

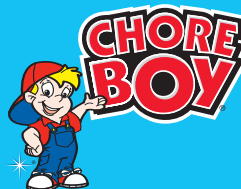


# Prestige Brands

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Prestige Brands Holdings, Inc.

Little Remedies®



## PrestigeBrands

Prestige Brands Holdings, Inc. sells well-recognized, broadly distributed, brand name over-the-counter medicines, household cleaning and personal care products. Our portfolio is made up of brands that have a well established history as well as future potential.

In making acquisitions, we identify brands that have loyal consumer franchises, but may not have had a level of marketing focus or the capital resources to develop their full value. In many cases, such a brand is considered non-core under current ownership and does not benefit from the focus of senior-level management or marketing investment. Conversely, we provide the acquired brands with the support and the management focus sufficient to grow the brand's market position, expand its distribution, and successfully launch line extensions and new products.

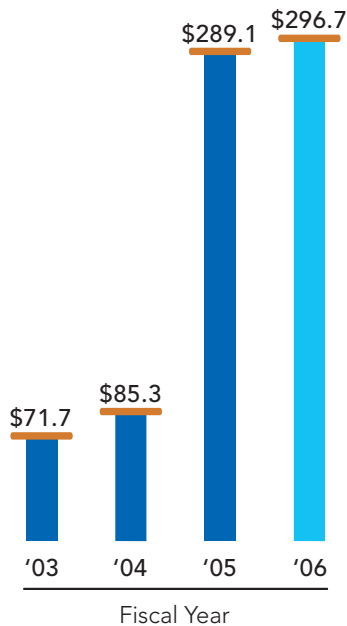
Today our brands are present in the medicine cabinets, kitchens and baths of most American households, and hold leading market positions in their respective categories.

# FINANCIAL HIGHLIGHTS

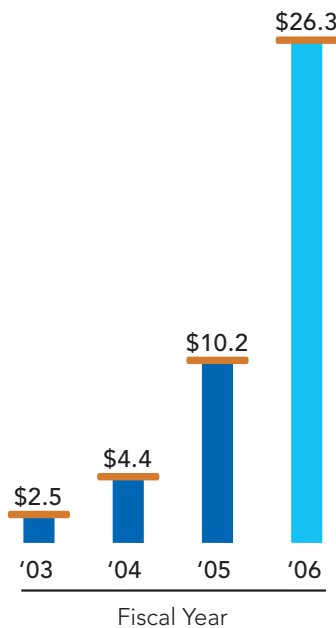
Fiscal Year Ended March 31, (Dollars in thousands)	2006	2005	2004	2003
Net Revenue	\$296,668	\$289,069	\$85,278	\$71,734
Income from Continuing Operations	\$ 26,277	\$ 10,220	\$ 4,374	\$ 2,533
Operating Cash Flow	\$ 53,861	\$ 51,042	\$ 6,137	\$12,519
Capital Expenditures	\$ 519	\$ 365	\$ 108	\$ 421
Free Cash Flow *	\$ 53,342	\$ 50,677	\$ 6,029	\$12,098
Free Cash Flow Percent to Net Revenues	18%	18%	7%	17%

\* Free cash flow, which the Company defines as operating cash flow less capital expenditures, is a non-GAAP financial measure as that term is defined by the Securities and Exchange Commission in Regulation G. Management believes free cash flow is a commonly used measure of liquidity, indicative of cash available for debt repayment and acquisitions.

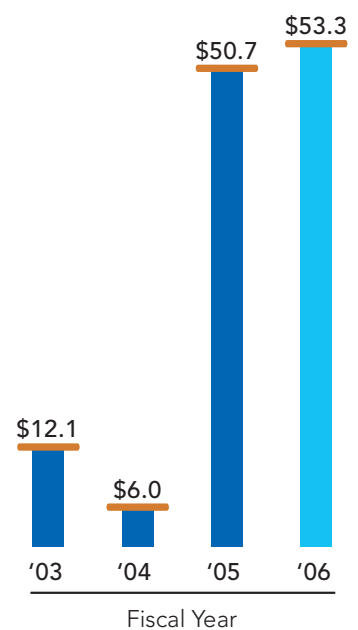
**Net Revenue**  
(in millions)



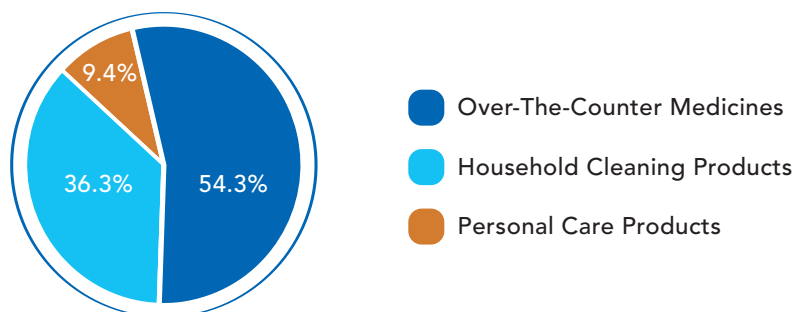
**Income from Continuing Operations**  
(in millions)



**Free Cash Flow**  
(in millions)



**Business Segments: % of Total Revenue**



# TO MY FELLOW STOCKHOLDERS

Although this is our second annual report, fiscal 2006 was the first full year of operations for Prestige Brands Holdings, Inc. as a publicly-owned company. It was a year of accomplishment as well as a year with a few disappointments. Overall, in fiscal 2006, we delivered growth in both revenues and earnings and, just as importantly, we initiated programs and structural changes that we believe should ensure the Company's continued growth and success.

Let's look at the year in some detail. First, the basic financial picture:

- Total revenues grew 2.6% to \$297 million.
- Reported net income more than doubled to \$26.3 million. When certain non-cash charges are excluded from both years' results, adjusted net income grew 11% to just under \$35 million or \$.70 per diluted share.
- Free Cash Flow, a non-GAAP measure which we define as operating cash flow less capital expenditures, was \$53 million or 5% more than last year. We believe free cash flow is a useful barometer of how your Company is performing because it measures how much actual cash was generated for use in activities such as paying down debt or making acquisitions.

While the overall financial results for Prestige were generally positive, the detail behind those results also is encouraging because it shows the Company's operating model was maintained and contributed significantly to our progress during the year.

Let's look at a few highlights:

- **New product innovation.** Prestige is fortunate to own a portfolio of some of the country's best-known and most respected brands. Fiscal 2006 was a year in which we were particularly active in achieving key brand objectives; growing revenues, adding strategically sound line extensions, and broadening each brand's overall appeal and target market. In our key Over-the-Counter (OTC) business segment, we added two new **Clear eyes®** items at the start of the year—**Clear eyes® for Dry Eyes** and **Clear eyes® for Dry Eyes plus Redness Relief**—both enabling the brand to compete in the growing eye moisturizing sub-segment. At fiscal year end, we launched two additional extensions—**Clear eyes® Triple Action** and **Clear eyes® for Dry Eyes with Allergy Relief**. We extended the **Murine®** brand into the rapidly growing homeopathic market with a three-item line of **Murine® Homeopathic** items for both eye and ear care; and we introduced a unique new dual action product for the treatment of poison ivy—**Dermoplast® Poison Ivy**—which relieves itching and stops the poison ivy lesions from developing.

We were also active in the Household Cleaning segment. We expanded the distribution base of **Comet® Cream Cleanser**, launched at the end of the previous fiscal year, which contributed significantly to overall brand growth this year. We launched a new fragrance of **Comet® Powder**, **Comet® Lavanda Fresca**. We added a car care product which we call **Spic & Span® Street Wise®**, and launched a number of new sizes and fragrances for **Spic & Span® Spray** that resulted in improved distribution levels.

- **International Expansion.** Today, Prestige is largely a North American business, yet we see potential for growth outside the USA and Canadian markets. We began to tap the potential of expanded international revenues and profit in fiscal 2006 with the signing of a long-term licensing arrangement for the **Comet®** brand in Eastern Europe. Some of our key brands were sold into new geographies. We established new distributor relationships in additional international marketplaces; and made progress toward obtaining regulatory approval for several of our OTC items abroad. With revenue growth of 23% outside of North America, we believe this is the beginning of an important new revenue stream.
- **Acquisitions.** While organic growth within our existing businesses is the Company's top priority, occasional strategic acquisitions have played a key role in the long-term growth of the Company. Fiscal 2006 was no exception. During the year, we evaluated many potential acquisitions and completed two excellent transactions.
- Early in the third fiscal quarter, we purchased the **Chore Boy®** line of household cleansers and scrubbers. Chore Boy is a leading brand name in this specialized category and commands what we believe is an impressive market share. Moreover, Chore Boy has demonstrated high levels of consumer awareness which should make the introduction of new items easier and more efficient. In the 5+ months during fiscal year 2006 that we owned it, the Chore Boy business has performed well, with above-plan revenues, expanded distribution, and plans for the launch of new items already in the works.
- Only a few weeks after we completed the Chore Boy acquisition, we acquired essentially all the assets of a specialized OTC Oral Care company, Dental Concepts, LLC which owned and marketed three successful lines of oral care devices, sold under **The Doctor's®** trademark. The two most important of these lines are: **The Doctor's® Night Guard**, a



Chloraseptic® brand sore throat treatments are offered to consumers in a full line of sprays, lozenges and strips.



In the Household Cleaning products segment, New Comet® Cream Cleanser and Comet® Lavanda Fresca, a new fragrance, each enhanced brand sales.



Compound W® wart remover faced challenges during the fiscal year but stabilized by fiscal year end.

fit-at-home night guard for people who suffer from bruxism or nighttime tooth-grinding, a malady which affects a large portion of the population, and **The Doctor's® Brush Picks**, unique devices for cleaning between the teeth. Both of these brands are growing and we have broadened distribution and are developing product improvements which we believe will add to their consumer appeal.

Both the Chore Boy and Dental Concepts acquisitions were funded entirely from operating cash flow that we generated during the year.

While fiscal 2006 was a year of business accomplishment, there were also disappointments. The categories in which our **Compound W® Freeze Off®** wart remover and **New Skin®** liquid bandage brands compete each experienced very strong growth in fiscal 2005, and we expected to see some level of continued category expansion in fiscal 2006 as well. Both of these categories, however, suffered declines in consumer consumption during this last fiscal year. While Compound W Freeze Off and New Skin each improved their respective market share positions throughout the course of the year, sales of both brands were adversely affected by the category weaknesses and each

registered revenue declines. As of the date of this letter to you, both categories appear to have stabilized.

Finally, our **Chloraseptic®** sore throat treatment business suffered from a cold and flu season with less severe symptoms which adversely affected this important brand's revenues. Moreover, we experienced some short-lived supply interruptions on two of the key Chloraseptic items which also contributed to the brand's relatively soft performance this fiscal year. We have a number of plans for the upcoming cold and flu season, which we believe will help to revitalize the robust growth of the Chloraseptic brand going forward.

#### Looking Forward

While an annual report is, by definition, a report on what has happened, in many ways what is likely to happen is a more relevant communication. Fiscal 2006 was a year that set the stage for better performance for Prestige in the years ahead.

- The Company's brands remain strong and vital; the markets in which we compete are buoyant; there appears to be opportunity to introduce new items; and the marketplace for strategic acquisitions appears robust.





Little Remedies® brand, which the Company acquired in 2004, is a full line of pediatric over-the-counter products which have special appeal to today's health conscious parents.



Four new line extensions of the Clear eyes® brand were introduced during fiscal 2006. Clear eyes® for Dry Eyes and Clear eyes® for Dry Eyes Plus Redness Relief were introduced at the start of the year. At fiscal year end, we introduced Clear eyes® Triple Action and Clear eyes® for Dry Eyes with Allergy Relief.



The Company made two acquisitions during the fiscal year. The Chore Boy® line of household scrubbers joined its Household Products segment. For its Over-the-Counter segment, the Company acquired Dental Concepts, LLC, a marketer of three successful lines of oral care devices sold under The Doctor's® brand name. Shown here are the Chore Boy® Copper Scrubber, the leading brand of its kind, and The Doctor's® Night Guard, the number one product for the treatment of bruxism, or nighttime tooth grinding.

- A number of product development programs are nearing completion and we expect to introduce several additional new items.
- We have made organizational changes which have improved both the quantity and the quality of staff. We have increased the number of people involved in the critical product and package development programs; upgraded our human resources staff, and expanded our financial group to provide additional focus on our accounting and public reporting processes.
- We welcomed four additional Board members during this past fiscal year. Ronald Gordon and Patrick Lonergan were appointed in May 2005. Mr. Gordon was most recently President and Chief Operating Officer of Nice-Pak Products, Inc. from 2002 until his recent retirement. Mr. Lonergan is the co-founder of Numark Laboratories, Inc. and has served as its President since January 1989. John E. Byom and Raymond P. Silcock were elected to the Board of Directors in January 2006. Mr. Byom's background includes key financial, strategic and operating positions at The JM Smucker Company and International Multifoods Corporation. Mr. Silcock has held key finance positions at Cott Corporation, Delimex Holdings, Inc. and Campbell Soup Company. We are indeed fortunate to

have the counsel of all of these seasoned executives on our Board to guide us in the years ahead.

- Most important of all, the spirit and enthusiasm of the Company's lean yet dedicated staff has never been higher. It is remarkable to think that so few people accomplish so much every day. The Company is fortunate to have such a talented and effective group of employees. As managers and fellow stockholders, we want to express our profound appreciation for all that our staff has done and is doing to make our Company stronger.

In closing, we thank all of our stockholders for your support during fiscal 2006, and we look forward to delivering an even better report a year from now.

Peter C. Mann  
*Chairman of the Board, President and  
 Chief Executive Officer*

# CORPORATE INFORMATION

## DIRECTORS

### **Peter C. Mann**

Chairman of the Board, President and Chief Executive Officer

### **L. Dick Buell**

Chief Executive Officer  
Catalina Marketing Corporation

### **John E. Byom**

Former Chief Financial Officer  
International Multifoods Corporation and  
Division President  
The JM Smucker Company

### **Gary E. Costley, Ph.D.**

Managing Partner  
C&G Capital and Management

### **David A. Donnini**

Principal of GTCR Golder Rauner, LLC

### **Ronald B. Gordon**

President and Chief Operating Officer  
Nice-Pak Products, Inc. (Retired)

### **Vincent J. Hemmer**

Principal of GTCR Golder Rauner, LLC

### **Patrick M. Lonergan**

Co-Founder and President  
Numark Laboratories

### **Raymond P. Silcock**

Former Executive Vice President and  
Chief Financial Officer  
Cott Corporation

## OFFICERS

### **Peter J. Anderson**

Chief Financial Officer

### **Gerard F. Butler**

Chief Sales Officer

### **Michael A. Fink**

Senior Vice President–  
Marketing, OTC/Personal Care

### **Charles N. Jolly**

General Counsel and Secretary

### **Charles Schrank**

Senior Vice President–  
Marketing, Household

### **Eric M. Millar**

Senior Vice President–Operations

### **John Parkinson**

Senior Vice President–International

## STOCKHOLDER INFORMATION

### **Transfer Agent and Registrar**

Registered stockholders with questions regarding stock holdings, certificate replacement/transfer and address change should contact our Transfer Agent:

Computershare, Ltd.  
250 Royal Street  
Canton, MA 02021  
Telephone: (781) 575-3400

### **Independent Auditor**

PricewaterhouseCoopers LLP  
201 South Main Street, Suite 900  
Salt Lake City, UT 84111

### **Corporate Counsel**

Baker, Donelson, Bearman, Caldwell & Berkowitz, PC  
Commerce Center, Suite 1000  
211 Commerce Street  
Nashville, TN 37201

### **Common Stock Listing**

New York Stock Exchange (Symbol–PBH)

### **New York Stock Exchange Specialist**

Bear Wagner Specialists LLC  
40 Wall Street  
New York, NY 10005

### **Certification Requirements**

The most recent certifications by our Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 were filed as exhibits to our Annual Report on Form 10-K for the fiscal year ended March 31, 2006, which has been filed with the Securities and Exchange Commission. We have also filed with the New York Stock Exchange the most recent Annual Chief Executive Officer Certification as required by Section 303A.12(a) of the New York Stock Exchange Listed Company Manual.

### **Investor Inquiries**

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Irvington, NY 10533  
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[www.prestigebrandsinc.com](http://www.prestigebrandsinc.com)





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