

PLAYTEX PRODUCTS INC  
Form 10-Q  
August 03, 2005

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# 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 July 2, 2005

or

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

Commission File No. 1 12620

## PLAYTEX PRODUCTS, INC.

(Exact name of registrant as specified in its charter)

Delaware

51 0312772

(State or other jurisdiction of  
incorporation or organization)

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

300 Nyala Farms Road, Westport, Connecticut

06880

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (203) 341 4000

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes ☒ No ☐

At July 28, 2005, 61,921,594 shares of Playtex Products, Inc. common stock, par value \$.01 per share, were outstanding.

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## PLAYTEX PRODUCTS, INC.

## CONSOLIDATED STATEMENTS OF INCOME

(Unaudited, in thousands, except per share data)

|   | Three Months Ended |                  | Six Months Ended |                  |
|---|--------------------|------------------|------------------|------------------|
|   | July 2,<br>2005    | June 26,<br>2004 | July 2,<br>2005  | June 26,<br>2004 |
| Net sales                                   | \$ 177,014         | \$ 185,522       | \$ 363,699       | \$ 377,450       |
| Cost of sales                               | 84,488             | 88,248           | 171,501          | 179,947          |
| Gross profit                                | 92,526             | 97,274           | 192,198          | 197,503          |
| Operating expenses:                         |                    |                  |                  |                  |
| Selling, general and administrative         | 60,037             | 69,770           | 117,796          | 132,708          |
| Restructuring                               | 1,473              |                  | 2,208            | 93               |
| Amortization of intangibles                 | 609                | 225              | 1,217            | 451              |
| Total operating expenses                    | 62,119             | 69,995           | 121,221          | 133,252          |
| Operating income                            | 30,407             | 27,279           | 70,977           | 64,251           |
| Interest expense, net                       | 16,293             | 17,966           | 34,044           | 34,372           |
| Expenses related to retirement of debt, net | 3,846              |                  | 8,592            | 6,432            |
| Other expenses                              |                    | 37               | 21               | 336              |
| Income before income taxes                  | 10,268             | 9,276            | 28,320           | 23,111           |
| Provision for income taxes                  | 4,106              | 1,021            | 7,189            | 6,480            |
| Net income                                  | \$ 6,162           | \$ 8,255         | \$ 21,131        | \$ 16,631        |
| Earnings per share, basic and diluted       | \$ 0.10            | \$ 0.13          | \$ 0.34          | \$ 0.27          |
| Weighted average shares outstanding:        |                    |                  |                  |                  |
| Basic                                       | 61,561             | 61,216           | 61,403           | 61,216           |
| Diluted                                     | 62,225             | 61,227           | 61,847           | 61,221           |

See accompanying notes to unaudited consolidated financial statements.

**PLAYTEX PRODUCTS, INC.****CONSOLIDATED BALANCE SHEETS**

(In thousands, except per share data)

|  | July 2,<br>2005 | December 25,<br>2004 |
|--|-----------------|----------------------|
|  | (Unaudited)     |                      |
| <b>ASSETS</b>  |                 |                      |
| Current assets:  |                 |                      |
| Cash and cash equivalents  | \$ 68,962       | \$ 137,766           |
| Receivables, less allowance for doubtful accounts of \$1,456 at July 2, 2005 and \$1,314 at December 25, 2004  | 136,533         | 97,188               |
| Inventories  | 55,689          | 71,711               |
| Deferred income taxes, net   | 11,309          | 9,789                |
| Other current assets   | 6,787           | 8,266                |
|  | <hr/>           | <hr/>                |
| Total current assets   | 279,280         | 324,720              |
| Net property, plant and equipment  | 115,698         | 120,638              |
| Goodwill   | 494,307         | 494,307              |
| Trademarks, patents and other  | 131,908         | 128,304              |
| Deferred financing costs, net  | 13,750          | 16,586               |
| Other noncurrent assets  | 4,686           | 6,835                |
|  | <hr/>           | <hr/>                |
| Total assets   | \$ 1,039,629    | \$ 1,091,390         |
|  | <hr/>           | <hr/>                |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>  |                 |                      |
| Current liabilities:   |                 |                      |
| Accounts payable   | \$ 23,233       | \$ 41,758            |
| Accrued expenses   | 98,536          | 81,112               |
| Income taxes payable   | 1,942           | 2,110                |
|  | <hr/>           | <hr/>                |
| Total current liabilities  | 123,711         | 124,980              |
| Long-term debt   | 718,920         | 800,000              |
| Deferred income taxes  | 68,053          | 61,403               |
| Other noncurrent liabilities   | 18,261          | 21,072               |
|  | <hr/>           | <hr/>                |
| Total liabilities  | 928,945         | 1,007,455            |
|  | <hr/>           | <hr/>                |
| Stockholders' equity:  |                 |                      |
| Common stock, \$0.01 par value, authorized 100,000,000 shares, issued and outstanding 61,762,523 shares at July 2, 2005 and 61,215,856 shares at December 25, 2004 | 627             | 612                  |
| Additional paid-in capital   | 542,366         | 526,233              |
| Retained earnings (accumulated deficit)  | (421,901)       | (443,032)            |
| Accumulated other comprehensive income   | (118)           | 122                  |
| Unearned restricted stock compensation   | (10,290)        |                      |
|  | <hr/>           | <hr/>                |
| Total stockholders' equity   | 110,684         | 83,935               |
|  | <hr/>           | <hr/>                |
| Total liabilities and stockholders' equity   | \$ 1,039,629    | \$ 1,091,390         |
|  | <hr/>           | <hr/>                |

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See accompanying notes to unaudited consolidated financial statements.

## PLAYTEX PRODUCTS, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited, in thousands)

|   | Six Months Ended |                  |
|---|------------------|------------------|
|   | July 2,<br>2005  | June 26,<br>2004 |
| Cash flows from operations:   |                  |                  |
| Net income  | \$ 21,131        | \$ 16,631        |
| Adjustments to reconcile net income to net cash provided by operations: |                  |                  |
| Depreciation  | 8,103            | 7,396            |
| Amortization of intangibles   | 1,217            | 451              |
| Amortization of deferred financing costs                                | 1,380            | 1,140            |
| Amortization of unearned restricted stock compensation                  | 679              |                  |
| Deferred income taxes   | 5,492            | 8,643            |
| Prepaid pension asset and postretirement benefits                       | 1,714            | (140)            |
| Premium (discount) on bond repurchases                                  | 7,136            | (450)            |
| Write-off of deferred fees related to retirement of debt                | 1,456            | 6,882            |
| Other, net  | 158              | 229              |
| Net changes in operating assets and liabilities:                        |                  |                  |
| Accounts receivable and retained interests                              | (39,336)         | (71,802)         |
| Inventories   | 16,002           | 16,128           |
| Accounts payable  | (18,722)         | (11,261)         |
| Accrued expenses  | 17,255           | 33,162           |
| Other   | 265              | 2,248            |
| Net cash provided by operations   | 23,930           | 9,257            |
| Cash flows from investing activities:                                   |                  |                  |
| Capital expenditures  | (3,498)          | (7,529)          |
| Payments for intangible assets  | (5,786)          | (500)            |
| Net cash used for investing activities                                  | (9,284)          | (8,029)          |
| Cash flows from financing activities:                                   |                  |                  |
| Borrowings under revolving credit facilities                            |                  | 37,800           |
| Repayments under revolving credit facilities                            |                  | (37,800)         |
| Long-term debt borrowings   |                  | 467,500          |
| Long-term debt repayments   | (81,080)         | (453,250)        |
| (Premium) discount on bond repurchases                                  | (7,136)          | 450              |
| Payment of financing costs  |                  | (12,700)         |
| Proceeds from exercise of stock options                                 | 4,944            |                  |
| Net cash (used for) provided by financing activities                    | (83,272)         | 2,000            |
| Effect of exchange rate changes on cash                                 | (178)            | (411)            |
| Decrease in cash and cash equivalents                                   | (68,804)         | 2,817            |
| Cash and cash equivalents at beginning of period                        | 137,766          | 27,453           |
| Cash and cash equivalents at end of period                              | \$ 68,962        | \$ 30,270        |
| Supplemental disclosures of cash flow information                       |                  |                  |
| Cash paid during the periods for:                                       |                  |                  |
| Interest  | \$ 35,563        | \$ 24,608        |

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|  |    |       |    |     |
|--|----|-------|----|-----|
| Income tax payments, net   | \$ | 1,865 | \$ | 819 |
| See accompanying notes to unaudited consolidated financial statements. |    |       |    |     |

**PLAYTEX PRODUCTS, INC.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS**

**1. Basis of Presentation**

The interim Consolidated Financial Statements have been prepared in accordance with generally accepted accounting principles ( GAAP ) for interim financial information. In preparing our interim financial statements, we make certain adjustments (consisting of normal recurring adjustments) considered necessary in our opinion for a fair presentation of our financial position and results of operations. The results of operations for the three and six month periods ended July 2, 2005 are not necessarily indicative of the results that you may expect for the full year.

Our results for the second quarter of 2005 and 2004 are for the 13 week periods ended July 2, 2005 and June 26, 2004. Our results for the first six months of 2005 are for the 27 week period ended July 2, 2005 and our results for the first six months of 2004 are for the 26 week period ended June 26, 2004. Our fiscal year end is on the last Saturday nearest to December 31 and, as a result, a fifty-third week is added every five or six years. Our 2005 fiscal year is a fifty-three week year.

Our interim financial information and accompanying notes should be read in conjunction with our Annual Report on Form 10-K for the year ended December 25, 2004. Certain prior year amounts have been reclassified to conform to our current year presentation.

**2. Stock-Based Compensation**

We account for stock based compensation in accordance with Statement of Financial Accounting Standard ( SFAS ) No. 123, Accounting for Stock-Based Compensation, as amended by SFAS No. 148, Accounting for Stock-Based Compensation Transition and Disclosure. As permitted by SFAS No. 123 and SFAS No. 148, we follow the intrinsic value approach of Accounting Principles Board Opinion No. 25 ( APB No. 25 ), and Financial Accounting Standards Board ( FASB ) Interpretation No. 44, Accounting for Certain Transactions Involving Stock-Based Compensation, an Interpretation of APB No. 25 issued for determining compensation expense related to the issuance of stock options. Accordingly, we have not recorded any compensation expense related to our issued and outstanding stock options and have recorded approximately \$0.7 million of compensation expense in the second quarter of 2005, related to the issuance of restricted stock during the same period.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), Share-based Payment. SFAS No. 123 (R) will require us to measure all employee stock-based compensation awards using a fair value method and recognize such expense in our financial statements. In addition, SFAS No. 123 (R) will require additional accounting related to the income tax effects and additional disclosure regarding the cash flow effects resulting from share-based payment arrangements. In April 2005, the Securities and Exchange Commission ( SEC ) indicated that it would not require companies to record any expense in accordance with SFAS No. 123 (R) until the first annual period beginning after June 15, 2005, which is fiscal 2006 for us. Adoption of this statement will have an impact on reported net income as we will be required to expense the fair value of our stock based compensation awards rather than disclose the impact on our consolidated net income written in our footnotes, which is our current practice. We are in the process of evaluating the extent of the impact.



## PLAYTEX PRODUCTS, INC.

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**2. Stock-Based Compensation (Continued)**

The following table illustrates the pro forma effect of stock-based compensation on net income and earnings per share as if we had applied the fair value recognition provisions of SFAS No. 123 (Unaudited, in thousands, except per share data):

|  | Three Months Ended |                  | Six Months Ended |                  |
|--|--------------------|------------------|------------------|------------------|
|  | July 2,<br>2005    | June 26,<br>2004 | July 2,<br>2005  | June 26,<br>2004 |
| Net income:  |                    |                  |                  |                  |
| As reported  | \$ 6,162           | \$ 8,255         | \$ 21,131        | \$ 16,631        |
| Deduct: Total stock-based employee compensation expense determined under the fair value method for stock option awards, net of tax | (489)              | (546)            | (835)            | (1,101)          |
| Pro forma Basic and diluted  | \$ 5,673           | \$ 7,709         | \$ 20,296        | \$ 15,530        |
| Earnings per share:  |                    |                  |                  |                  |
| As reported: Basic and diluted   | \$ 0.10            | \$ 0.13          | \$ 0.34          | \$ 0.27          |
| Pro forma: Basic and diluted   | \$ 0.09            | \$ 0.13          | \$ 0.33          | \$ 0.25          |
| Weighted average common shares and common equivalent shares outstanding:   |                    |                  |                  |                  |
| Basic  | 61,561             | 61,216           | 61,403           | 61,216           |
| Diluted  | 62,225             | 61,227           | 61,847           | 61,221           |

The fair value of each stock option grant was estimated on the date of grant using the Black-Scholes option-pricing model, which uses a number of assumptions to estimate the value of stock option grants. Assumptions used in the Black-Scholes option-pricing model include: risk-free interest rates, dividend yield if applicable, expected option life and the volatility of the underlying stock price.

**3. Restructuring**

In February 2005, we announced a realignment plan to improve focus on our core categories, reduce organizational complexity and obtain a more competitive cost structure. This is a continuation of our operational restructuring that began in late 2003. We estimate that restructuring and other charges related to the realignment are expected to total between \$17 and \$19 million by the end of 2005, of which \$10.2 million of restructuring costs related primarily to severance costs under our existing severance policy and \$0.4 million of other related costs in selling, general and administrative ( SG&A ) expenses were recorded in the fourth quarter of 2004. In the first half of 2005, we incurred \$2.2 million in restructuring charges and \$1.2 million in restructuring related charges, of which \$1.0 million were included in cost of sales and \$0.2 million were included in SG&A, related to the previously disclosed realignment program.

## PLAYTEX PRODUCTS, INC.

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 3. Restructuring (Continued)

The following tables summarize the restructuring activities for the six months ended July 2, 2005 and June 26, 2004 (Unaudited, in thousands):

|                                | Beginning<br>Balance | Charge to<br>Income | Adjustments<br>and Changes<br>to Estimates | Utilized, Net     |                   | Ending<br>Balance |
|--------------------------------|----------------------|---------------------|--|-------------------|-------------------|-------------------|
|                                |                      |                     |  | Cash              | Non-Cash          |                   |
| <b>Fiscal 2005</b>             |                      |                     |  |                   |                   |                   |
| Severance and related expenses | \$ 10,675            | \$ 158              | \$ 36                                      | \$ (4,592)        | \$                | \$ 6,277          |
| Early retirement obligations   |                      | 2,050               |  | (273)             | (1,679)           | 98                |
| <b>Total</b>                   | <b>\$ 10,675</b>     | <b>\$ 2,208</b>     | <b>\$ 36</b>                               | <b>\$ (4,865)</b> | <b>\$ (1,679)</b> | <b>\$ 6,375</b>   |
| <b>Fiscal 2004</b>             |                      |                     |  |                   |                   |                   |
| Severance and related expenses | \$ 2,478             | \$ 93               | \$   | \$ (1,150)        | \$                | \$ 1,421          |

## 4. Balance Sheet Components

The components of certain balance sheet accounts are as follows (in thousands):

|  | July 2,<br>2005   | December 25,<br>2004 |
|--|-------------------|----------------------|
|  | (Unaudited)       |                      |
| <b>Inventories:</b>  |                   |                      |
| Raw materials  | \$ 9,052          | \$ 13,587            |
| Work in process  | 1,154             | 1,714                |
| Finished goods   | 45,483            | 56,410               |
| <b>Total</b>   | <b>\$ 55,689</b>  | <b>\$ 71,711</b>     |
| <b>Accrued expenses:</b>   |                   |                      |
| Advertising and sales promotion                                    | \$ 34,340         | \$ 21,154            |
| Sun Care returns reserve   | 19,922            | 5,994                |
| Interest   | 13,058            | 14,577               |
| Employee compensation and benefits                                 | 12,882            | 20,044               |
| Restructuring costs - current                                      | 5,391             | 8,268                |
| Other  | 12,943            | 11,075               |
| <b>Total</b>   | <b>\$ 98,536</b>  | <b>\$ 81,112</b>     |
| <b>Long term debt:</b>   |                   |                      |
| 8% Senior Secured Notes due 2011                                   | \$ 378,920        | \$ 460,000           |
| 9 <sup>3</sup> / <sub>8</sub> % Senior Subordinated Notes due 2011 | 340,000           | 340,000              |
| <b>Total long-term debt</b>  | <b>\$ 718,920</b> | <b>\$ 800,000</b>    |
| <b>Accumulated other comprehensive income:</b>                     |                   |                      |

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|   |    |                   |    |                   |
|---|----|-------------------|----|-------------------|
| Foreign currency translation <sup>(1)</sup>         | \$ | 759               | \$ | 999               |
| Minimum pension liability adjustment <sup>(2)</sup> |    | (877)             |    | (877)             |
|   |    | <u>          </u> |    | <u>          </u> |
| Total   | \$ | (118)             | \$ | 122               |
|   |    | <u>          </u> |    | <u>          </u> |

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<sup>(1)</sup> Net of tax effect of \$0.4 million at July 2, 2005 and \$0.5 million at December 25, 2004.

<sup>(2)</sup> Net of tax effect of \$0.6 million for each period shown.

## PLAYTEX PRODUCTS, INC.

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

**5. Expenses Related to Retirement of Debt, Net**

In the first half of 2005, we repurchased on the open market, and subsequently canceled, \$81.1 million principal amount of our 8% Senior Secured Notes due 2011 (the 8% Notes) at a premium of \$7.1 million. In addition, we wrote off \$1.5 million of deferred financing fees, representing the pro-rata portion of the unamortized deferred financing fees associated with the repurchased 8% Notes.

On February 19, 2004, we terminated our then outstanding credit facility and receivables facility. As a result, we wrote off approximately \$6.7 million in unamortized deferred financing costs relating to these facilities. In addition, we recorded a gain of approximately \$0.5 million, which was partially offset by a write-off of approximately \$0.2 million of unamortized deferred financing fees, as the result of the repurchase on the open market of \$10.0 million principal of our 9 <sup>3</sup>/<sub>8</sub>% Senior Subordinated Notes due 2011.

**6. Income Taxes**

In the second quarter of 2005, we recorded a tax provision of \$4.1 million reflecting our 40% effective tax rate. The first half of 2005 includes a tax benefit of \$4.1 million recorded in the first quarter to reflect the reduced tax rate associated with the special repatriation of undistributed earnings from one of our foreign subsidiaries under The American Jobs Creation Act of 2004. We fully provided U.S. taxes for these undistributed earnings at the statutory rate of 35%. The tax benefit noted above reflects the reduced tax rate associated with this special repatriation, which was substantially below our statutory rate noted above.

In the second quarter of 2004, we recorded a \$2.8 million tax benefit resulting from the favorable settlement of a foreign tax audit. Exclusive of this benefit our effective tax rate for the second quarter of 2004 was 41%.

**7. Pension and Other Postretirement Benefits**

The components of the net periodic pension expense for the three and six months ended July 2, 2005 and June 26, 2004 are as follows (Unaudited, in thousands):

|  | Three Months Ended |                  | Six Months Ended |                  |
|--|--------------------|------------------|------------------|------------------|
|  | July 2,<br>2005    | June 26,<br>2004 | July 2,<br>2005  | June 26,<br>2004 |
| <b>Net Periodic Pension Expense</b>            |                    |                  |                  |                  |
| Service cost benefits earned during the period | \$ 363             | \$ 365           | \$ 727           | \$ 730           |
| Interest cost on projected benefit obligation  | 814                | 789              | 1,622            | 1,578            |
| Expected return on plan assets                 | (1,082)            | (1,064)          | (2,172)          | (2,128)          |
| Amortization of prior service cost             | 4                  |                  | 7                |                  |
| Recognized actuarial loss                      | 102                | 42               | 140              | 84               |
| Amortization of transition obligation          | 7                  | 9                | 14               | 17               |
| <b>Net periodic pension expense</b>            | <b>\$ 208</b>      | <b>\$ 141</b>    | <b>\$ 338</b>    | <b>\$ 281</b>    |

The components of the net periodic postretirement benefit expense for the three and six month periods ended July 2, 2005 and June 26, 2004 are as follows (Unaudited, in thousands):

|  | Three Months Ended |                  | Six Months Ended |                  |
|--|--------------------|------------------|------------------|------------------|
|  | July 2,<br>2005    | June 26,<br>2004 | July 2,<br>2005  | June 26,<br>2004 |
| <b>Net Periodic Postretirement Benefit Expense</b> |                    |                  |                  |                  |
| Service cost benefits earned during the period     | \$ 189             | \$ 179           | \$ 378           | \$ 358           |
| Interest cost on accumulated benefit obligation    | 306                | 266              | 612              | 532              |
| Amortization of prior service credit               | (584)              | (583)            | (1,168)          | (1,167)          |

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|   |                   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|-------------------|
| Recognized actuarial loss                   | 299               | 303               | 598               | 606               |
|   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Net periodic postretirement benefit expense | \$ 210            | \$ 165            | \$ 420            | \$ 329            |
|   | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |

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**PLAYTEX PRODUCTS, INC.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**8. Business Segments**

We are organized in four product categories, which are categorized as business segments in accordance with GAAP, as follows:

Our **Feminine Care** product category includes a wide range of plastic and cardboard applicator tampons, as well as complementary products, marketed under such brand names as:

**Tampons**

*Plastic applicator:*

*Playtex Gentle Glide,  
Playtex Portables, and  
Playtex Slimfits.*

*Cardboard applicator:*

*Playtex Beyond, and  
Playtex Silk Glide.*

**Complementary Products**

*Playtex Personal Cleansing Cloths for use in feminine hygiene, and  
Playtex Heat Therapy patch to alleviate discomfort associated with menstrual pain.*

Our **Infant Care** product category includes the following brands:

**Infant Feeding Products**

*Playtex disposable Nurser System,  
Playtex cups and mealtime products,  
Playtex reusable hard bottles, and  
Playtex pacifiers.*

**Other Infant Care Products**

*Diaper Genie diaper disposal system,  
Infant accessories*

Our **Skin Care** product category includes the following well-recognized brands:

*Banana Boat Sun Care products,  
Wet Ones pre-moistened towelettes,  
Playtex Gloves,*

*Baby Magic baby toiletries, and  
Mr. Bubble children's bubble bath.*

Our **Other** product category includes a number of other brands that we consider non-core to our overall strategic plan. These products include *Ogilvie* at-home permanents, *Binaca* breath spray and drops and other health and beauty care products as well as Woolite rug and upholstery products. The Woolite product line was divested on November 2, 2004.

## PLAYTEX PRODUCTS, INC.

## NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 8. Business Segments (Continued)

The results of our business segments for the three and six months ended July 2, 2005 and June 26, 2004 are as follows. Corporate includes general and administrative charges not allocated to the business segments as well as all restructuring charges and amortization of intangibles (Unaudited, in thousands):

|               | Three Months Ended |                  |               |                  |
|---------------|--------------------|------------------|---------------|------------------|
|               | July 2, 2005       |                  | June 26, 2004 |                  |
|               | Net Sales          | Operating Income | Net Sales     | Operating Income |
| Feminine Care | \$ 57,977          | \$ 16,352        | \$ 57,781     | \$ 14,973        |
| Infant Care   | 38,655             | 8,068            | 40,734        | 8,219            |
| Skin Care     | 73,749             | 17,475           | 72,604        | 15,871           |
| Other         | 6,633              | 2,109            | 14,403        | 2,117            |
| Subtotal      | 177,014            | 44,004           | 185,522       | 41,180           |
| Corporate     |                    | (13,597)         |               | (13,901)         |
| Total         | \$ 177,014         | \$ 30,407        | \$ 185,522    | \$ 27,279        |
| -             |                    |                  |               |                  |
|               | Six Months Ended   |                  |               |                  |
|               | July 2, 2005       |                  | June 26, 2004 |                  |
|               | Net Sales          | Operating Income | Net Sales     | Operating Income |
| Feminine Care | \$ 111,995         | \$ 32,962        | \$ 113,636    | \$ 31,541        |
| Infant Care   | 85,455             | 22,022           | 81,999        | 20,620           |
| Skin Care     | 152,205            | 37,055           | 153,111       | 36,241           |
| Other         | 14,044             | 4,285            | 28,704        | 4,152            |
| Subtotal      | 363,699            | 96,324           | 377,450       | 92,554           |
| Corporate     |                    | (25,347)         |               | (28,303)         |
| Total         | \$ 363,699         | \$ 70,977        | \$ 377,450    | \$ 64,251        |

## 9. Earnings Per Share

The following table explains how our basic and diluted Earnings Per Share ( EPS ) were calculated for the three and six months ended July 2, 2005 and June 26, 2004 (Unaudited, in thousands, except per share amounts):

| Three Months Ended |               | Six Months Ended |               |
|--------------------|---------------|------------------|---------------|
| July 2, 2005       | June 26, 2004 | July 2, 2005     | June 26, 2004 |

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|  |          |          |           |           |
|--|----------|----------|-----------|-----------|
| <b>Numerator:</b>                            |          |          |           |           |
| Net income as reported                       | \$ 6,162 | \$ 8,255 | \$ 21,131 | \$ 16,631 |
| <b>Denominator:</b>                          |          |          |           |           |
| Weighted average shares outstanding Basic    | 61,561   | 61,216   | 61,403    | 61,216    |
| <b>Effect of Dilutive Securities:</b>        |          |          |           |           |
| Dilutive effect of restricted stock          | 6        |          | 3         |           |
| Dilutive effect of performance stock options | 106      |          | 53        |           |
| Dilutive effect of time based stock options  | 552      | 11       | 388       | 5         |
| Weighted average shares outstanding Diluted  | 62,225   | 61,227   | 61,847    | 61,221    |
| Earnings per share, basic and diluted        | \$ 0.10  | \$ 0.13  | \$ 0.34   | \$ 0.27   |

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**PLAYTEX PRODUCTS, INC.**

**NOTES TO UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**9. Earnings Per Share (Continued)**

Basic EPS excludes all potentially dilutive securities. Basic EPS is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted EPS includes all dilutive securities. Potentially dilutive securities include stock options granted to our employees. At July 2, 2005 and June 26, 2004, anti dilutive weighted average shares totaling 3.6 million shares and 7.5 million shares, respectively, were excluded from the diluted weighted average shares outstanding. Diluted EPS is computed by dividing net income, adjusted by the if-converted method for convertible securities, by the weighted average number of common shares outstanding for the period plus the number of additional common shares that would have been outstanding if the dilutive securities were issued. In the event the dilutive securities are anti-dilutive on net income (i.e., have the effect of increasing EPS), the impact of the dilutive securities is not included in the computation.

**10. Commitments and Contingencies**

In our opinion, there are no claims, commitments, guarantees or litigation pending to which we or any of our subsidiaries is a party which would have a material adverse effect on the consolidated financial position, results of operations or cash flows of the Company.

**11. Subsequent Event**

We have entered into an agreement to purchase the distribution rights for all Banana Boat sales in the states of California, Arizona and Nevada from Banana Boat of California, an independent third party who acquired such distribution rights prior to our purchase of the *Banana Boat* brand in 1995. The transaction is anticipated to close in September 2005 for a purchase price of approximately \$27.0 million. During the second quarter of 2005, we purchased distribution rights for two sales territories in Florida, owned by two independent third parties, for a combined purchase price of approximately \$4.7 million. With the completion of these transactions, we will have exclusive distribution rights for *Banana Boat* worldwide.

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**PLAYTEX PRODUCTS, INC.**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.**

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with the unaudited Consolidated Financial Statements and notes included in this report and the audited Consolidated Financial Statements and notes to Consolidated Financial Statements included in our Annual Report on Form 10-K for the year ended December 25, 2004.

**Forward Looking Statements**

This document includes forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements relate to analyses and other information that are based on forecasts of future results and estimates of amounts not yet determinable. These statements also relate to our future prospects, developments and business strategies. The statements contained in this document that are not statements of historical fact may include forward looking statements that involve a number of risks and uncertainties. You should keep in mind that any forward looking statement made by us in this document, or elsewhere, speaks only as of the date on which we make it. Refer to Part I, Item O in our Annual Report on Form 10-K for the year ended December 25, 2004 for factors that may cause actual results to differ materially from our forward looking statements

**Critical Accounting Policies**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States ( GAAP ) requires us to make estimates and assumptions. These estimates and assumptions affect:

- The reported amounts and timing of revenue and expenses,
- The reported amounts and classification of assets and liabilities, and
- The disclosure of contingent assets and liabilities.

Actual results could vary from our estimates and assumptions. These estimates and assumptions are based on historical results, assumptions that we make, as well as assumptions by third parties.

Key areas where assumptions and estimates are used include sun care returns, bad debt reserves, long-lived assets, goodwill and indefinite-lived intangible assets, promotional accruals, restructuring and related charges and pension and postretirement benefits. For a more in depth discussion of our critical accounting policies, refer to the Management's Discussion and Analysis in our Annual Report on Form 10-K for the year ended December 25, 2004.

**Overview**

Our results for the second quarter of 2005 and 2004 are for the 13 week periods ended July 2, 2005 and June 26, 2004. Our results for the first six months of 2005 are for the 27 week period ended July 2, 2005 and our results for the first six months of 2004 are for the 26 week period ended June 26, 2004. We do not believe the extra week in the first quarter of 2005 contributed materially to our net sales or net income as two of the days in late December were slow days just after the Christmas holiday and the shift of the Easter holiday to late March as compared to April in the prior year reduced the impact on shipment days during the quarter.

Our results for the three and six months ended July 2, 2005 and June 26, 2004 were impacted by certain restructuring and related charges as well as other charges and gains that should be considered in reviewing the results as presented, including:

- Restructuring and related expenses of \$2.2 million and \$3.4 million for the three and six months ended July 2, 2005, respectively, as compared to \$1.1 million and \$2.6 million for the three and six months ended June 26, 2004, respectively,
- Net expenses related to the retirement of debt of \$3.8 million and \$8.6 million in the second quarter and first half of 2005, respectively, and \$6.4 million in the first quarter of 2004,
- A \$3.0 million legal award received in the first quarter of 2005 from a competitor as settlement of a false advertising claim and a \$1.5 million legal settlement received in the second quarter of 2005, and

## PLAYTEX PRODUCTS, INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

A tax benefit of \$4.1 million related to the repatriation of cash from a foreign subsidiary in the first quarter of 2005 under the new tax law. The second quarter of 2004 includes a tax benefit of \$2.8 million as the result of the favorable settlement of a foreign tax audit.

The three and six months financial results includes sales and operating income from Woolite, which was divested in November 2004. Therefore the results may not be comparable for the periods presented.

## Results of Operations

*Three Months Ended July 2, 2005 Compared To Three Months Ended June 26, 2004*

The following table sets forth our Consolidated Statements of Income, including net sales by major product segment, as well as our consolidated results of operations expressed as a percentage of net sales for the three months ended July 2, 2005 and June 26, 2004. The discussion should be read in conjunction with our Consolidated Financial Statements and accompanying notes in this Quarterly Report on Form 10-Q (Unaudited, in thousands):

|   | Three Months Ended |       |               |       |
|---|--------------------|-------|---------------|-------|
|   | July 2, 2005       |       | June 26, 2004 |       |
|   | \$                 | %     | \$            | %     |
| Net Sales:                                  |                    |       |               |       |
| Feminine Care                               | \$ 57,977          | 32.8  | \$ 57,781     | 31.1  |
| Infant Care                                 | 38,655             | 21.8  | 40,734        | 22.0  |
| Skin Care                                   | 73,749             | 41.7  | 72,604        | 39.1  |
| Other                                       | 6,633              | 3.7   | 6,814         | 3.7   |
|   | 177,014            | 100.0 | 177,933       | 95.9  |
| Divested                                    |                    |       | 7,589         | 4.1   |
|   | 177,014            | 100.0 | 185,522       | 100.0 |
| Cost of sales                               | 84,488             | 47.7  | 88,248        | 47.6  |
| Gross profit                                | 92,526             | 52.3  | 97,274        | 52.4  |
| Operating expenses:                         |                    |       |               |       |
| Selling, general and administrative         | 60,037             | 33.9  | 69,770        | 37.6  |
| Restructuring                               | 1,473              | 0.9   |               |       |
| Amortization of intangibles                 | 609                | 0.3   | 225           | 0.1   |
| Total operating expenses                    | 62,119             | 35.1  | 69,995        | 37.7  |
| Operating income                            | 30,407             | 17.2  | 27,279        | 14.7  |
| Interest expense, net                       | 16,293             | 9.2   | 17,966        | 9.7   |
| Expenses related to retirement of debt, net | 3,846              | 2.2   |               |       |
| Other expenses                              |                    |       | 37            | 0.0   |
| Income before income taxes                  | 10,268             | 5.8   | 9,276         | 5.0   |
| Provision for income taxes                  | 4,106              | 2.3   | 1,021         | 0.6   |
| Net income                                  | \$ 6,162           | 3.5   | \$ 8,255      | 4.4   |

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**Net Sales** Our consolidated net sales decreased \$8.5 million, or 5%, to \$177.0 million in 2005. This decrease was due primarily to the divestiture of Woolite in November 2004 as net sales of the product were \$7.6 million in the second quarter of 2004. Exclusive of the divested brand, net sales were essentially flat for the second quarter of 2005 versus the comparable period of 2004.

PLAYTEX PRODUCTS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Net sales of Feminine Care products were essentially flat in the second quarter of 2005 as compared to the similar quarter in 2004. Improved sales of *Beyond*, despite the impact of the recent price reduction, were offset by lower shipments of our other cardboard tampon products which are being phased out.

Net sales of Infant Care products decreased \$2.1 million, or 5%, to \$38.7 million in the second quarter of 2005 due primarily to lower shipments of *Diaper Genie* versus the comparable period as a result of promotional timing and the launch of an improved *Diaper Genie* in the prior year period. Competitive activity continues in the infant feeding category, particularly in cups. Net shipments of infant feeding products were down 1% in the second quarter of 2005 versus the comparable period in 2004. This was offset by the positive impact of shipments of our new *Hip Hammock* child carrier.

Net sales of Skin Care products increased \$1.1 million, or 2%, to \$73.7 million for the second quarter of 2005. This increase was driven by higher shipments of *Wet Ones* due to distribution gains and higher *Banana Boat* shipments as improved weather in the latter portion of the quarter improved replenishment orders. The above gains were substantially offset by the anticipated decrease in *Baby Magic* toiletries of \$2.2 million due to extensive competitive activity in this category.

**Gross Profit** Our consolidated gross profit decreased \$4.7 million, or 5%, to \$92.5 million in the second quarter of 2005. The decrease in gross profit was due primarily to the decrease in net sales driven by the impact of the divestiture of Woolite rug and upholstery products in November 2004. Exclusive of the divestiture of Woolite, gross profit was essentially flat versus the second quarter of 2004, in line with the net sales result as adjusted for the divestiture of Woolite. As a percent of net sales, gross profit decreased 0.1 percentage point to 52.3% in 2005 versus 2004. The slight decrease in our gross profit margin was due primarily to increased raw material costs which substantially offset the savings associated with our restructuring efforts.

**Operating Income** Our consolidated operating income increased \$3.1 million, or 11%, to \$30.4 million in the second quarter of 2005 driven primarily by lower selling, general and administrative ( SG&A ) expenses of \$9.7 million. This was offset in part by lower gross profit of \$4.7 million as described above, restructuring costs of \$1.5 million primarily related to early retirement and severance related costs and an increase in amortization of intangibles of \$0.4 million due to the amortization of the non-compete agreement for the former CEO, which commenced in the fourth quarter of 2004.

The \$9.7 million decrease in SG&A was the result of lower advertising and promotional expenses of \$4.2 million, as the second quarter of 2004 included support of the *Beyond* launch and spending on the divested Woolite brand; a reduction of overhead expenses of \$3.6 million, due to the impact of our restructuring efforts; a receipt of a legal settlement of \$1.5 million; additionally, the second quarter of 2005 included \$0.7 million of expense associated with restricted stock awards. The second quarter of 2004 included \$1.1 million of restructuring related expenses in SG&A.

**Interest Expense, Net** Our consolidated interest expense, net decreased \$1.7 million to \$16.3 million in the second quarter of 2005 versus the comparable period of 2004. The decrease in interest expense, net is due to the impact of lower average debt balances. Our average debt balance decreased by \$89.4 million in the second quarter of 2005 versus the comparable period in 2004.

**Expenses Related to Retirement of Debt** In the second quarter of 2005, we repurchased on the open market, and subsequently canceled, \$39.8 million principal amount of our 8% Senior Secured Notes due 2011 (the 8% Notes ) at a premium of \$3.1 million. In addition, we wrote off \$0.8 million of unamortized deferred financing fees, representing a pro-rata portion of the unamortized deferred financing fees associated with the repurchased 8% Notes.

**Provision for Income Taxes** Our consolidated income tax expense was \$4.1 million for the second quarter of 2005 and \$1.0 million for the second quarter of 2004. The second quarter of 2004 included a \$2.8 million tax benefit as the result of the favorable settlement of a foreign tax audit during the same period. Our effective tax rate for the three months ended July 2, 2005 was 40.0% versus 41.2% for the comparable period in 2004, exclusive of the tax benefit noted above.

## PLAYTEX PRODUCTS, INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

*Six Months Ended July 2, 2005 Compared To Six Months Ended June 26, 2004*

The following table sets forth our Consolidated Statements of Income, including net sales by major product segment, as well as our consolidated results of operations expressed as a percentage of net sales for the six months ended July 2, 2005 and June 26, 2004. The discussion should be read in conjunction with our Consolidated Financial Statements and accompanying notes in this Quarterly Report on Form 10-Q (Unaudited, in thousands):

|   | Six Months Ended |       |               |       |
|---|------------------|-------|---------------|-------|
|   | July 2, 2005     |       | June 26, 2004 |       |
|   | \$               | %     | \$            | %     |
| Net Sales:                                  |                  |       |               |       |
| Feminine Care                               | \$ 111,995       | 30.8  | \$ 113,636    | 30.1  |
| Infant Care                                 | 85,455           | 23.5  | 81,999        | 21.7  |
| Skin Care                                   | 152,205          | 41.8  | 153,111       | 40.6  |
| Other                                       | 14,044           | 3.9   | 14,302        | 3.8   |
|   | 363,699          | 100.0 | 363,048       | 96.2  |
| Divested                                    |                  |       | 14,402        | 3.8   |
|   | 363,699          | 100.0 | 377,450       | 100.0 |
| Cost of sales                               | 171,501          | 47.2  | 179,947       | 47.7  |
| Gross profit                                | 192,198          | 52.8  | 197,503       | 52.3  |
| Operating expenses:                         |                  |       |               |       |
| Selling, general and administrative         | 117,796          | 32.4  | 132,708       | 35.2  |
| Restructuring                               | 2,208            | 0.6   | 93            | 0.0   |
| Amortization of intangibles                 | 1,217            | 0.3   | 451           | 0.1   |
| Total operating expenses                    | 121,221          | 33.3  | 133,252       | 35.3  |
| Operating income                            | 70,977           | 19.5  | 64,251        | 17.0  |
| Interest expense, net                       | 34,044           | 9.4   | 34,372        | 9.1   |
| Expenses related to retirement of debt, net | 8,592            | 2.3   | 6,432         | 1.7   |
| Other expenses                              | 21               | 0.0   | 336           | 0.1   |
| Income before income taxes                  | 28,320           | 7.8   | 23,111        | 6.1   |
| Provision for income taxes                  | 7,189            | 2.0   | 6,480         | 1.7   |
| Net income                                  | \$ 21,131        | 5.8   | \$ 16,631     | 4.4   |

**Net Sales** Our consolidated net sales decreased \$13.8 million, or 4%, to \$363.7 million in 2005. This decrease was due primarily to the divestiture of Woolite in November 2004 as net sales of the product were \$14.4 million in the first half of 2004. Exclusive of the divestiture, net sales were essentially flat for the first half of 2005 as compared to the first half of 2004.

Net sales of Feminine Care products decreased \$1.6 million, or 1%, to \$112.0 million in 2005. This decrease is due to lower net sales of *Beyond* as a result of the impact of the pipeline volume in the initial launch of the product in the first quarter of 2004, and to a lesser extent, a reduction in *Beyond* pricing that was initiated in the first quarter of 2005. This decrease was partially offset by higher *Gentle Glide* shipments

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due to the introduction of the 36-count multi pack product.

Net sales of Infant Care products increased \$3.5 million, or 4%, to \$85.5 million in 2005 due primarily to higher shipments of *Diaper Genie* and baby bottle products versus the comparable period. The gains in these areas were partially offset by lower shipments in cups as competitive activity continues in this category.

PLAYTEX PRODUCTS, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Net sales of Skin Care products decreased \$0.9 million, or 1%, to \$152.2 million in 2005 due to lower shipment volume of \$4.4 million in *Baby Magic* toiletries, which continues to face extensive competition in this category, partially offset by higher shipments in *Wet Ones* hand and face towelettes due to distribution gains.

**Gross Profit** Our consolidated gross profit decreased \$5.3 million, or 3%, to \$192.2 million in the first half of 2005. The decrease in gross profit was due primarily to the decrease in net sales driven by the impact of the divestiture of Woolite in November 2004, partially offset by an increase in gross profit margin for the remaining businesses. Exclusive of the Woolite divestiture, gross profit increased \$1.9 million for the first half of 2005 as compared to the same period in 2004, despite the fact that net sales were essentially flat, excluding Woolite. As a percent of net sales, gross profit increased 0.5 percentage points to 52.8% in 2005 versus 2004. The increase in our gross profit margin was due primarily to improved production costs due, in part, to the operational restructuring begun in late 2003 and continuing with the realignment efforts announced in February 2005. This was partially offset by increased raw material costs.

**Operating Income** Our consolidated operating income increased \$6.7 million, or 10%, to \$71.0 million in the first half of 2005 due primarily to a \$3.0 million legal award received from a competitor as settlement of a false advertising claim and receipt of another legal settlement of \$1.5 million. Exclusive of these awards, consolidated operating income increased \$2.2 million, or 2%, in the first half of 2005 as compared to the first half of fiscal 2004, driven primarily by lower SG&A expenses, which was partially offset by lower gross profit due to the divestiture of Woolite and higher restructuring and amortization costs. In SG&A, savings from restructuring, lower consulting and legal costs and lower sales promotion, due in part to the impact of the *Beyond* launch on 2004 promotional spending, were partially offset by the extra week of salaries in the first quarter of 2005, and expenses related to restricted stock awards.

The increase in amortization of intangibles of \$0.8 million is due to the amortization of the non-compete agreement for the former CEO, which commenced in the fourth quarter of 2004.

**Interest Expense, Net** Our consolidated interest expense, net decreased \$0.3 million to \$34.0 million in the first half of 2005 versus the comparable period of 2004. The decrease in interest expense, net is due to the combination of the impact of lower average debt balances, partially offset by a higher number of days in the first half of 2005 and higher average interest rates on outstanding debt driven by the refinancing of our then existing senior debt in February 2004. Our average debt balances decreased by \$71.9 million in the first half 2005 versus the comparable period in 2004. Substantially offsetting this decrease was higher interest due to a 14 week fiscal first quarter in 2005 as compared to a 13-week fiscal first quarter in 2004. In addition, the refinancing changed the composition of our debt such that we have considerably less variable rate indebtedness, although at higher interest rates.

**Expenses Related to Retirement of Debt** In the first half of 2005, we repurchased on the open market, and subsequently canceled, \$81.1 million principal amount of our 8% Notes at a premium of \$7.1 million. In addition, we wrote off \$1.5 million of unamortized deferred financing fees, representing a pro-rata portion of the unamortized deferred financing fees associated with the repurchased 8% Notes. On February 19, 2004, we terminated our then outstanding credit facility and receivables facility. As a result, we wrote off approximately \$6.7 million in unamortized deferred financing costs relating to these facilities. In addition, we recorded a gain of \$0.5 million, which was partially offset by a write-off of \$0.2 million of unamortized deferred financing fees, as the result of the repurchase on the open market of \$10.0 million principal of our 9 <sup>3</sup>/<sub>8</sub>% Senior Subordinated Notes due 2011 (the 9 <sup>3</sup>/<sub>8</sub>% Notes).

**Other Expenses** Our consolidated other expenses in the first half of 2004 were primarily the costs associated with our receivables facility. This facility was terminated as a result of our refinancing on February 19, 2004.

**Provision for Income Taxes** Our consolidated income tax expense was \$7.2 million for the first half of fiscal 2005. This was positively impacted by a \$4.1 million income tax benefit recorded in the first quarter as a result of the repatriation of undistributed earnings from a foreign subsidiary under the American Jobs Creation Act of 2004. We fully provided U.S. taxes for these undistributed earnings at the statutory rate of 35%. This tax benefit reflects the reduced tax rate associated with this special repatriation, which was substantially below our statutory rate. Exclusive of this tax benefit, our effective tax rate for the six months ended July 2, 2005 was 40.0%. The provision for income taxes in 2004 included a \$2.8 million tax benefit. Exclusive of this benefit, the effective tax rate for the six months ended June 26, 2004 was also 40.1%.

## PLAYTEX PRODUCTS, INC.

## MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

## Liquidity and Capital Resources

*Cash and Cash Equivalents*

At July 2, 2005, we had \$69.0 million of cash and cash equivalents as compared to \$137.8 million at December 25, 2004. This decrease in cash was primarily the result of the repurchase of \$81.1 million principal amount of our 8% Notes on the open market, at a premium of \$7.1 million. This was partially offset by the cash flow generated from operations in the first half of 2005.

*Cash Flows Analysis (Unaudited, in thousands)*

|  | Six Months Ended |                  |
|--|------------------|------------------|
|  | July 2,<br>2005  | June 26,<br>2004 |
| Net cash provided by operations                      | \$ 23,930        | \$ 9,257         |
| Net cash used for investing activities               | (9,284)          | (8,029)          |
| Net cash (used for) provided by financing activities | (83,272)         | 2,000            |

**Net Cash Provided by Operations** Our net cash provided by operations was \$23.9 million for the six months ended July 2, 2005 as compared to \$9.3 million for the same period in 2004. The year over year increase was due primarily to improved working capital of \$7.0 million and increased net income as adjusted for the non-cash impacts to net income of \$7.6 million. The improved working capital was the result of lower accounts receivable, due in part to lower days sales outstanding, partially offset by the timing of expense payments.

**Net Cash Used for Investing Activities** Our cash used for investing activities of \$9.3 million for the six months ended July 2, 2005 was comprised of \$4.7 million for the purchase of certain distribution rights associated with our *Banana Boat* product and \$1.3 million under the non-compete agreement with the former CEO. In addition, capital expenditures in the normal course of business were \$3.5 million through the six months ended July 2, 2005 as compared to \$7.5 million in the six months ended June 26, 2004. On a year to date basis, capital expenditures in 2005 are well below that of the prior year due to the timing of capital projects. Capital expenditures for 2005 are expected to be in the \$12 million to \$14 million range.

**Net Cash Used for Financing Activities** Our cash used for financing activities of \$83.3 million was the result of the repurchase on the open market, and subsequent retirement, of \$81.1 million principal amount of our 8% Notes plus related premium costs of \$7.1 million. This was partially offset by \$4.9 million of proceeds from the exercise of stock options.

*Capital Resources*

We intend to fund our operating cash, capital expenditures and debt service requirements through cash generated from operations and borrowings under our credit agreement through fiscal 2009. However, we may not generate sufficient cash from operations to make either the \$378.9 million scheduled principal payment on the 8% Notes or the \$340.0 million on the 9 <sup>3</sup>/<sub>8</sub>% Notes, both due in fiscal 2011. Accordingly, we may have to refinance our obligations, sell assets or raise equity capital to repay the principal amounts of these obligations. Historically, our cash from operations and refinancing activities has enabled us to meet all of our obligations. However, we cannot guarantee that our operating results will continue to be sufficient or that future borrowing facilities will be available for the payment or refinancing of our debt on economically attractive terms.



**PLAYTEX PRODUCTS, INC.**

**QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT MARKET RISK**

**Item 3. Quantitative and Qualitative Disclosure about Market Risk**

There have been no material changes in our market risk information since we last reported under Item 7A in our Annual Report on Form 10-K for the year ended December 25, 2004.

**Item 4. Controls and Procedures**

*Evaluation of Disclosure Controls and Procedures*

As required by Rule 13a-15(b) under the Securities Exchange Act of 1934, as amended (the Exchange Act), the Company's management carried out an evaluation, with the participation of the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) or 15d-15(e) under the Exchange Act), as of the end of the latest fiscal quarter. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of July 2, 2005, the Company's disclosure controls and procedures were effective to ensure that material information required to be disclosed by the Company in the reports the Company files or submits under the Exchange Act is recorded, summarized and reported, within the time periods specified in the Securities and Exchange Commission rules and forms.

*Changes in Internal Controls over Financial Reporting*

There were no changes in our internal controls over financial reporting during the quarter ended July 2, 2005 that have materially affected, or are reasonably likely to materially affect our internal controls over financial reporting.

**PLAYTEX PRODUCTS, INC.****PART II OTHER INFORMATION****Item 1. Legal Proceedings**

There have been no material changes in legal proceedings since we last reported under Part I, Item 3 in our Annual Report on Form 10-K for the year ended December 25, 2004.

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

At the Annual Meeting of Stockholders held on May 16, 2005, the following actions were taken:

Ten nominees were elected as Directors to hold office until the Annual Meeting of Stockholders in 2006 and until their successors are duly authorized and qualified.

| <b>Name</b>         | <b>Votes For</b> | <b>Votes Withheld</b> |
|---------------------|------------------|-----------------------|
| Douglas D. Wheat    | 51,284,408       | 2,465,395             |
| Neil P. DeFeo       | 40,982,401       | 12,767,402            |
| Herbert M. Baum     | 52,409,213       | 1,340,590             |
| Michael R. Eisenson | 52,473,520       | 1,276,283             |
| Ronald B. Gordon    | 52,652,313       | 1,097,490             |
| Robert B. Haas      | 49,791,938       | 3,957,865             |
| R. Jeffrey Harris   | 49,791,179       | 3,958,624             |
| C. Ann Merrifield   | 52,660,711       | 1,089,092             |
| Susan R. Nowakowski | 52,660,281       | 1,089,522             |
| Todd D. Robichaux   | 49,785,801       | 3,964,002             |

The selection of the firm of KPMG LLP was ratified as our independent auditors for fiscal 2005.

| <b>Votes For</b> | <b>Votes Against</b> | <b>Abstentions</b> |
|------------------|----------------------|--------------------|
| 53,481,772       | 234,991              | 33,040             |

The Incentive Bonus Plan was ratified.

| <b>Votes For</b> | <b>Votes Against</b> | <b>Abstentions</b> |
|------------------|----------------------|--------------------|
| 42,009,933       | 3,496,254            | 940,572            |

The Stock Award Plan was ratified.

| <b>Votes For</b> | <b>Votes Against</b> | <b>Abstentions</b> |
|------------------|----------------------|--------------------|
| 28,896,958       | 16,610,258           | 939,542            |

**PLAYTEX PRODUCTS, INC.**  
**PART II OTHER INFORMATION (CONTINUED)**

**Item 6. Exhibits**

- 10.1 Form of Nonqualified Stock Option Agreement (Incorporated herein by reference to Exhibit 99.1 of Playtex's Current Report on Form 8-K dated June 16, 2005.)
- 10.2 Form of Director Restricted Stock Award Agreement (Incorporated herein by reference to Exhibit 99.2 of Playtex's Current Report on Form 8-K dated June 16, 2005.)
- 10.3 Form of Restricted Stock Award Agreement (Incorporated herein by reference to Exhibit 99.3 of Playtex's Current Report on Form 8-K dated June 16, 2005.)
- 10.4 Change in Control Stock Award Agreement, dated June 16, 2005 with James S. Cook, Senior Vice President of Operations (Incorporated herein by reference to Exhibit 99.4 of Playtex's Current Report on Form 8-K dated June 16, 2005.)
- 10.5 Playtex Products, Inc. Stock Award Plan (Incorporated herein by reference from Playtex's definitive Proxy Statement on Form DEF 14A dated April 8, 2005.)
- 10.6 Playtex Products, Inc. 2003 Stock Option Plan (Incorporated herein by reference from Playtex's definitive Proxy Statement on Form DEF 14A dated April 8, 2003.)
- 31.1 Certifications by Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certifications by Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification by Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification by Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

**PLAYTEX PRODUCTS, INC.**

**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.

**Date:** August 3, 2005

**PLAYTEX PRODUCTS, INC.**

**By:** /S/ KRIS J. KELLEY

**Kris J. Kelley**  
*Executive Vice President and*  
*Chief Financial Officer*  
*(Principal Financial and Accounting Officer)*