company's partner.



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

c. As of October 1, 2010, the Company had commitments to acquire approximately \$106.0 million of raw materials, packaging supplies and services from its vendors at market prices. The packaging supplies are in either a converted or non-converted status. These commitments enable the Company to respond quickly to changes in customer orders or requirements.

d. The Company has \$3.8 million of outstanding letters of credit drawn on several banks which guarantee payment for such things as insurance claims in the event of the Company s insolvency. In addition, the Company guarantees the payment of rent on a leased facility in Spain. The lease expires in November 2012, and the aggregate monthly lease payment obligations from October 1, 2010 through the remainder of the lease term are approximately \$1.6 million. Approximately two thirds of the rental space is subleased to a third party.

e. In connection with the Company s acquisition of Unilever s oral care brands in the United States and Canada in October 2003, the Company is required to make additional performance-based payments of a minimum of \$5.0 million and a maximum of \$12.0 million over the eight year period following the acquisition. In the first nine months of 2010, the Company made cash payments of \$0.5 million, and accrued a payment of \$0.1 million. The payment and accrual were accounted for as additional purchase price. The Company has paid approximately \$10.3 million, exclusive of the \$0.1 million accrual, in additional performance-based payments since the acquisition.

f. During 2009, one of the Company s international facilities discharged chemicals into the environment. The Company currently is developing a formal remediation plan, and based on available information, accrued approximately \$3 million in 2009 and an additional \$4.8 million in 2010 for remediation and related costs. However, the Company cannot assure that additional costs will not be incurred in connection with this matter.

g. The Company received a subpoena and civil investigative demand from the Federal Trade Commission ( FTC ) in connection with a non-public investigation in which the FTC is seeking to determine if the Company has engaged or is engaging in any unfair methods of competition with respect to the distribution and sale of condoms in the United States through potentially exclusionary practices. The Company believes that its distribution and sales practices involving the sale of condoms in the United States are in full compliance with applicable law. The FTC has notified the Company that it has made no determination as to whether to take any further administrative or legal action.

h. The Company has recorded liabilities in connection with uncertain income tax positions that, although supportable, may be challenged by the tax authorities. Substantially all material federal, state, and international income tax matters have been effectively concluded for years through 2007. In the third quarter of 2010, the Company recognized a benefit from the reversal of approximately \$4.0 million in income tax expense and \$3.0 million in pretax interest expense associated with certain tax liabilities in connection with the settlement of an IRS audit and the lapse of applicable statutes of limitation of several state taxing authorities. In addition, as a result of the settlement of the IRS audit and the lapse of applicable statutes of limitation of several state taxing authorities, the Company s liabilities for uncertain income tax positions have decreased by \$15.7 million, from \$39.6 million at December 31, 2009 to \$23.9 million at October 1, 2010.

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

**Table of Contents****15. Related Party Transactions**

The following summarizes the balances and transactions between the Company and each of two 50% owned entities, Armand Products Company ( Armand ) and The ArmaKleen Company ( ArmaKleen ):

(In thousands)	Armand Nine Months Ended		ArmaKleen Nine Months Ended	
	October 1, 2010	September 25, 2009	October 1, 2010	September 25, 2009
Purchases by Company	\$ 10,515	\$ 8,113	\$ 0	\$ 0
Sales by Company	\$ 0	\$ 0	\$ 4,070	\$ 3,645
Outstanding Accounts Receivable	\$ 212	\$ 0	\$ 770	\$ 452
Outstanding Accounts Payable	\$ 1,374	\$ 504	\$ 0	\$ 0
Administration & Management Oversight Services <sup>(1)</sup>	\$ 1,268	\$ 1,196	\$ 1,890	\$ 2,008

<sup>(1)</sup> Billed by Company and recorded as a reduction of selling, general and administrative expenses.

**16. Sale of Assets**

In the first quarter of 2010, the Company sold the BRILLO and certain LAMBERT KAY product lines, along with associated productive assets, that were classified as net assets held for sale at December 31, 2009. The aggregate carrying value of these assets at December 31, 2009 was approximately \$8.8 million. Subsequent to December 31, 2009, the Company received net proceeds from the sale of these assets of \$8.2 million, along with a note receivable of \$1.8 million, and, in the first quarter of 2010, recognized a gain of approximately \$1.0 million that was recorded as an offset to selling, general and administrative expenses in the Consumer Domestic segment.

**17. Restructuring Activities**

In the fourth quarter of 2009, the Company completed construction and started operations in its integrated laundry detergent manufacturing plant and distribution center in York, Pennsylvania. In conjunction with the opening of the new facility, the Company closed its existing laundry detergent manufacturing plant and distribution facility in North Brunswick, New Jersey. The North Brunswick facility was comprised of five separate buildings, which had resulted in significant inefficiencies and could not accommodate expansion to address expected future growth.

During the third quarter of 2010, the Company decided to cease operations at two plants at its Brazilian subsidiary. The Company anticipates cash shutdown costs (which includes severance, dismantling and clean-up costs) to be approximately \$1.0 million in the fourth quarter of 2010 and \$1.0 million in 2011. The carrying value of these assets was impaired in 2009. These charges were included in the Specialty Products segment.

The following table summarizes the liabilities and cash costs paid or settled in connection with the closing of the North Brunswick and Brazilian facilities, for the nine months ended October 1, 2010, which have been included in the results of the Consumer Domestic and Specialty Products segments:

(In thousands)	Severance Liability	Contract Termination Costs	Other Exit and Disposal Costs	Total Costs
Liability Balance at December 31, 2009	\$ 2,734	\$ 5,738	\$ 877	\$ 9,349
Costs incurred and charged to expenses	0	2,770	1	2,771
Adjustments related to the North Brunswick Lease	0	1,266	462	1,728
Liabilities for Brazil plants	700	0	1,300	2,000
Costs paid or settled	(2,678)	(4,731)	(1,181)	(8,590)



<b>Liability Balance at October 1, 2010</b>	<b>\$ 756</b>	<b>\$ 5,043</b>	<b>\$ 1,459</b>	<b>\$ 7,258</b>
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The Company does not anticipate any additional material expenditures in connection with the closing of the North Brunswick facility or the shutdown of the Brazil plants. However, the Company is currently assessing the on-going costs associated with the Brazil plants.

**Table of Contents****18. Segments***Segment Information*

The Company operates three reportable segments: Consumer Domestic, Consumer International and Specialty Products Division ( SPD ). These segments are determined based on differences in the nature of products and organizational and ownership structures. The Company also has a Corporate segment.

Segment revenues are derived from the sale of the following products:

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

The Corporate segment income consists of equity in earnings of affiliates. The Company had 50% ownership interests in Armand Products Company ( Armand ) and The ArmaKleen Company ( ArmaKleen ) as of October 1, 2010. The Company's equity in earnings of Armand and ArmaKleen for the three and nine months ended October 1, 2010 and September 25, 2009 is included in the Corporate segment.

Segment sales and Income before Income Taxes for the three and nine months ended October 1, 2010 and September 25, 2009, were as follows:

(In thousands)	Consumer Domestic	Consumer International	SPD	Corporate	Total
<b>Net Sales<sup>(1)</sup></b>					
<b>Third Quarter 2010</b>	<b>\$ 481,293</b>	<b>\$ 109,089</b>	<b>\$ 66,519</b>	<b>\$ 0</b>	<b>\$ 656,901</b>
Third Quarter 2009	481,706	104,017	60,434	0	646,157
<b>First Nine Months of 2010</b>	<b>\$ 1,413,525</b>	<b>\$ 323,849</b>	<b>\$ 194,967</b>	<b>\$ 0</b>	<b>\$ 1,932,341</b>
First Nine Months of 2009	1,387,919	281,550	180,674	0	1,850,143
<b>Income Before Income Taxes<sup>(2)</sup></b>					
<b>Third Quarter 2010</b>	<b>\$ 91,040</b>	<b>\$ 11,555</b>	<b>\$ 2,437</b>	<b>\$ 799</b>	<b>\$ 105,831</b>
Third Quarter 2009	101,587	8,949	(571)	2,702	112,667
<b>First Nine Months of 2010</b>	<b>\$ 287,811</b>	<b>\$ 38,806</b>	<b>\$ 17,332</b>	<b>\$ 3,646</b>	<b>\$ 347,595</b>
First Nine Months of 2009	256,426	28,369	12,949	9,400	307,144

(1) Some of the subsidiaries that are included in the Consumer International segment manufacture and sell personal care products to the Consumer Domestic segment. Intersegment sales from Consumer International to Consumer Domestic were \$1.0 million and \$0.7 million for the quarter ended October 1, 2010 and September 25, 2009, respectively, and were \$2.7 million and \$2.4 million for the nine months ended October 1, 2010 and September 25, 2009, respectively. These results are eliminated from Consumer International segment results.

(2) In determining Income Before Income Taxes, interest expense, investment earnings and other income (expense) were allocated among the segments in proportion to their respective operating profit. The Corporate segment income consists of equity in earnings of affiliates.

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Product line revenues from external customers for the three and nine months ended October 1, 2010 and September 25, 2009, respectively, were as follows:

(In thousands)	Three Months Ended		Nine Months Ended	
	October 1, 2010	September 25, 2009	October 1, 2010	September 25, 2009
Household Products	\$ 312,216	\$ 312,194	\$ 912,051	\$ 890,548
Personal Care Products	169,077	169,512	501,474	497,370
Total Consumer Domestic	481,293	481,707	1,413,525	1,387,919
Total Consumer International	109,089	104,017	323,849	281,550
Total SPD	66,519	60,434	194,967	180,674
Total Consolidated Net Sales	\$ 656,901	\$ 646,157	\$ 1,932,341	\$ 1,850,143

Household Products include deodorizing, cleaning and laundry products. Personal Care Products include condoms, pregnancy kits, oral care products and skin care products.

**Table of Contents****ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**  
**Results of Operations****Consolidated Results**

## Net Sales

Net sales for the quarter ended October 1, 2010 were \$656.9 million, an increase of \$10.7 million or 1.7% over the third quarter of 2009. Net sales for the nine months ended October 1, 2010 were \$1,932.3 million, \$82.2 million or 4.4% above the comparable nine month period of 2009. The components of the net sales increase are the following:

<b>Net Sales - Consolidated</b>	<b>Three Months Ended October 1, 2010</b>	<b>Nine Months Ended October 1, 2010</b>
Product volumes sold	5.0%	7.2%
Pricing and sales mix	(2.2%)	(2.6%)
Foreign exchange rate fluctuations	0.0%	1.5%
Change in customer delivery arrangements	(1.1%)	(0.8%)
Acquired product lines <sup>(1)</sup>	0.8%	0.3%
Divested product lines <sup>(2)</sup>	(0.8%)	(1.2%)
<b>Net Sales increase</b>	<b>1.7%</b>	<b>4.4%</b>

- (1) On June 4, 2010, the Company acquired the SIMPLY SALINE product line. Net sales subsequent to the acquisition are included in the Company's results. (See Note 9 to the condensed consolidated financial statements included in this report for further information.)
- (2) Product lines divested include the BRILLO and certain LAMBERT KAY product lines, which were divested in the first quarter of 2010, and ancillary products divested in the third quarter of 2009 that initially were acquired in connection with the Company's acquisition of the ORAJEL brand of products from Del Laboratories, Inc., a subsidiary of Coty, Inc., in October 2008.

The reductions resulting from pricing and sales mix primarily reflect higher trade promotion and slotting costs in support of new product launches. At the beginning of the second quarter of 2010, the Company changed delivery arrangements with certain customers which resulted in a reduction in net sales due to a transportation allowance for a customer pick-up program. Previously, the cost to ship product was included in cost of sales. Due to the Company's fiscal calendar, the first fiscal quarter of 2010 was six days longer than the first fiscal quarter of 2009 and, therefore, the first nine fiscal months of 2010 was six days longer than the first nine fiscal months of 2009.

## Operating Costs

The Company's gross profit was \$288.9 million for the three months ended October 1, 2010, a \$4.1 million increase as compared to the same period in 2009. The gross profit increase was attributable to higher sales volumes and lower manufacturing conversion costs, partially as a result of cost efficiencies derived from the Company's new manufacturing facility in York, Pennsylvania, a reduction in costs associated with the shutdown of the Company's manufacturing and warehouse facility in North Brunswick, New Jersey in 2009, a contribution from the Simply Saline business, which was acquired late in the second quarter of 2010, and favorable foreign exchange rates. The gross profit in 2009 reflected an asset impairment charge and an environmental remediation charge of approximately \$6.0 million at a foreign subsidiary. Partially offsetting the gross profit improvement for the three months ended October 1, 2010 were higher trade promotion and slotting costs, higher commodity costs and the net effect of the divested and acquired product lines. For the nine month period ended October 1, 2010, gross profit increased \$49.5 million to \$865.3 million. The principal factors causing the increase in gross profit for the nine months ended October 1, 2010 are the same as those applicable to the third quarter of 2010. Gross margin decreased 10 basis points to 44.0% in the third quarter as compared to 44.1% in the same quarter in 2009. The gross margin decrease is due to higher trade spending and commodity costs partially offset by a reduction in costs

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associated with the shutdown of the Company's manufacturing and warehouse facility in North Brunswick, New Jersey in 2009, manufacturing efficiencies at the new manufacturing facility in York, Pennsylvania and the change in customer delivery arrangements discussed above. Gross margin increased 70 basis points to 44.8% in the first nine months of 2010 as compared to 44.1% in the same period of 2009 principally due to the reduction in costs with the North Brunswick plant shutdown, manufacturing efficiencies in the new plant in York and the change in customer delivery arrangements, partially offset by higher trade spending and commodity costs.

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Marketing expenses were \$90.2 million in the third quarter of 2010, a decrease of \$10.0 million as compared to the same period in 2009. Marketing expense as a percentage of net sales decreased 180 basis points to 13.7% in the third quarter as compared to 15.5% in the third quarter of 2009. Marketing spending primarily was in support of the Company's eight power brands. Funds from the reduction in marketing expenses primarily were used to increase trade promotion expenses (reflected in net sales) due to competitive activity which contributed to the decline in marketing expenses. Marketing expenses for the first nine months of 2010 was \$241.9 million, a decrease of \$18.4 million as compared to the same period in 2009. Marketing expense as a percentage of net sales decreased 160 basis points to 12.5% in the first nine months of 2010 as compared to 14.1% in the same period in 2009. The factors causing the decrease in marketing expense for the nine months ended October 1, 2010 are the same as those applicable to third quarter 2010 marketing expenses.

Selling, general and administrative expenses ( SG&A ) were \$85.8 million in the third quarter of 2010, a decrease of \$1.0 million as compared to the same period in 2009. The decrease is primarily due to lower incentive compensation costs, partially offset by the effect of higher foreign exchange rates and increased information system costs associated with a global information system upgrade project. SG&A expenses for the first nine months of 2010 were \$258.5 million, an increase of \$4.6 million over the same period of 2009. The increase is primarily due to the effect of foreign exchange rates, higher research and development costs, higher selling costs in support of higher sales and costs associated with the global information system upgrade project, partially offset by lower incentive compensation costs and the \$1.0 million gain on the sale of the LAMBERT KAY product line during the first quarter of 2010.

The consolidated statement of income for 2009 reflects the \$20.0 million pretax gain, net of legal expenses, recognized by the Company in connection with the settlement of its litigation against Abbott Laboratories. Refer to Note 18 of the Company's December 31, 2009 Annual Report on Form 10-K for further information regarding this litigation settlement.

### Other Income and Expense

Equity in earnings of affiliates decreased by \$2.0 million in the quarter and \$5.8 million for the nine month period of 2010 as compared to the same periods of last year. The decrease is due to lower equity income from the Company's Armand Products Company joint venture due to lower pricing resulting from increased competitive activity and higher raw material costs.

Investment income for the three and the nine month periods ended October 1, 2010 decreased \$0.1 million and \$0.7 million respectively, compared to the same periods in 2009 due to lower interest rates, although there was a higher average cash balance for investment as compared to the same period in 2009.

Interest expense for the three and the nine month periods ended October 1, 2010 decreased \$0.6 million and \$5.0 million respectively, compared to the same periods in 2009. The decline was due to the reversal of interest accruals of approximately \$3.0 million associated with certain tax reserves in connection with the settlement of an IRS audit and the lapse of applicable statutes of limitations, lower interest rates compared to the prior year, as well as lower average debt outstanding, partially offset by a charge of \$4.3 million relating to termination of the Company's interest rate collar and interest rate swap agreements, as the Company anticipates that it will repay its variable rate debt in the fourth quarter of 2010. (See Note 11 to the condensed consolidated financial statements included in this report for further information.)

### Taxation

The effective tax rate for the third quarter and first nine months of 2010 was 34.3% and 35.6% respectively, compared to 37.8% and 37.9% for the same periods last year. The effective tax rate for the third quarter and first nine months of 2010 included a benefit from an increase in the U.S. manufacturing tax deduction and the reversal of approximately \$4.0 million associated with certain tax liabilities in connection with the settlement of an IRS audit and the lapse of applicable statutes of limitations. Including the effect of the reversal of tax liabilities, the 2010 annual effective tax rate is projected to be approximately 36%.

**Table of Contents****Segment Results**

The Company operates three reportable segments: Consumer Domestic, Consumer International and Specialty Products Division ( SPD ). These segments are determined based on differences in the nature of products and organizational and ownership structures. The Company also has a Corporate segment.

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

The Company had 50% ownership interests in Armand Products Company ( Armand ) and The ArmaKleen Company ( ArmaKleen ) as of October 1, 2010. The equity in earnings of Armand and ArmaKleen for the three and nine months ended October 1, 2010 and September 25, 2009 is included in the Corporate segment.

Segment sales and income before income taxes for the three and nine months ended October 1, 2010 and September 25, 2009 were as follows:

(In thousands)	Consumer Domestic	Consumer International	SPD	Corporate	Total
<b>Net Sales<sup>(1)</sup></b>					
<b>Third Quarter 2010</b>	<b>\$ 481,293</b>	<b>\$ 109,089</b>	<b>\$ 66,519</b>	<b>\$ 0</b>	<b>\$ 656,901</b>
Third Quarter 2009	481,706	104,017	60,434	0	646,157
<b>First Nine Months of 2010</b>	<b>\$ 1,413,525</b>	<b>\$ 323,849</b>	<b>\$ 194,967</b>	<b>\$ 0</b>	<b>\$ 1,932,341</b>
First Nine Months of 2009	1,387,919	281,550	180,674	0	1,850,143
<b>Income Before Income Taxes<sup>(2)</sup></b>					
<b>Third Quarter 2010</b>	<b>\$ 91,040</b>	<b>\$ 11,555</b>	<b>\$ 2,437</b>	<b>\$ 799</b>	<b>\$ 105,831</b>
Third Quarter 2009	101,587	8,949	(571)	2,702	112,667
<b>First Nine Months of 2010</b>	<b>\$ 287,811</b>	<b>\$ 38,806</b>	<b>\$ 17,332</b>	<b>\$ 3,646</b>	<b>\$ 347,595</b>
First Nine Months of 2009	256,426	28,369	12,949	9,400	307,144

Some of the subsidiaries that are included in the Consumer International segment manufacture and sell personal care products to the Consumer Domestic segment. Intersegment sales from Consumer International to Consumer Domestic were \$1.0 million and \$0.7 million for the quarters ended October 1, 2010 and September 25, 2009, respectively, and \$2.7 million and \$2.4 million for the nine months ended October 1, 2010 and September 25, 2009, respectively. These results are eliminated from the Consumer International segment results.

- (1) In determining Income Before Income Taxes, interest expense, investment earnings and other income (expense) were allocated among the segments in proportion to their respective operating profit. The Corporate segment income consists of equity in earnings of affiliates.

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Product line revenues from external customers for the three and nine months ended October 1, 2010 and September 25, 2009, were as follows:

(In thousands)	Three Months Ended		Nine Months Ended	
	October 1, 2010	September 25, 2009	October 1, 2010	September 25, 2009
Household Products	\$ 312,216	\$ 312,194	\$ 912,051	\$ 890,548
Personal Care Products	169,077	169,512	501,474	497,370
Total Consumer Domestic	481,293	481,707	1,413,525	1,387,919
Total Consumer International	109,089	104,017	323,849	281,550
Total SPD	66,519	60,434	194,967	180,674
Total Consolidated Net Sales	\$ 656,901	\$ 646,157	\$ 1,932,341	\$ 1,850,143

## Consumer Domestic

Consumer Domestic net sales in the third quarter of 2010 were \$481.3 million, a decrease of \$0.4 million or 0.1% as compared to the third quarter of 2009. Consumer Domestic net sales for the nine months ended October 1, 2010 were \$1,413.5 million, an increase of \$25.6 million or 1.8% as compared to the same period of 2009. The components of the net sales change are the following:

Net Sales - Consumer Domestic	Three Months Ended	Nine Months Ended
	October 1, 2010	October 1, 2010
Product volumes sold	4.6%	7.6%
Pricing and sales mix	(3.2%)	(3.7%)
Change in customer delivery arrangements	(1.6%)	(1.1%)
Acquired product lines <sup>(1)</sup>	1.0%	0.5%
Divested product lines <sup>(2)</sup>	(0.9%)	(1.5%)
<b>Net Sales increase (decrease)</b>	<b>(0.1%)</b>	<b>1.8%</b>

(1) On June 4, 2010, the Company acquired the SIMPLY SALINE product line. Net sales subsequent to the acquisition are included in the Company's segment results. (See Note 9 to the condensed consolidated financial statements included in this report for further information.)

(2) Product lines divested included the BRILLO and certain LAMBERT KAY product lines, which were divested in the first quarter of 2010, and ancillary products divested in the third quarter of 2009 that initially were acquired in connection with the Company's acquisition of the ORAJEL brand of products from Del Laboratories, Inc., a subsidiary of Coty, Inc., in October 2008.

In both the third quarter and the nine months ended October 1, 2010, higher sales of ARM & HAMMER liquid laundry detergent, ARM & HAMMER SUPER SCOOP cat litter, TROJAN condoms and KABOOM bathroom cleaner were offset by lower sales of XTRA liquid laundry detergent, OXICLEAN, ARM & HAMMER powder detergent, ARRID antiperspirant and certain oral care products. Net sales for the nine months ended October 1, 2010 were favorably affected by the Company's first quarter fiscal calendar. As noted above, the first fiscal quarter of 2010 was six days longer than the first fiscal quarter of 2009.

Consumer Domestic income before income taxes for the third quarter of 2010 was \$91.0 million, a \$10.5 million decrease as compared to the same period of 2009. For the nine month period ended October 1, 2010, income before income taxes was \$287.8 million, a \$31.4 million increase as compared to the first nine months of 2009. Third quarter 2009 income before income taxes included a \$20.0 million recognized by the Company in connection with its litigation settlement with Abbott Laboratories. As compared to 2009, Consumer Domestic income before



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taxes in both the third quarter and nine months of 2010 was favorably affected by the impact of higher product volumes sold, cost efficiencies derived from the Company's new manufacturing facility in York, Pennsylvania, lower costs associated with the North Brunswick, New Jersey plant and warehouse shutdown in 2009, lower manufacturing costs, lower marketing costs, lower SG&A costs and lower allocated interest expense, partially offset by higher trade promotion and slotting expenses.

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## Consumer International

Consumer International net sales were \$109.1 million in the third quarter of 2010, an increase of \$5.1 million or 4.9% as compared to the third quarter of 2009. Consumer International net sales in the first nine months of 2010 were \$323.8 million, an increase of \$42.3 million or approximately 15.0% as compared to the same period in 2009. The components of the net sales increase are the following:

Net Sales - Consumer International	Three Months Ended October 1, 2010	Nine Months Ended October 1, 2010
Product volumes sold	6.6%	8.7%
Pricing and sales mix	(1.0%)	(1.1%)
Foreign exchange rate fluctuations	(0.5%)	7.7%
Acquired product lines <sup>(1)</sup>	0.1%	0.0%
Divested products <sup>(2)</sup>	(0.3%)	(0.3%)
<b>Net Sales increase</b>	<b>4.9%</b>	<b>15.0%</b>

- (1) On June 4, 2010, the Company acquired the SIMPLY SALINE product line. Net sales subsequent to the acquisition are included in the Company's segment results. (See Note 9 to the condensed consolidated financial statements included in this report for further information.)
- (2) Product lines divested included the BRILLO and certain LAMBERT KAY product lines, which were divested in the first quarter of 2010, and ancillary products divested in the third quarter of 2009 that initially were acquired in connection with the Company's acquisition of the ORAJEL brand of products from Del Laboratories, Inc., a subsidiary of Coty, Inc., in October 2008.

Higher unit volumes were generated principally in Canada, Australia, the United Kingdom and Brazil. Net sales for the nine months ended October 1, 2010 were also favorably affected by the longer fiscal first quarter of 2010 as compared to the same fiscal quarter of 2009 in certain countries.

Consumer International income before income taxes was \$11.6 million in the third quarter of 2010, an increase of \$2.6 million as compared to the third quarter of 2009. Higher profits are attributable to the higher sales volume and favorable exchange rates on US dollar purchases of inventory, partially offset by higher SG&A and marketing costs. For the first nine months of 2010, income before income taxes was \$38.8 million, a \$10.4 million increase as compared to the first nine months of 2009. The factors causing the increase in Consumer International income before income taxes for the nine months ended October 1, 2010 include those applicable to the third quarter of 2010.

## Specialty Products Division

Specialty Products net sales were \$66.5 million in the third quarter of 2010, an increase of \$6.1 million or 10.1% as compared to the third quarter of 2009. Specialty Products net sales were \$195.0 million for the first nine months of 2010, an increase of \$14.3 million, or 7.9% as compared to the same period of 2009. The components of the net sales increase are the following:

Net Sales - Specialty Products Division	Three Months Ended October 1, 2010	Nine Months Ended October 1, 2010
Product volumes sold	5.3%	1.9%
Pricing and sales mix	3.9%	3.5%
Foreign exchange rate fluctuations	1.3%	2.8%
Divested product lines <sup>(1)</sup>	(0.4%)	(0.3%)

<b>Net Sales increase</b>	<b>10.1%</b>	<b>7.9%</b>
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(1) Product lines divested include the BRILLO product lines, which were divested in the first quarter of 2010. The pricing and sales mix increase reflects higher prices in response to raw material increases primarily in the animal nutrition business. Product volume increases were realized in the animal nutrition business. Net sales for the nine months ended October 1, 2010 were favorably affected by the longer fiscal first quarter of 2010 as compared to the same fiscal quarter of 2009.

Specialty Products income before income taxes was \$2.4 million in the third quarter of 2010, an increase of \$3.0 million as compared to the same period of 2009, and was \$17.3 million for the first nine months of 2010, an increase of \$4.4 million as compared to the same nine month period of 2009. The results for the quarter ended October 1, 2010 reflect a \$3.8 million

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environmental charge at one of the Company's international subsidiaries. The results for the three and nine month period of 2009 include an approximately \$7.0 million asset impairment charge and environmental remediation charge at one of the Company's international subsidiaries, of which approximately \$6.0 million was charged to Cost of Sales and approximately \$1.0 million was charged to SG&A.

### **Liquidity and Capital Resources**

As of October 1, 2010, the Company had \$453.5 million in cash, \$115.0 million available through its accounts receivable securitization facility, approximately \$96 million available under its \$100.0 million revolving credit facility and a \$250.0 million accordion feature that enables the Company to increase the principal amount of its term loan. To enhance the safety of its cash resources, the Company invests its cash primarily in government agency money market funds.

During the third quarter of 2010, the Company's credit rating was upgraded. As a result, the Company now has the opportunity to refinance its indebtedness on more favorable terms than are currently in effect under its existing credit facilities. Therefore, the Company anticipates that, during the fourth quarter of 2010, it will repay the outstanding \$408.0 million balance on its term loan facility, using available cash and borrowings available under the Company's accounts receivable securitization facility. The Company also plans to enter into a new, unsecured five-year approximate \$500.0 million revolving credit agreement in November 2010. The Company anticipates that its new credit facility also will contain an additional \$500.0 million of available credit through an accordion feature upon the satisfaction of certain conditions.

In addition, the Company will be terminating the interest rate collar and swap cash flow hedges. As a result of the refinancing, the Company determined, at the end of the third quarter, that it was probable that forecasted interest payments would not occur by the end of the originally specified contract time period. Therefore, the Company reclassified into interest expense an estimated net loss of \$4.3 million (pretax) from accumulated other comprehensive income in September 2010. The unamortized deferred financing costs of \$3.3 million associated with the variable rate debt will be charged to other expense in the fourth quarter.

The Company renewed its accounts receivable securitization facility in February 2010. This facility has been renewed annually in the past, and the Company anticipates that this facility will be renewed in February 2011. As of October 1, 2010, the Company had no borrowing under this facility. The Company believes that its ability to access the sources of cash described above has not been adversely affected by recent economic events. Therefore, the Company currently does not anticipate that the credit environment will have a material adverse effect on its ability to address its current and forecasted liquidity requirements. The Company anticipates that its cash from operations, along with its current borrowing capacity, will be sufficient to meet its capital expenditure program costs, mandatory debt repayment schedule and pension funding requirements over the next twelve months and to enable the Company to continue payment of its common stock dividend at its current rate for the foreseeable future. On August 4, 2010, the Company's Board of Directors declared an increase in the regular quarterly dividend from \$0.14 to \$0.17 per share, equivalent to an annual dividend of \$0.68 per share. The higher dividend raises the annualized dividend payout from \$40 million to \$48 million.

The current economic environment presents risks that could have adverse consequences for the Company's liquidity. (See "Economic conditions could adversely affect our business" under "Risk Factors" in Item 1A of the Company's Annual Report on Form 10-K for the year ended December 31, 2009.) However, the Company does not currently anticipate that the potential adverse developments addressed in those risk factors will occur. In addition, the Company does not anticipate that current economic conditions will adversely affect its ability to comply with the financial covenants in its principal credit facilities because the Company currently is, and anticipates that it will continue to be, in compliance with the minimum interest coverage ratio requirement and the maximum leverage ratio requirement under its current credit facility and the anticipated new credit facility described above. Ratios are discussed in more detail in this section under "Certain Financial Covenants."

### *Net Debt*

The Company had outstanding total debt of \$658.0 million and cash of \$453.5 million (of which approximately \$78.0 million resides in foreign subsidiaries) at October 1, 2010. Total debt less cash (net debt) was \$204.5 million at October 1, 2010. This compares to total debt of \$816.3 million and cash of \$447.1 million, resulting in net debt of \$369.2 million at December 31, 2009.

**Table of Contents***Cash Flow Analysis*

(In thousands)	Nine Months Ended	
	October 1, 2010	September 25, 2009
Net cash provided by operating activities	\$ 288,700	\$ 308,830
Net cash (used in) investing activities	\$ (108,170)	\$ (55,843)
Net cash (used in) financing activities	\$ (172,290)	\$ (37,060)

Net Cash Provided by Operating Activities The Company's net cash provided by operating activities in the first nine months of 2010 decreased \$20.1 million to \$288.7 million as compared to the same period in 2009. The decrease was primarily due to unfavorable cash changes in income taxes.

For the nine months ended October 1, 2010, the components of working capital that significantly affected operating cash flow are as follows:

Accounts receivable increased \$33.3 million due to the timing of increased net sales.

Accounts payable and other accrued expenses increased \$24.8 million, primarily because of timing of invoice payments, offset by incentive and profit sharing payments made in the first quarter of 2010, and severance related payments during the first nine months of 2010 associated with the closure of the Company's North Brunswick facility in 2009.

Income taxes payable decreased \$21.7 million due to higher payments associated with higher earnings and the timing of payments.

Net Cash Used in Investing Activities Net cash used in investing activities during the first nine months of 2010 was \$108.2 million, reflecting the \$70.0 million acquisition of the Simply Saline brand, the \$10.0 million acquisition of toothbrush technology and \$37.4 million of property, plant and equipment expenditures, partially offset by approximately \$8.2 million of proceeds received for assets sold, \$1.7 million in payments received on outstanding notes receivable, and state government grants of \$1.7 million received in connection with the York, Pennsylvania facility.

Net Cash Used in Financing Activities Net cash used in financing activities during the first nine months of 2010 was \$172.3 million, principally reflecting a net decrease in debt of \$158.3 million resulting from \$123.4 million of mandatory payments on the Company's term loan facility, repayment of short term bank debt of \$4.9 million at one of the Company's international subsidiaries and repayment of \$30.0 million associated with the Company's accounts receivable securitization facility. In addition, the Company paid cash dividends of \$31.9 million. The effect of these activities was partly offset by proceeds of and tax benefits from stock option exercises, aggregating \$18.0 million.

*Certain Financial Covenants*

Adjusted EBITDA is a component of the financial covenants contained in, and is defined in, the Company's principal credit agreement (the Credit Agreement). Financial covenants include a leverage ratio (total debt to Adjusted EBITDA) and an interest coverage ratio (Adjusted EBITDA to total interest expense), which if not met, could result in an event of default and trigger the early termination of the Credit Agreement. Adjusted EBITDA may not be comparable to similarly titled measures used by other entities and should not be considered as an alternative to cash flows from operating activities, which is determined in accordance with accounting principles generally accepted in the United States. The leverage ratio during the twelve months ended October 1, 2010 was 1.2, which is below the maximum of 3.0 permitted under the current Credit Agreement, and the interest coverage ratio for the twelve months ending October 1, 2010 was 18.3, which is above the minimum of 3.0 permitted under the current Credit Agreement. The Company's obligations under the current Credit Agreement are secured by substantially all of the assets of the Company. This will not be a requirement under the new revolving credit agreement. Refer to Note 11 to the condensed consolidated financial statements included in this report for disclosures relating to the new revolving credit agreement.

**Recent Accounting Pronouncements**

In January 2010, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2010-06, an amendment to FASB Accounting Standard Codification (ASC) Topic 820, which requires



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more robust disclosures about (1) the different classes of assets and liabilities measured at fair value, (2) the valuation techniques and the inputs used to develop fair value measurements, (3) the activity in Level 3 fair value measurements, which are based on significant unobservable inputs, and (4) the transfers between Levels 1, 2 and 3. The Company adopted this amendment effective January 1, 2010, and the amendment did not have a material impact on the Company's consolidated financial statements. Refer to Note 7 to the condensed consolidated financial statements included in this report for disclosures relating to fair value measurements.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

*Interest Rate Risk*

The Company had outstanding total debt at October 1, 2010 of \$658.0 million, of which \$250.0 million or 38% carries a fixed rate of interest. The remaining debt balance is comprised primarily of \$408.0 million in term loans under the Company's principal credit facilities.

During the fourth quarter of 2010, the Company anticipates paying off the outstanding Term Loan facility of \$408.0 million with available cash and borrowings available under the accounts receivable securitization facility. The Company also is planning on entering into a new revolving unsecured five-year credit agreement of approximately \$500.0 million in November 2010. The agreement will also contain an additional \$500.0 million through an accordion feature upon the satisfaction of certain conditions.

In addition, the Company anticipates terminating its interest rate collar and swap cash flow hedges. As a result of the planned refinancing, the Company determined, at the end of the third quarter, that it was probable that forecasted interest payments would not occur by the end of the originally specified contract time period. Therefore, the Company reclassified into interest expense an estimated net loss of \$4.3 million (pretax) from accumulated other comprehensive income in September 2010. The unamortized deferred financing costs of \$3.3 million associated with the variable rate debt will be charged to other expense in the fourth quarter.

The weighted average interest rate on all Company borrowings at October 1, 2010, giving effect to the cash flow hedge zero cost collar and interest rate swap agreements and excluding deferred financing costs and commitment fees, was approximately 3.7%.

If the variable rate on the Company's floating rate debt outstanding on October 1, 2010 were to change by 100 basis points from the October 1, 2010 level, annual interest expense associated with the floating rate debt would change by approximately \$1.6 million, assuming no change to variable interest rate debt and collar and swap cash flow hedges.

*Foreign Currency*

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

The Company, from time to time, enters into forward exchange contracts to reduce the impact of foreign exchange rate fluctuations related to anticipated but not yet committed sales or purchases denominated in the U.S. dollar, Canadian dollar, British pound and Euro. The Company's Canadian and Brazilian subsidiaries entered into forward exchange contracts to protect the Company from the risk that, due to changes in currency exchange rates, it would be adversely affected by net cash outflows. The face value of the unexpired contracts as of October 1, 2010 totaled U.S. \$28.4 million. The amount recorded, net of deferred taxes, as a result of changes in fair value of the forward exchange contracts, was an approximately \$0.4 million loss and \$0.1 million gain for the three and nine months ended October 1, 2010, respectively.

*Diesel Fuel Hedge*

The Company uses independent freight carriers to deliver its products. These carriers charge the Company a basic rate per mile that is subject to a mileage surcharge for diesel fuel price increases. During the second quarter of 2010, the Company entered into hedge agreements with a financial counterparty. Under the hedge agreements, the Company agreed to pay a fixed price per gallon of diesel fuel that was determined at the time the hedge was executed and receive a floating rate payment reflecting the variable

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common carriers mileage surcharge. The last of the contracts expire on September 30, 2011. The floating rate payment is determined on a monthly basis based on the average of the Department of Energy's Diesel Fuel Index price during the applicable month. The floating rate payment is designed to offset any increase or decrease in fuel surcharge payments that the Company pays to its carriers. The contracts cover approximately 39% of the Company's 2010 and 23% of the Company's 2011 diesel fuel requirements. The Company uses the hedge agreements to mitigate the volatility of diesel fuel prices and related fuel surcharges, and not to speculate in the future price of diesel fuel. The hedge agreements are designed to add stability to the Company's product costs, enabling the Company to make pricing decisions and lessen the economic impact of abrupt changes in diesel fuel prices over the term of the contract. These agreements qualify for hedge accounting under ASC Subtopic 815-20, *Derivatives and Hedging: Hedging-General*. Therefore, changes in the fair value of cash flow hedge agreements are recorded in Other Comprehensive Income on the balance sheet.

All unexpired diesel fuel hedge agreements existing as of December 31, 2009 were settled during the nine months ended October 1, 2010.

*Equity Derivatives*

The Company has entered into equity derivative contracts of its own stock in order to minimize the impact on earnings resulting from fluctuations in the liability to plan participants, as a result of changes in quoted fair values, with respect to contributions designated by the participants for notional investments in Company stock under the Company's deferred compensation plan. Since the equity derivatives do not qualify for hedge accounting under ASC Subtopic 815-20, *Derivatives and Hedging: Hedging-General*, the Company is required to mark the agreements to market throughout the life of the agreements and record changes in fair value in the consolidated statement of income.

See Note 8 to the condensed consolidated financial statements included in this report for additional information regarding the reported changes in fair values of the Company's derivative instruments.

**ITEM 4. CONTROLS AND PROCEDURES**

a. Evaluation of Disclosure Controls and Procedures

The Company's management, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures at the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures as of the end of the period covered by this report are functioning effectively to provide reasonable assurance that the information required to be disclosed by the Company in reports filed under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (ii) accumulated and communicated to the Company's management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding the disclosure.

b. Change in Internal Control over Financial Reporting

No change in the Company's internal control over financial reporting occurred during the Company's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

**Cautionary Note on Forward-Looking Statements**

This Report contains forward-looking statements, including, among others, statements relating to sales and earnings growth, earnings per share, margin improvement, trade and marketing spending, the Company's hedge programs, interest rate collars and swap agreements, the impact of foreign exchange rate and commodities fluctuations, the effective tax rate, the impact of tax audits and the lapse of applicable statutes of limitations, expenditures in connection with the closing of the Company's facilities in North Brunswick, New Jersey and certain facilities in Brazil, the sufficiency of cash flows from operations and the Company's current and anticipated future borrowing capacity to meet capital expenditure program costs, its mandatory debt repayment schedule, pension funding requirements and



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payment of dividends, the acquisition of the Simply Saline and Toothbrush brands, divestitures, the effect of the credit environment on the Company's liquidity, the Company's plans to refinance its variable rate debt and the Company's ability to renew its accounts receivable securitization facility. These statements represent the intentions, plans, expectations and beliefs of the Company, and are subject to risks, uncertainties and other factors, many of which are outside the Company's control and could cause actual results to differ materially from such forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include a decline in market growth and consumer demand (including the effect of political, economic and marketplace conditions and events on consumer demand); unanticipated increases in raw material and energy prices; adverse developments affecting the financial condition of major customers and suppliers; competition; the impact of retailer actions in response to changes in consumer demand and the economy, including increasing shelf space of private label products; consumer reaction to new product introductions and features; disruptions in the banking system and financial markets and the outcome of contingencies, including litigation, pending regulatory proceedings and environmental remediation.

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

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**PART II - OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

The Company received a subpoena and civil investigative demand from the Federal Trade Commission ( FTC ) in connection with a non-public investigation in which the FTC is seeking to determine if the Company has engaged or is engaging in any unfair methods of competition with respect to the distribution and sale of condoms in the United States through potentially exclusionary practices. The Company believes that its distribution and sales practices involving the sale of condoms in the United States are in full compliance with applicable law. The FTC has notified the Company that it has made no determination as to whether to take any further administrative or legal action.

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

**ITEM 1A. RISK FACTORS**

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Item 1A, Risk Factors in the Company s Annual Report on Form 10-K for the year ended December 31, 2009, which could materially affect our business, financial condition or future results.

**ITEM 6. EXHIBITS**

- (3.1) Restated Certificate of Incorporation of the Corporation, as amended, incorporated by reference to Exhibit 3.2 to the Company s quarterly report on Form 10-Q for the quarter ended March 27, 2009.
- (3.2) By-laws of the Company as amended, incorporated by reference to Exhibit 3.1 to the Company s current report on Form 8-K filed on February 3, 2009.
- (31.1) Certification of the Chief Executive Officer of the Company pursuant to Rule 13a-14(a) under the Securities Exchange Act.
- (31.2) Certification of the Chief Financial Officer of the Company pursuant to Rule 13a-14(a) under the Securities Exchange Act.
- (32.1) Certification of the Chief Executive Officer of the Company pursuant to Rule 13a-14(b) under the Exchange Act and 18 U.S.C. Section 1350.
- (32.2) Certification of the Chief Financial Officer of the Company pursuant to Rule 13a-14(b) under the Exchange Act and 18 U.S.C. Section 1350.
- (101) The following materials from Church & Dwight Co., Inc. s quarterly report on Form 10-Q for the quarter ended October 1, 2010, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Statements of Income for the three and nine months ended October 1, 2010 and September 25, 2009, (ii) Condensed Consolidated Balance Sheets at October 1, 2010 and December 31, 2009, (iii) Condensed Consolidated Statements of Cash Flows for the nine months ended October 1, 2010 and September 25, 2009, (iv) Condensed Consolidated Statements of Stockholders Equity for the nine months ended October 1, 2010 and September 25, 2009 and (v) Notes to Condensed Consolidated Financial Statements, tagged as blocks of text.

Indicates documents filed herewith.

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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.

CHURCH & DWIGHT CO., INC.  
(REGISTRANT)

DATE: November 9, 2010

*/s/ Matthew T. Farrell*  
MATTHEW T. FARRELL  
CHIEF FINANCIAL OFFICER

DATE: November 9, 2010

*/s/ Steven J. Katz*  
STEVEN J. KATZ  
VICE PRESIDENT AND  
CONTROLLER  
(PRINCIPAL ACCOUNTING OFFICER)

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