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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 quarterly period ended March 28, 2004**

**OR**

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

**For the transition period from to**

**Commission File Number 001-13615**

# Rayovac Corporation

(Exact name of registrant as specified in its charter)

| | |
|---|---|
| **Wisconsin**<br>(State or other jurisdiction of incorporation or organization) | **22-2423556**<br>(I.R.S. Employer Identification Number) |
| **Six Concourse Parkway, Suite 3300, Atlanta, Georgia**<br>(Address of principal executive offices) | **30328**<br>(Zip Code) |

**(770) 829-6200**
(Registrant's telephone number, including area code)

**601 Rayovac Drive, Madison, Wisconsin 53711**
(Former name, former address and former fiscal year, if changed since last report.)

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 o

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

The number of shares outstanding of the Registrant's common stock, $.01 par value, as of May 5, 2004, was 34,443,818.

**PART I. FINANCIAL INFORMATION**

**Item 1. Financial Statements**

**RAYOVAC CORPORATION**
**Condensed Consolidated Balance Sheets**
March 28, 2004 and September 30, 2003
(Unaudited)
(In thousands)

| | March 28, 2004 | September 30, 2003 |
|---|---|---|
| -ASSETS- | | |
| Current assets: | | |
| Cash and cash equivalents, including cash in escrow of $17,133 and $0, respectively | $ 34,334 | $ 107,774 |
| Receivables, less allowances of $25,349 and $22,911, respectively | 259,753 | 270,581 |
| Inventories | 196,126 | 219,254 |
| Prepaid expenses and other | 87,530 | 77,717 |
| Total current assets | 577,743 | 675,326 |
| Property, plant and equipment, net | 143,960 | 150,609 |
| Goodwill | 246,685 | 398,380 |
| Intangible assets, net | 418,969 | 252,870 |
| Deferred charges and other | 69,099 | 71,196 |
| Debt issuance costs | 27,380 | 28,111 |
| Total assets | $ 1,483,836 | $ 1,576,492 |
| -LIABILITIES AND SHAREHOLDERS' EQUITY- | | |
| Current liabilities: | | |
| Current maturities of long-term debt | $ 11,725 | $ 72,852 |
| Accounts payable | 134,446 | 172,632 |
| Accrued liabilities | 191,743 | 160,041 |
| Total current liabilities | 337,914 | 405,525 |
| Long-term debt, net of current maturities | 779,887 | 870,540 |
| Employee benefit obligations, net of current portion | 64,423 | 63,044 |
| Other | 40,569 | 35,381 |
| Total liabilities | 1,222,793 | 1,374,490 |
| Shareholders' equity: | | |
| Common stock, $.01 par value, authorized 150,000 shares; issued 63,819 and 61,999 shares, respectively; outstanding 34,283 and 32,463 shares, respectively | 638 | 620 |
| Additional paid-in capital | 216,956 | 185,561 |
| Retained earnings | 189,504 | 164,703 |
| Accumulated other comprehensive loss | (3,420) | (12,457) |
| Notes receivable from officers/shareholders | (3,605) | (3,605) |
| | 400,073 | 334,822 |
| Less treasury stock, at cost, 29,536 shares | (130,070) | (130,070) |
| Less unearned restricted stock compensation | (8,960) | (2,750) |
| Total shareholders' equity | 261,043 | 202,002 |
| Total liabilities and shareholders' equity | $ 1,483,836 | $ 1,576,492 |

***See accompanying notes which are an integral part of these statements.***

**RAYOVAC CORPORATION**
**Condensed Consolidated Statements of Operations**
For the three and six month periods ended March 28, 2004 and March 30, 2003
(Unaudited)
(In thousands, except per share amounts)

| | THREE MONTHS | | SIX MONTHS | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| Net sales | $ 278,023 | $ 202,267 | $ 732,033 | $ 462,489 |
| Cost of goods sold | 156,320 | 121,053 | 417,300 | 278,016 |
| Restructuring and related charges | (1,137) | 1,585 | (1,137) | 11,290 |
| Gross profit | 122,840 | 79,629 | 315,870 | 173,183 |
| Selling | 57,397 | 43,940 | 158,840 | 95,549 |
| General and administrative | 33,130 | 19,299 | 69,643 | 41,114 |
| Research and development | 4,838 | 4,044 | 9,140 | 7,946 |
| Restructuring and related charges | 4,932 | 3,561 | 6,032 | 9,246 |
| Total operating expenses | 100,297 | 70,844 | 243,655 | 153,855 |
| Operating income | 22,543 | 8,785 | 72,215 | 19,328 |
| Interest expense | 16,073 | 9,500 | 33,424 | 19,602 |
| Non-operating expense | — | — | — | 3,072 |
| Other income, net | (471) | (1,170) | (1,733) | (2,857) |
| Income (loss) from continuing operations before income taxes | 6,941 | 455 | 40,524 | (489) |
| Income tax expense (benefit) | 2,638 | 173 | 15,399 | (186) |
| Income (loss) from continuing operations | 4,303 | 282 | 25,125 | (303) |
| Loss from discontinued operations, net of tax benefits of $1,055 and $525, respectively | (1,701) | — | (324) | — |
| Net income (loss) | $ 2,602 | 282 | $ 24,801 | $ (303) |
| **Basic earnings per share:** | | | | |
| Weighted average shares of common stock outstanding | 33,096 | 31,797 | 32,637 | 31,799 |
| Income (loss) from continuing operations | $ 0.13 | $ 0.01 | $ 0.77 | $ (0.01) |
| Loss from discontinued operations | (0.05) | — | (0.01) | — |
| Net income (loss) | $ 0.08 | $ 0.01 | $ 0.76 | $ (0.01) |
| **Diluted earnings per share:** | | | | |
| Weighted average shares and equivalents outstanding | 34,469 | 32,474 | 33,703 | 31,799 |
| Income (loss) from continuing operations | $ 0.12 | $ 0.01 | $ 0.75 | $ (0.01) |
| Loss from discontinued operations | (0.04) | — | (0.01) | — |
| Net income (loss) | $ 0.08 | $ 0.01 | $ 0.74 | $ (0.01) |

***See accompanying notes which are an integral part of these statements.***

## RAYOVAC CORPORATION

**Condensed Consolidated Statements of Cash Flows**

For the six month periods ended March 28, 2004 and March 30, 2003

(Unaudited)

(In thousands)

| | SIX MONTHS | |
|---|---|---|
| | 2004 | 2003 |
| Cash flows from operating activities: | | |
| Net income (loss) | $ 24,801 | $ (303) |
| Non-cash adjustments to net income: | | |
| Discontinued operations | 324 | — |
| Non-cash restructuring charges | (1,137) | 8,472 |
| Depreciation | 16,473 | 16,394 |
| Amortization of intangible assets | 474 | 86 |
| Amortization of debt issuance costs | 1,951 | 935 |
| Amortization of unearned restricted stock compensation | 2,799 | 1,713 |
| Stock option income tax benefit | 6,998 | 124 |
| Deferred income taxes | (4,536) | (8,729) |
| Other non-cash adjustments | 1,709 | 2,372 |
| Net changes in assets and liabilities, net of acquisitions and discontinued operations | 32,646 | 18,214 |
| Net cash provided by continuing operating activities | 82,502 | 39,278 |
| Cash flows from investing activities: | | |
| Purchases of property, plant and equipment, net | (9,605) | (10,648) |
| Payment for acquisitions, net of cash acquired | (981) | (245,130) |
| Net cash used by investing activities | (10,586) | (255,778) |
| Cash flows from financing activities: | | |
| Reduction of debt | (266,668) | (323,719) |
| Proceeds from debt financing | 106,850 | 561,521 |
| Extinguishment of debt | (1,002) | — |
| Debt issuance costs | (1,220) | (12,793) |
| Exercise of stock options | 15,405 | 176 |
| Other | (112) | (713) |
| Net cash (used) provided by financing activities | (146,747) | 224,472 |
| Net cash used by discontinued operations | (315) | — |
| Effect of exchange rate changes on cash and cash equivalents | 1,706 | (3,201) |
| Net (decrease) increase in cash and cash equivalents | (73,440) | 4,771 |
| Cash and cash equivalents, beginning of period | 107,774 | 9,881 |
| Cash and cash equivalents, end of period including cash in escrow | $ 34,334 | $ 14,652 |

***See accompanying notes which are an integral part of these statements.***

RAYOVAC CORPORATION

**Notes to Condensed Consolidated Financial Statements (Unaudited)**

**(In thousands, except per share amounts)**

## 1 SIGNIFICANT ACCOUNTING POLICIES

**Basis of Presentation:** These financial statements have been prepared by Rayovac Corporation (the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") and, in the opinion of the Company, include all adjustments (which are normal and recurring in nature) necessary to present fairly the financial position of the Company at March 28, 2004, and the results of operations for the three and six month periods ended March 28, 2004 and March 30, 2003, and cash flows for the six month periods ended March 28, 2004 and March 30, 2003. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such SEC rules and regulations. These condensed consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto as of September 30, 2003. Certain prior amounts have been reclassified to conform with the current presentation.

**Significant Accounting Policies and Practices:** The consolidated financial statements include the financial statements of Rayovac Corporation and its subsidiaries and are prepared in accordance with accounting principles generally accepted in the United States of America. All intercompany transactions have been eliminated. The Company's fiscal year ends September 30. References herein to 2003 and 2004 refer to the fiscal years ended September 30, 2003 and 2004, respectively.

The Company's Condensed Consolidated Balance Sheets as of March 28, 2004 and September 30, 2003 give effect to the acquisition of Remington Products Company, L.L.C., ("Remington"), which occurred on September 30, 2003. The Company's Condensed Consolidated Statements of Operations for the three and six months ended March 30, 2003, include only the results attributable to Rayovac and its subsidiaries prior to the Remington acquisition. Consequently, all Condensed Consolidated Statements of Operations footnote disclosures exclude the results of Remington for the three and six months ended March 30, 2003. See footnote 10, Acquisitions, for additional information on the Remington acquisition.

**Change in Accounting Policy:** In previous years, the Company deferred certain advertising costs incurred on an interim basis in accordance with APB 28. The Company chose the deferral method to match advertising expenses to the level of sales on an interim basis (i.e., more advertising expenses were recognized in quarters in which the level of sales was higher) as management believed that the benefits of the advertising expenditures extended beyond the interim period in which the expenditures were made. However, in the Company's annual financial statements, there was no deferral of advertising costs incurred and the Company recognized advertising costs in accordance with the American Institute of Certified Public Accountants' Statement of Position No. 93-7, *Reporting on Advertising Costs*. The acquisition of Remington on September 30, 2003, resulted in an increased level of advertising expenditures required for Remington's electric personal care products, as well as expenses that are more seasonal in nature, as compared to the Company's legacy battery products. Therefore, during 2004, the Company began expensing all advertising costs in the period in which they are incurred for interim reporting purposes. This change has no impact on the reported results for prior fiscal years. Management believes the new policy of expensing all advertising expenses as incurred is preferable as it eliminates the uncertainty in estimating overall expected net sales and the benefit period of the advertising on an interim basis. In addition, the new accounting policy results in the recognition of advertising costs in the interim period in which they are actually incurred, and conforms the Company's interim accounting policy with that used to prepare the annual financial statements. The impacts on net income (loss) and earnings per share related to the change in accounting policy is as follows:

| | Three Months | | Six Months | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| Income (loss) before change in accounting policy | $ 1,416 | $ 282 | $ 26,839 | $ (303) |
| Impact due to change in accounting policy, net of tax | 1,186 | — | (2,038) | — |
| Net income (loss), as reported | $ 2,602 | $ 282 | $ 24,801 | $ (303) |
| **Basic earnings per share:** | | | | |
| Income (loss) before change in accounting policy | $ 0.04 | $ 0.01 | $ 0.82 | $ (0.01) |
| Impact due to change in accounting policy, net of tax | 0.04 | — | (0.06) | — |
| Net income (loss), as reported | $ 0.08 | $ 0.01 | $ 0.76 | $ (0.01) |
| **Diluted earnings per share:** | | | | |
| Income (loss) before change in accounting policy | $ 0.05 | $ 0.01 | $ 0.80 | $ (0.01) |
| Impact due to change in accounting policy, net of tax | 0.03 | — | (0.06) | — |
| Net income (loss), as reported | $ 0.08 | $ 0.01 | $ 0.74 | $ (0.01) |

Had the prior year's advertising expense been recognized consistent with the policy used in the current fiscal year, the Company's pro forma net income (loss) and earnings per share would have been as follows:

| | Three Months | | Six Months | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| **Pro forma amounts assuming new accounting policy is applied retroactively:** | | | | |
| Net income (loss) | $ 2,602 | $ 716 | $ 24,801 | $ (2,535) |
| Basic earnings (loss) per share | $ 0.08 | $ 0.02 | $ 0.76 | $ (0.08) |
| Diluted earnings (loss) per share | $ 0.08 | $ 0.02 | $ 0.74 | $ (0.08) |

The effect of restricted stock and unexercised stock options of approximately 695 thousand shares outstanding for the six months ended March 30, 2003 were excluded from the diluted EPS calculation, as their effect was anti-dilutive.

**Discontinued Operations:** The Company has reflected Remington's United States and United Kingdom Service Centers as discontinued operations. The Company will discontinue operations at these Service Centers during 2004 as part of our Remington integration initiatives. See footnote 8, Restructuring and Related Charges, for additional discussion of Remington integration initiatives. The following amounts have been segregated from continuing operations and are reflected as discontinued operations for the three and six months ended March 28, 2004:

| | Three Months | Six Months |
|---|---|---|
| Net sales | $ 6,917 | $ 20,564 |
| Loss from discontinued operations before income taxes | (2,756) | (849) |
| Provision for income tax benefits | 1,055 | 525 |
| Loss from discontinued operations, net of tax | $ (1,701) | $ (324) |
| Depreciation expense associated with discontinued operations | $ 121 | $ 254 |

**Revenue Recognition:** The Company recognizes revenue from product sales upon shipment to the customer which is the point at which all risks and rewards of ownership of the product are passed, provided that: there are no uncertainties regarding customer acceptance; persuasive evidence of an arrangement exists; the price to the buyer is fixed or determinable; and collectibility is deemed reasonably assured. The Company is generally not obligated to allow for, and the Company's general policy is not to accept, product returns. The Company does recognize a reserve for potential returns, when appropriate, based on past experience and our latest contractual arrangements with certain customers.

The Company enters into various promotional arrangements, primarily with retail customers, including arrangements entitling such retailers to cash rebates from the Company based on the level of their purchases, which require the Company to estimate and accrue the estimated costs of the promotional programs. These costs are generally treated as a reduction of net sales.

The Company also enters into promotional arrangements targeted to the ultimate consumer. Such arrangements are treated as either a reduction of net sales or an increase of cost of sales, based on the type of promotional program. The income statement characterization of the Company's promotional arrangements complies with EITF 01-09, *Accounting for Consideration Given by a Vendor to a Customer (Including a Reseller of the Vendor's Products)*.

For all types of promotional arrangements and programs, the Company monitors its commitments and uses statistical measures and past experience to determine amounts to be recorded for the estimate of the earned, but unpaid, promotional costs. The terms of the Company's customer-related promotional arrangements and programs are individualized to each customer and are generally documented through written contracts, correspondence or other communications with the individual customers.

The Company also enters into various contractual arrangements, primarily with retail customers, which require the Company to make upfront cash, or "slotting" payments, to secure the right to distribute through such customer. The Company capitalizes slotting payments, provided the payments are supported by a time or volume based contractual arrangement with the retailer, and amortizes the associated payment over the appropriate time or volume based term of the contractual arrangement. The amortization of the slotting payment is treated as a reduction in net sales and the corresponding asset is included in Deferred charges and other in the Condensed Consolidated Balance Sheets.

**Shipping and Handling Costs:** The Company incurred shipping and handling costs of $15,062 and $33,291 for the three and six months ended March 28, 2004, and $11,229 and $24,249 for the three and six months ended March 30, 2003, respectively. These costs are included in selling expense. Shipping and handling costs include costs incurred with third-party carriers to transport products to customers and salaries and overhead costs related to activities to prepare the Company's products for shipment at the Company's distribution facilities.

**Concentrations of Credit Risk:** Trade receivables subject the Company to credit risk. The Company extends credit to its customers based upon an evaluation of the customer's financial condition and credit history and generally does not require collateral. The Company monitors its customers' credit and financial condition based on changing economic conditions and will make adjustments to credit policies as required. The Company has historically incurred minimal credit losses, but in 2002 experienced a significant loss resulting from the bankruptcy filing of a large retailer in the United States.

The Company has a broad range of customers including many large retail outlet chains, one of which accounts for a significant percentage of our sales volume. This major customer also represented approximately 12% and 13%, respectively, of our receivables as of March 28, 2004 and September 30, 2003.

Following the acquisition of Remington, approximately 52% of the Company's sales occur outside of North America. These sales and related receivables are subject to varying degrees of credit, currency, and political and economic risk. The Company monitors these risks and makes appropriate provisions for collectibility based on an assessment of the risks present.

**Stock Based Compensation:** The Company has stock option and other stock-based compensation plans, which are fully described in the Company's financial statements and notes thereto as of September 30, 2003. The Company accounts for its stock-based compensation plans using the intrinsic value method, under the principles prescribed by the Accounting Principles Board's ("APB"), Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations. For stock options granted, no employee compensation cost is reflected in the Company's results of operations, as all options granted under the plans have an exercise price equal to the market value of the underlying common stock at the grant date.

The Company's stock option awards that vest based on the passage of time qualify for fixed accounting under the provisions of APB No. 25. Certain awards issued during the current fiscal year vest based on the Company's attainment of certain performance measures and have, to date, been accounted for as variable awards under the provisions of APB No. 25, with appropriate charges to compensation expense each period. After the end of the second quarter ended March 28, 2004, the Company amended the vesting provisions of the performance based awards to provide for ultimate vesting of the shares generally at the end of two years. Due to this amendment, the performance based awards will be accounted for as fixed awards in future periods.

Results of operations include compensation cost related to grants of restricted stock of $1,887 and $880 and $2,799 and $1,713 for the three and six months ended March 28, 2004 and March 30, 2003, respectively.

The Company has adopted the disclosure-only provisions of FASB Statement No. 123, ("Statement No. 123") *Accounting for Stock Based Compensation*, as amended by FASB Statement No. 148, *Accounting for Stock-Based Compensation-Transition and Disclosure.* Accordingly, no compensation cost has been recognized in the results of operations for the stock option plans. Had compensation cost for stock options granted been determined based on the fair value at the grant date for awards consistent with an alternative method prescribed by Statement No. 123, the Company's net income (loss) and earnings per share would have reflected the pro forma amounts indicated below:

| | Three Months | | Six Months | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| Net income (loss), as reported | $ 2,602 | $ 282 | $ 24,801 | $ (303) |
| Add: Stock-based compensation expense included in reported net income, net of tax | 1,152 | 537 | 1,708 | 1,045 |
| Deduct: Total stock-based compensation expense determined under fair value based method for all awards, net of tax | (2,291) | (1,680) | (3,806) | (3,535) |
| Pro forma net income (loss) | $ 1,463 | $ (861) | $ 22,703 | $ (2,793) |
| **Basic earnings per share:** | | | | |
| Net income (loss), as reported | $ 0.08 | $ 0.01 | $ 0.76 | $ (0.01) |
| Net income (loss), Pro forma | $ 0.04 | $ (0.03) | $ 0.70 | $ (0.09) |
| **Diluted earnings per share:** | | | | |
| Net income (loss), as reported | $ 0.08 | $ 0.01 | $ 0.74 | $ (0.01) |
| Net income (loss), Pro forma | $ 0.04 | $ (0.03) | $ 0.67 | $ (0.09) |

The effect of restricted stock and unexercised stock options of approximately 677 thousand and 695 thousand shares outstanding for the three and six months ended March 30, 2003 were excluded from the diluted EPS calculation, as their effect was anti-dilutive.

**Derivative Financial Instruments:** The Company uses interest rate swaps to manage its interest rate risk. The swaps are designated as cash flow hedges with the fair value recorded in Other Comprehensive Income ("OCI") and as a hedge asset or liability, as applicable. The swaps settle periodically in arrears with the related amounts for the current settlement period payable to, or receivable from, the counter-parties included in accrued liabilities or accounts receivable and recognized in earnings as an adjustment to interest expense from the underlying debt to which the swap is designated. During the three and six months ended March 28, 2004 and March 30, 2003, respectively, $1,247 and $1,200 and $2,467 and $2,284, respectively, of pretax derivative losses from such hedges were recorded as an adjustment to interest expense. At March 28, 2004, the Company had a portfolio of interest rate swaps outstanding which effectively fixes the interest rates on floating rate debt at rates as follows: 4.458% for a notional principal amount of $70,000 through July 2004, 3.974% for a notional principal amount of $70,000 from July 2004 through October 2005, 3.769% for a notional principal amount of $100,000 through August 2004 and 3.799% for a notional principal amount of $100,000 from August 2004 through November 2005. The derivative net loss on these contracts recorded in OCI at March 28, 2004 was an after-tax loss of $3,622.

The Company periodically enters into forward and swap foreign exchange contracts, to hedge the risk from forecasted settlement in local currencies of inter-company purchases and sales, trade sales, and trade purchases. These contracts generally require the Company to exchange foreign currencies for U.S. Dollars, Euros or Pounds Sterling. These contracts are designated as cash flow hedges with the fair value recorded in OCI and as a hedge asset or liability, as applicable. Once the forecasted transaction has been recognized as a purchase or sale and a related liability or asset recorded in the balance sheet, the gain or loss on the related derivative hedge contract is reclassified from OCI into earnings as an offset to the change in value of the liability or asset. Pretax derivative losses were recorded as an adjustment to earnings for forward and swap contracts settled at maturity of $0 and $0 for the three and six months ended March 28, 2004, and $0 and $11 for the three and six months ended March 30, 2003, respectively. At March 28, 2004, the Company had no such foreign exchange derivative contracts outstanding.

The Company periodically enters into forward and swap foreign exchange contracts, to hedge the risk from inter-company loans. These obligations generally require the Company to exchange foreign currencies for U.S. Dollars, Euros, Pounds Sterling or Canadian Dollars. These foreign exchange contracts are fair value hedges of a related liability or asset recorded in the balance sheet. The gain or loss on the derivative hedge contracts is recorded in earnings as an offset to the change in value of the related liability or asset. During the three and six months ended March 28, 2004, $23 and $118 of pretax derivative gains from such hedges were recorded as an adjustment to earnings. During the three and six months ended March 30, 2003, no such foreign exchange derivative activity occurred. At March 28, 2004, the Company had no such foreign exchange derivative contracts outstanding.

The Company periodically enters into forward foreign exchange contracts, to hedge the risk from changes in fair value from unrecognized firm purchase commitments. These firm purchase commitments generally require the Company to exchange U.S. Dollars for foreign currencies. These hedge contracts are designated as fair value hedges with the fair value recorded in earnings on a pretax basis and as a hedge asset or liability, as applicable. To the extent effective, changes in the value of the forward contracts recorded in earnings will be offset by changes in the value of the hedged item, also recorded in earnings on a pretax basis and as an asset or liability, as applicable. Once the firm purchase commitment has been consummated, the firm commitment asset or liability balance will be reclassified as an addition to or subtraction from the carrying value of the purchased asset. During the three and six months ended March 28, 2004 and March 30, 2003, respectively, no such foreign exchange derivative activity occurred. At March 28, 2004, the Company had no such foreign exchange derivative contracts outstanding.

The Company is exposed to risk from fluctuating prices for zinc used in the manufacturing process. The Company hedges a portion of this risk through the use of commodity swaps. The swaps are designated as cash flow hedges with the fair value recorded in OCI and as a hedge asset or liability, as applicable. The fair value of the swaps is reclassified from OCI into earnings when the hedged purchase of zinc metal-based items also affects earnings. The swaps effectively fix the floating price on a specified quantity of zinc through a specified date. Pretax derivative gains (losses) were recorded as an adjustment to cost of sales for swap contracts settled at maturity of $636 and $868 for the three and six months ended March 28, 2004, and ($131) and ($349) for the three and six months ended March 30, 2003, respectively. At March 28, 2004, the Company had a series of such swap contracts outstanding through October 2004 with a contract value of $4,982. The derivative net gain on these contracts recorded in OCI at March 28, 2004 was an after-tax gain of $1,107.

## 2 INVENTORIES

Inventories consist of the following:

| | March 28, 2004 | September 30, 2003 |
|---|---|---|
| Raw material | $ 31,063 | $ 60,732 |
| Work-in-process | 28,543 | 34,914 |
| Finished goods | 136,520 | 123,608 |
| | $ 196,126 | $ 219,254 |

## 3 ACQUIRED INTANGIBLE ASSETS AND GOODWILL

Intangible assets consist of the following:

| | March 28, 2004 | | | September 30, 2003 | | |
|---|---|---|---|---|---|---|
| **Amortized Intangible Assets:** | **Gross Carrying Amount** | **Accumulated Amortization** | **Net Intangible** | **Gross Carrying Amount** | **Accumulated Amortization** | **Net Intangible** |
| Proprietary technology | $ 11,281 | $ 707 | $ 10,574 | $ 10,421 | $ 340 | $ 10,081 |
| Customer lists | 1,781 | 305 | 1,476 | 1,781 | 210 | 1,571 |
| Cumulative effect of translation | | | 2,615 | | | 2,084 |
| | | | $ 14,665 | | | $ 13,736 |
| **Pension Intangibles** | | | | | | |
| Under-funded pension | $ 2,469 | $ — | $ 2,469 | $ 2,405 | $ — | $ 2,405 |
| **Unamortized Intangible Assets** | | | | | | |
| Trade names balance as of beginning of the period | $ 218,642 | $ 4,875 | $ 213,767 | $ 90,000 | $ 4,875 | $ 85,125 |
| Trade name purchase price allocation during the period | 159,000 | — | 159,000 | — | — | — |
| Trade name acquired during the period | — | — | — | 128,642 | — | 128,642 |
| Subtotal | | | 372,767 | | | 213,767 |
| Cumulative effect of translation | | | 29,068 | | | 22,962 |
| Trade names balance as of end of period | | | $ 401,835 | | | $ 236,729 |

| **Goodwill** | **North America** | **Latin America** | **Europe/ROW** | **Total** |
|---|---|---|---|---|
| Balance as of September 30, 2003, net | $ 285,418 | $ 37,876 | $ 75,086 | $ 398,380 |
| Goodwill recognized during the period | 758 | — | 4,164 | 4,922 |
| Purchase price allocation during the period | (159,860) | — | — | (159,860) |
| Effect of translation | — | 284 | 2,959 | 3,243 |
| Balance as of March 28, 2004, net | $ 126,316 | $ 38,160 | $ 82,209 | $ 246,685 |

During 2003, the Company completed the acquisition of substantially all of the consumer battery business of VARTA AG and the acquisition of Remington Products Company, L.L.C. The Company recognized intangible assets associated with the VARTA acquisition, including proprietary manufacturing technology, customer lists, and VARTA trade name intangibles. There was no allocation for the Remington trade name or other intangibles made in the Condensed Consolidated Balance Sheet as of September 30, 2003, as valuations relating to Remington had not been completed. During the six months ended March 28, 2004, the Company allocated a portion of the Remington purchase price to unamortizable and amortizable intangible assets. The allocation consisted of $159,000 to the Remington trade name and $860 to various patented proprietary technology. The Company also recognized goodwill with both the VARTA and Remington acquisitions. The purchase price allocation of the Remington acquisition is not yet finalized as the Company is finalizing valuations of property, plant and equipment, inventory, and integration initiatives. Future allocations of the Remington purchase price may impact the amount and segment allocation of goodwill. See also footnote 10, Acquisitions, for additional discussion on the Remington acquisition.

The proprietary technology assets are being amortized on a straight-line basis over 10 to 19 years and the customer list asset is being amortized on a straight-line basis over 10 years. The Company has deemed that its trade name intangible assets have indefinite lives because they are expected to generate cash flows indefinitely, the Company has no intention of selling the trade names and there are no legal, regulatory, or contractual provisions that may limit the useful lives of the trade names. Goodwill and intangible assets deemed to have indefinite lives are tested for impairment annually.

Pursuant to the requirements of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets," the Company performed its annual impairment test of its non-Remington goodwill and its unamortized intangibles in the first quarter of 2004. The fair value of each of the Company's reporting units was determined using a discounted cash flow methodology and these impairment tests indicated the fair value of each reporting unit exceeded its carrying amount. As a result, no impairment was recorded.

The amortization expense for the three and six months ended March 28, 2004 and March 30, 2003 is as follows:

| | Three Months | | Six Months | |
|---|---|---|---|---|
| | **2004** | **2003** | **2004** | **2003** |
| Amortized intangible assets | $ 258 | $ 23 | $ 474 | $ 86 |

The Company's annual amortization expense estimates for the next five fiscal years incorporate the Remington purchase price allocation for the patented technology assets. The Company estimates annual amortization expense for the next five fiscal years (at March 28, 2004 exchange rates) will approximate $950 per year. The purchase price allocation for the Remington acquisition has not yet been finalized; consequently, changes in the purchase price allocation could impact estimates of future amortization expense.

## 4 OTHER COMPREHENSIVE INCOME

Comprehensive income and the components of other comprehensive income for the three and six months ended March 28, 2004 and March 30, 2003 are as follows:

| | Three Months | | Six Months | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| Net income (loss) | $ 2,602 | $ 282 | $ 24,801 | $ (303) |
| Other comprehensive income: | | | | |
| Foreign currency translation | (2,627) | (1,581) | 7,202 | 1,792 |
| Adjustment of additional minimum pension liability | 133 | — | 133 | — |
| Net unrealized loss on available-for-sale securities | — | — | — | (110) |
| Reclassification adjustment for losses included in net income | — | — | — | 250 |
| Net unrealized gain (loss) on derivative instruments | 29 | (31) | 1,702 | (737) |
| Comprehensive income (loss) | $ 137 | $ (1,330) | $ 33,838 | $ 892 |

Net exchange gains or losses resulting from the translation of assets and liabilities of foreign subsidiaries are accumulated in a separate section of shareholders' equity. Also included are the effects of exchange rate changes on intercompany balances of a long-term nature and transactions designated as hedges of net foreign investments. The changes in accumulated foreign currency translation for the three and six months ended March 28, 2004 and March 30, 2003 were primarily attributable to the impact of translation of net assets of our European operations, primarily denominated in Euros and Pounds Sterling.

## 5 NET INCOME PER COMMON SHARE

Net income per common share for the three and six months ended March 28, 2004 and March 30, 2003 is calculated based upon the following shares:

| | Three Months | | Six Months | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| Basic | 33,096 | 31,797 | 32,637 | 31,799 |
| Effect of restricted stock and assumed conversion of options | 373 | 677 | 1,066 | — |
| Diluted | 33,469 | 32,474 | 33,703 | 31,799 |

The effect of restricted stock and unexercised stock options of approximately 695 thousand shares outstanding for the six months ended March 30, 2003 were excluded from the diluted EPS calculation, as their effect was anti-dilutive.

## 6 DEBT

Outstanding debt consists of the following:

| | March 28, 2004 | September 30, 2003 |
|---|---|---|
| Revolving credit facility | $ 900 | $ — |
| Euro term A loan facility | — | 49,563 |
| Euro term B loan facility | — | 139,067 |
| Euro term C loan facility | 151,644 | — |
| Term B loan facility | — | 317,000 |
| Term C loan facility | 257,000 | — |
| Series B Senior Subordinated Debentures, due May 15, 2006, with interest at 11% payable semi-annually | — | 5,424 |
| Series D Senior Subordinated Debentures, due May 15, 2006, with interest at 11% payable semi-annually | — | 50,586 |
| Senior Subordinated Notes, due September 30, 2013, with interest at $8^1/2$% payable semi-annually | 350,000 | 350,000 |
| Capital leases and other notes and obligations | 32,068 | 31,752 |
| | 791,612 | 943,392 |
| Less current maturities | 11,725 | 72,852 |
| Long-term debt | $ 779,887 | $ 870,540 |

During the six months ended March 28, 2004, the Company redeemed the remaining $56,010 of Series B and D Senior Subordinated Debentures assumed in connection with the acquisition of Remington. The notes were redeemed with the cash remaining following our debt offering of $350,000 of 8.5% Senior Subordinated Notes issued in connection with the acquisition of Remington.

In addition, during the six months ended March 28, 2004, the Company made payments of $60,000 on our Term B facility using a combination of cash remaining following our debt offering of our Senior Subordinated Notes and cash generated from our operating activities. The payments satisfied principal obligations that would have matured in 2004, 2005, 2006, 2007, 2008 and 2009. Also during the six months ended March 28, 2004, the Company made payments of $45,320 on our Euro Term Loan facilities using cash generated from our operating activities. The payments satisfied principal obligations that would have matured in 2004, 2005, 2006, 2007, 2008 and 2009.

Also, during the six months ended March 28, 2004, the Third Amended and Restated Credit Agreement was amended ("Fourth Amendment") primarily to (i) reduce the fixed rate portion of interest ("Rate Margins") paid to lenders on our term loans, (ii) permit the Company to request from time to time that lenders increase their individual term loan commitments up to a cumulative aggregate of $150,000 or its equivalent (each lender having the discretion to decline for their individual situation in which case the Company could invite new lenders as necessary to achieve the total amount requested), and (iii) permit the Company to incur liens on property of Remington Australia, Remington New Zealand and Remington Ireland to secure local indebtedness otherwise permitted under the agreement.

The reduction of the Rate Margins was achieved by replacing the outstanding €36,000 six-year amortizing and €95,750 seven-year amortizing Term Loans with a €131,750 seven-year amortizing Term Loan and the outstanding $257,000 seven-year amortizing Term Loan with a $257,000 seven-year amortizing Term Loan. Interest on the Euro-denominated Term Loan is Euro-denominated LIBOR plus a fixed 3.00% margin per annum (5.07% at March 28, 2004). Interest on the Dollar-denominated Term Loan is, at the Company's option, at the Base Rate plus a fixed 1.50% margin (not applicable at March 28, 2004) or Dollar-denominated LIBOR plus a fixed 2.50% margin per annum (3.61% at March 28, 2004). The new term loans expire in September 2009.

The term facilities, as amended in the Fourth Amendment, provide for quarterly amortization over their remaining terms (using the March 28, 2004 exchange rate of the Dollar to the Euro of 1.21315 to 1) totaling approximately $3,012 in 2005, $4,182 in 2006 and 2007, $45,267 in 2008 and $352,001 in 2009.

At March 28, 2004, the Company had committed credit facilities comprised of Senior Credit Facilities and Senior Subordinated Notes of approximately $927 million (using the March 28, 2004 exchange rate of the Dollar to the Euro of 1.21315 to 1), of which approximately $155 million remains available as of March 28, 2004.

At March 28, 2004, the Company was in compliance with all covenants associated with our approximately $577 million Senior Credit Facility (using the March 28, 2004 exchange rate of the Dollar to the Euro of 1.21315 to 1) and our $350 million of Senior Subordinated Notes. In addition, we were required under our Senior Credit Facility, the Third Amended and Restated Credit Agreement, as amended, to transform the Company's German subsidiary, VARTA Geratebatterie, from a GmbH legal structure to a KGaA legal structure (the "Transformation") on or before March 31, 2004. The Company completed the Transformation during the three months ended December 28, 2003.

**7 COMMITMENTS AND CONTINGENCIES**

**Commitments and Contingencies:** In March 1998, the Company entered into an agreement to purchase certain equipment and to pay annual royalties. In connection with this 1998 agreement, which supersedes previous agreements dated December 1991, and March 1994, the Company committed to pay royalties of $2,000 in 1998 and 1999, $3,000 in 2000 through 2002, and $500 in each year thereafter, as long as the related equipment patents are enforceable (until 2022). In December 2002, this agreement was modified such that royalty payments in 2003 through 2022 will be $250.

The Company has provided for the estimated costs associated with environmental remediation activities at some of its current and former manufacturing sites. The Company believes that any additional liability in excess of the amounts provided of $5,379, which may result from resolution of these matters, will not have a material adverse effect on the financial condition, results of operation, liquidity, or cash flow of the Company.

The Company has certain other contingent liabilities with respect to litigation, claims and contractual agreements arising in the ordinary course of business. Such litigation includes shareholder lawsuits, trademark infringement litigation initiated by Koninklijke Philips Electrics N.V. in several European countries with regard to rotary shavers, patent infringement claims by the Gillette Company and its subsidiary Braun Gmbh, and a lawsuit alleging misleading advertising, filed by Norelco

Consumer Products Company against the Company's subsidiary, Remington Products Company, L.L.C. In the opinion of management, it is either not probable, or premature to determine, whether such contingent liabilities will have a material adverse effect on the financial condition, results of operation, liquidity or cash flow of the Company. The Company is finalizing integration initiatives associated with the acquisition of Remington.

On March 26, 2004, the Company announced it reached an agreement in principle to settle the shareholder lawsuits, pending approval by the court. Under the terms of the proposed settlement, the Company's obligation is approximately $750. The obligation was reflected in our Condensed Consolidated Statements of Operations in general and administrative expenses for the three and six months ended March 28, 2004 and in our Condensed Consolidated Balance Sheet as of March 28, 2004 in accrued liabilities, and did not have a significant impact on our financial condition, results of operation, liquidity, or cash flow of the Company.

**Employee Benefit Plans:** The Company has various defined benefit pension plans covering substantially all of its employees in the United States and certain employees in other countries. Plans generally provide benefits of stated amounts for each year of service. The Company's practice is to fund pension costs at amounts within the acceptable ranges established by the Employee Retirement Income Security Act of 1974, as amended.

The Company also sponsors or participates in a number of other non-U.S. pension arrangements, including various retirement and termination benefit plans, some of which are covered by local law or coordinated with government-sponsored plans, which are not significant in the aggregate and therefore are not included in the information presented below.

The Company also has various nonqualified deferred compensation agreements with certain of its employees. Under certain agreements, the Company has agreed to pay certain amounts annually for the first 15 years subsequent to retirement or to a designated beneficiary upon death. It is management's intent that life insurance contracts owned by the Company will fund these agreements. Under the other agreements, the Company has agreed to pay such deferral amounts in up to 15 annual installments beginning on a date specified by the employee, subsequent to retirement or disability, or to a designated beneficiary upon death. The Company established a rabbi trust to fund these agreements.

The Company has adopted the interim-period disclosure requirements of Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 132 (revised 2003), *Employer's Disclosures about Pension and Other Post Retirement Benefits.* The provisions of Statement No. 132, as revised, require additional disclosures to those in the original Statement No. 132 about assets, obligations, cash flows, and net periodic pension benefit cost of defined benefit plans and other defined benefit post retirement plans.

The Company's results of operations for the three and six months ended March 28, 2004 and March 30, 2003, respectively, reflect the following pension benefit and deferred compensation costs.

| | Three Months | | Six Months | |
|---|---|---|---|---|
| **Components of net periodic pension benefit and deferred compensation cost** | **2004** | **2003** | **2004** | **2003** |
| Service cost | $ 465 | $ 370 | $ 929 | $ 743 |
| Interest cost | 992 | 868 | 1,984 | 1,736 |
| Expected return on assets | (546) | (570) | (1,093) | (1,141) |
| Amortization of prior service cost | 72 | 94 | 144 | 187 |
| Amortization of transition obligation | 11 | 11 | 22 | 22 |
| Loss on curtailments | — | — | — | 702 |
| Recognized net actuarial loss | 193 | 122 | 386 | 244 |
| Net periodic benefit cost | $ 1,187 | $ 895 | $ 2,372 | $ 2,493 |

| | Three Months | | Six Months | |
|---|---|---|---|---|
| **Pension and deferred compensation contributions** | **2004** | **2003** | **2004** | **2003** |
| Contributions made during period | $ 686 | $ 1,098 | $ 1,193 | $ 1,411 |

## 8 RESTRUCTURING AND RELATED CHARGES

The Company reports restructuring charges relating to manufacturing and related initiatives in cost of goods sold. Restructuring and related charges reflected in cost of goods sold include, but are not limited to, termination and related costs associated with manufacturing employees, asset impairments relating to manufacturing initiatives, and other costs directly related to the restructuring and related initiatives implemented.

The Company reports restructuring and related charges relating to administrative functions in operating expenses, such as, initiatives impacting sales, marketing, distribution, or other non-manufacturing related functions. Restructuring and related charges reflected in operating expenses include, but are not limited to, termination and related costs, any asset impairments relating to the functional areas described above, and other costs directly related to the initiatives implemented.

On January 13, 2004, the Company committed to and announced a series of initiatives to position us for future growth opportunities and to optimize the global resources of the combined Remington and Rayovac companies. These initiatives include: integrating all of Remington's North America administrative services, marketing, sales, and customer service functions into our North America headquarters in Madison, Wisconsin; moving Remington's Bridgeport, Connecticut manufacturing facility to our Portage, Wisconsin manufacturing location; creation of a global product development group in our technology center in Madison, Wisconsin; closing Remington's Service Center stores in the United States and the United Kingdom; consolidating Remington's and our distribution centers; and moving our corporate headquarters to Atlanta, Georgia. The Company also announced in January our integration initiatives in Europe that will combine our sales and marketing organizations throughout continental Europe.

During the six months ended March 28, 2004, restructuring and related charges included in cost of goods sold of approximately ($1,100) include amounts related to a North America change in estimate associated with inventory impairments resulting in a reduction to previously established inventory obsolescence estimates of approximately $1,100. These initiatives are now completed and the change in estimate is reflected in the 2003 Restructuring Summary.

During the six months ended March 28, 2004, restructuring and related charges included in operating expenses of approximately $6,000 include amounts related to: (i) North America restructuring initiatives of approximately $2,300 impacting selling, marketing, and administrative functions reflecting termination benefits, (ii) European integration initiatives of approximately $700 reflecting termination benefits, (iii) charges related to pre-acquisition executive compensation agreements with certain Remington employees of approximately $2,800, and (iv) other expenses associated with the Company's relocation to its new headquarters in Atlanta, Georgia of approximately $200.

**2004 Restructuring Summary**

| | Termination Benefits | Other Costs | Total |
|---|---|---|---|
| Expense accrued | $ 1,100 | $ — | $ 1,100 |
| Balance December 28, 2003 | 1,100 | — | 1,100 |
| Expense accrued | 4,800 | — | 4,800 |
| Expense as incurred | — | 100 | 100 |
| Cash expenditures | (3,200) | (100) | (3,300) |
| Balance March 28, 2004 | $ 2,700 | $ — | $ 2,700 |

During the six months ended March 30, 2003, restructuring and related charges included in cost of goods sold of approximately $11,300 include amounts related to: (i) the closure in October 2002 of the Company's Mexico City, Mexico plant and integration of production into the Company's Guatemala City, Guatemala manufacturing location, resulting in charges of approximately $6,200, including termination payments of approximately $1,400, fixed asset and inventory impairments of approximately $4,300, and other shutdown related expenses of approximately $500, (ii) the closure of operations at the Company's Madison, Wisconsin packaging facility and combination with the Company's Middleton, Wisconsin distribution center into a new leased complex in Dixon, Illinois resulting in charges of approximately $2,700, including non cash pension curtailment costs of approximately $700, fixed asset and inventory impairments of approximately $1,600, and relocation expenses and other shutdown related expenses of approximately $400, and (iii) a series of restructuring initiatives impacting the Company's manufacturing functions in Europe and North America resulting in charges of approximately $2,400, including termination benefits of approximately $1,400 and inventory and asset impairments of approximately $1,000.

During the six months ended March 30, 2003, restructuring and related charges included in operating expenses of approximately $9,200 include amounts related to: (i) North America and Corporate restructuring initiatives of approximately $6,000 impacting selling, marketing, and administrative functions, including termination benefits of approximately $4,900, research and development contract termination costs of approximately $500, fixed asset impairments of approximately $300 associated with the relocation to the Company's new combined leased distribution and packaging facility in Dixon, Illinois, and other expenses of approximately $300, (ii) European integration initiatives of approximately $1,100, including approximately $600 of termination benefits, assets impairments of approximately $200, and other expenses of approximately $300, and (iii) Latin America integration initiatives of $2,100, primarily reflecting termination benefits associated with the integration of our Mexico and Colombia businesses.

**2003 Restructuring Summary**

| | Termination Benefits | Other Costs | Total |
|---|---|---|---|
| Balance September 30, 2003 | $ 3,200 | $ 6,000 | $ 9,200 |
| Cash expenditures | (1,200) | (200) | (1,400) |
| Non cash charges | — | (3,200) | (3,200) |
| Balance December 28, 2003 | 2,000 | 2,600 | 4,600 |
| Change in estimate | — | (1,100) | (1,100) |
| Cash expenditures | (600) | — | (600) |
| Balance March 28, 2004 | $ 1,400 | $ 1,500 | $ 2,900 |

**9 SEGMENT RESULTS**

The Company manages operations in three reportable segments based upon geographic area. North America includes the United States and Canada; Europe/Rest of World ("Europe/ROW") includes continental Europe, the United Kingdom, and all other countries in which the Company does business; Latin America includes Mexico, Central America, South America and the Caribbean.

The Company manufactures and markets dry cell batteries including alkaline, zinc carbon, hearing aid, and other specialty batteries throughout the world. The Company also designs and markets lighting products, electric shavers and accessories, electric grooming products, and hair care appliances. All of these product lines are generally sold in North America and Europe/ROW. Latin America sales have historically been derived primarily from zinc carbon and alkaline batteries.

Net sales and cost of sales to other segments have been eliminated. The gross contribution of inter segment sales is included in the segment selling the product to the external customer. Segment net sales are based upon the geographic area in which the product is sold.

The reportable segment profits do not include interest expense, interest income, foreign exchange gains or losses, and income tax expense. Also not included in the reportable segments are corporate expenses including corporate purchasing expense, general and administrative expense, research and development expense, and restructuring and related charges. All depreciation and amortization included in income from continuing operations is related to reportable segments or corporate. Costs are identified to reportable segments or corporate, according to the function of each cost center.

The reportable segment assets do not include cash, tax assets or liabilities, investments, and current and long-term intercompany receivables. All capital expenditures relate to reportable segments. Variable allocations of assets are not made for segment reporting.

Segment information for the three and six months ended March 28, 2004 and March 30, 2003 is as follows:

| | Three Months | | Six Months | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| ***Net sales from external customers*** | | | | |
| North America | $ 114,501 | $ 78,601 | $ 348,305 | $ 185,677 |
| Europe/ROW | 132,676 | 97,939 | 316,657 | 216,641 |
| Latin America | 30,846 | 25,727 | 67,071 | 60,171 |
| Total segments | $ 278,023 | $ 202,267 | $ 732,033 | $ 462,489 |

| | Three Months | | Six Months | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| ***Inter segment net sales*** | | | | |
| North America | $ 29,652 | $ 7,796 | $ 53,184 | $ 15,681 |
| Europe/ROW | 5,130 | 3,195 | 8,237 | 6,111 |
| Latin America | 3 | — | 95 | — |
| Total segments | $ 34,785 | $ 10,991 | $ 61,516 | $ 21,792 |

| | Three Months | | Six Months | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| ***Segment profit*** | | | | |
| North America | $ 19,728 | $ 11,033 | $ 53,595 | $ 30,709 |
| Europe/ROW | 20,328 | 9,610 | 53,134 | 25,604 |
| Latin America | 3,676 | 2,279 | 6,110 | 5,846 |
| Total segments | 43,732 | 22,922 | 112,839 | 62,159 |
| Corporate expense | 17,394 | 8,991 | 35,729 | 22,295 |
| Restructuring and related charges | 3,795 | 5,146 | 4,895 | 20,536 |
| Interest expense | 16,073 | 9,500 | 33,424 | 19,602 |
| Non-operating expense | — | — | — | 3,072 |
| Other income, net | (471) | (1,170) | (1,733) | (2,857) |
| Income (loss) from continuing operations before income taxes | $ 6,941 | $ 455 | $ 40,524 | $ (489) |

| | March 28, 2004 | September 30, 2003 |
|---|---|---|
| ***Segment assets*** | | |
| North America | $ 567,133 | $ 625,463 |
| Europe/ROW | 542,221 | 537,400 |
| Latin America | 205,816 | 203,909 |
| Total segments | 1,315,170 | 1,366,772 |
| Corporate | 168,666 | 209,720 |
| Total assets at period end | $ 1,483,836 | $ 1,576,492 |

## 10 ACQUISITIONS

On September 30, 2003, the Company acquired all of the equity interests of Remington Products Company, L.L.C. Remington is a leading consumer products company focusing on the development and marketing of electric personal care products. Remington designs and distributes electric shavers and accessories, grooming products, hair care appliances and other small electrical consumer products.

**Supplemental Pro Forma information:** The following reflects the Company's pro forma results had the results of the Remington business been included for the Fiscal 2003 three and six month periods. The amounts included for Remington for the Fiscal 2003 Three Months and Fiscal 2003 Six Months reflect net sales and net income, including the Remington Service Centers, which are reflected as discontinued operations in the three and six months ended March 28, 2004. The pro forma adjustments include amortization expense associated with amortizable intangible assets balances of approximately $860, which are being amortized over an estimated useful life of 14 years. See footnote 3, Intangible Assets, for additional information on the Remington acquisition and the purchase price allocation.

| | Three Months | | Six Months | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| ***Net sales*** | | | | |
| Reported net sales | $ 278,023 | $ 202,267 | $ 732,033 | $ 462,489 |
| Pro forma adjustments | — | 47,736 | — | 209,789 |
| Pro forma net sales | $ 278,023 | $ 250,003 | $ 732,033 | $ 672,278 |
| ***Income from continuing operations*** | | | | |
| Reported income (loss) from continuing operations | $ 4,303 | $ 282 | $ 25,125 | $ (303) |
| Pro forma adjustments | — | (3,426) | — | 5,751 |
| Pro forma income (loss) from continuing operations | $ 4,303 | $ (3,144) | $ 25,125 | $ 5,448 |
| ***Basic Earnings Per Share*** | | | | |
| Reported income (loss) from continuing operations | $ 0.13 | $ 0.01 | $ 0.77 | $ (0.01) |
| Pro forma adjustments | — | (0.09) | — | 0.18 |
| Pro forma income (loss) from continuing operations | $ 0.13 | $ (0.10) | $ 0.77 | $ 0.17 |
| ***Diluted Earnings Per Share*** | | | | |
| Reported income (loss) from continuing operations | $ 0.12 | $ 0.01 | $ 0.75 | $ (0.01) |
| Pro forma adjustments | — | (0.09) | — | 0.18 |
| Pro forma income (loss) from continuing operations | $ 0.12 | $ (0.10) | $ 0.75 | $ 0.17 |

Pro forma diluted earnings per share for the three months ended March 30, 2003, exclude the effect of restricted stock and unexercised stock options of approximately 677 thousand shares, which were outstanding during the three-month period. The effect of restricted stock and unexercised stock options was excluded due to the anti-dilutive impact on the Company's pro-forma loss from continuing operations.

Pro forma diluted earnings per share for the six months ended March 30, 2003, include the effect of restricted stock and unexercised stock options of approximately 695 thousand shares, which were outstanding during the six-month period. The effect of restricted stock and unexercised stock options had previously been excluded due to the anti-dilutive impact on the Company's reported loss from continuing operations.

See footnote 12, Subsequent Events, for additional information on acquisitions completed subsequent to March 28, 2004.

## 11 SHAREHOLDERS' EQUITY

During the six months ended March 28, 2004, the Company issued approximately 435 thousand shares of restricted stock to certain members of management. Approximately 24 thousand shares will vest over the one-year period ending September 30, 2004, approximately 381 thousand shares will vest over the three-year period ending September 30, 2006 provided the recipient is still employed by the Company, with fifty percent of the shares vesting on a pro rata basis over the three-year period and the remaining fifty percent vesting based on the Company's performance during the three-year period. The remaining 30 thousand shares will vest over the three-year period ending between January 2 and February 2, 2007 provided the recipient is still employed by the Company, with fifty percent of the shares vesting on a pro rata basis over the three-year period and the remaining fifty percent vesting based on the Company's performance during the three-year period.

The total market value of the restricted shares on date of grant was approximately $6,808 and has been recorded as unearned restricted stock compensation, a separate component of shareholders' equity. In addition, the Company recognized an increase in unearned restricted stock compensation of approximately $2,310 reflecting the increase in the value of the performance-based shares from the grant dates to March 28, 2004. Unearned compensation is being amortized to expense over the appropriate vesting period. During the six months ended March 28, 2004, approximately seven of the shares vesting over the three-year period ending September 30, 2006 were forfeited.

Also during the six months ended March 28, 2004, the Company issued approximately 1,394 thousand shares of common stock resulting from the exercise of stock options with an aggregate cash exercise value of approximately $15,405. The Company also recognized a tax benefit of approximately $6,998 associated with the exercise of these stock options, which also increased Additional paid-in capital.

The Company granted approximately 274 thousand stock options during the six months ended March 28, 2004, with exercise prices ranging between $14.60 and $20.18. All grants were at an exercise price equal to the market price of the stock on the date of the grant.

## 12 SUBSEQUENT EVENTS

***Acquisition of Ningbo Baowang***

On January 19, 2004, the Company announced it signed an agreement to acquire an 85 percent equity interest in Ningbo Baowang Battery Company of Ninghai, China. The remaining 15 percent equity interest in the operation will continue to be held by Ningbo Baowang Investment Company and the founder/general manager of Ningbo Baowang. The transaction closed on March 31, 2004, with the Company's purchase price of approximately $24.0 million financed with cash in escrow at March 28, 2004 of approximately $17.0 million and assumption of debt of approximately $7.0 million.

Ningbo Baowang, founded in 1995, produces alkaline and zinc carbon batteries for retail, OEM and private label customers. The company exports its batteries to customers throughout North and South America, Europe and Asia. In addition to export sales, Ningbo Baowang has been building its distribution and market share in China and now has 26 branches and regional sales offices and distribution throughout China.

The Company estimates the acquisition will have minimal impact on earnings in fiscal 2004 and be accretive thereafter.

**13 CONDENSED CONSOLIDATING FINANCIAL STATEMENTS**

In connection with the acquisition of Remington, we completed a debt offering of $350,000 of 8.5% Senior Subordinated Notes due in 2013. Payment obligations of the Senior Subordinated Notes are fully and unconditionally guaranteed on a joint and several basis by all of the Company's domestic subsidiaries, including ROV Holding, Inc. and Remington Products L.L.C. The foreign subsidiaries of the Company, which do not guarantee the payment obligations under the notes, are directly and wholly owned by ROV Holding, Inc. and Remington Products L.L.C.

The following condensed consolidating financial data illustrates the composition of the condensed consolidated financial statements. Investments in subsidiaries are accounted for using the equity method for purposes of illustrating the consolidating presentation. Earnings of subsidiaries are therefore reflected in the Company's and Guarantor Subsidiaries' investment accounts and earnings. The principal elimination entries eliminate investments in subsidiaries and intercompany balances and transactions. Separate financial statements of the Guarantor Subsidiaries are not presented because management has determined that such financials statements would not be material to investors.

On March 29, 2004, Remington Products Company L.L.C. (a guarantor subsidiary) merged with Rayovac Corp. (the parent company). As a result of the merger, the results of operations, cash flows, and balance sheet of Remington Products Company L.L.C. will be included with Rayovac Corp. starting with the Company's fiscal quarter ending June 27, 2004.

**RAYOVAC CORPORATION AND SUBSIDIARIES**

**Condensed Consolidating Balance Sheets**

**March 28, 2004**

**(Unaudited)**

**(In thousands, except per share amounts)**

| | Parent | Guarantor Subsidiaries | Nonguarantor Subsidiaries | Eliminations | Consolidated Total |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| Current assets: | | | | | |
| Cash and cash equivalents, including cash in escrow of $17,133, $0, $0, respectively | $ 21,003 | $ 2,672 | $ 10,659 | $ — | $ 34,334 |
| Receivables, net | 176,798 | 224,276 | 258,821 | (400,142) | 259,753 |
| Inventories | 49,781 | 37,753 | 112,386 | (3,794) | 196,126 |
| Prepaid expenses and other | 34,711 | 10,221 | 40,750 | 1,848 | 87,530 |
| Total current assets | 282,293 | 274,922 | 422,616 | (402,088) | 577,743 |
| Property, plant and equipment, net | 63,965 | 8,912 | 71,083 | — | 143,960 |
| Goodwill | 31,389 | 101,916 | 112,700 | 680 | 246,685 |
| Intangible assets, net | 87,950 | 159,829 | 171,378 | (188) | 418,969 |
| Deferred charges and other | 104,845 | 71 | 19,833 | (55,650) | 69,099 |
| Debt issuance costs | 27,380 | — | — | — | 27,380 |
| Investments in subsidiaries | 701,081 | 463,806 | — | (1,164,887) | — |
| Total assets | $ 1,298,903 | $ 1,009,456 | $ 797,610 | $ (1,622,133) | $ 1,483,836 |
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | | | | |
| Current liabilities: | | | | | |
| Current maturities of long-term debt | $ 116,750 | $ 73 | $ 10,051 | $ (115,149) | $ 11,725 |
| Accounts payable | 59,318 | 265,419 | 94,067 | (284,358) | 134,446 |
| Accrued liabilities | 51,864 | 23,607 | 116,272 | — | 191,743 |
| Total current liabilities | 227,932 | 289,099 | 220,390 | (399,507) | 337,914 |
| Long-term debt, net of current maturities | 757,987 | 6 | 64,982 | (43,088) | 779,887 |
| Employee benefit obligations, net of current portion | 30,909 | — | 33,514 | — | 64,423 |
| Other | 24,949 | 13,259 | 14,921 | (12,560) | 40,569 |
| Total liabilities | 1,041,777 | 302,364 | 333,807 | (455,155) | 1,222,793 |
| Shareholders' equity: | | | | | |
| Common stock | 638 | 1 | 12,366 | (12,367) | 638 |
| Additional paid-in capital | 216,838 | 498,462 | 347,624 | (845,968) | 216,956 |
| Retained earnings | 191,326 | 208,436 | 104,974 | (315,232) | 189,504 |
| Accumulated other comprehensive (loss) income | (9,041) | 193 | (1,161) | 6,589 | (3,420) |
| Notes receivable from officers/shareholders | (3,605) | — | — | — | (3,605) |
| | 396,156 | 707,092 | 463,803 | (1,166,978) | 400,073 |
| Less treasury stock, at cost | (130,070) | — | — | — | (130,070) |
| Less unearned restricted stock compensation | (8,960) | — | — | — | (8,960) |
| Total shareholders' equity | 257,126 | 707,092 | 463,803 | (1,166,978) | 261,043 |
| Total liabilities and shareholders' equity | $ 1,298,903 | $ 1,009,456 | $ 797,610 | $ (1,622,133) | $ 1,483,836 |

**RAYOVAC CORPORATION AND SUBSIDIARIES**

**Condensed Consolidating Statement of Operations**

**Three Months Ended March 28, 2004**

**(Unaudited)**

**(In thousands, except per share amounts)**

| | Parent | Guarantor Subsidiaries | Nonguarantor Subsidiaries | Eliminations | Consolidated Total |
|---|---|---|---|---|---|
| Net sales | $ 78,724 | $ 56,621 | $ 172,856 | $ (30,178) | $ 278,023 |
| Cost of goods sold | 43,876 | 42,271 | 100,391 | (30,218) | 156,320 |
| Restructuring and related charges | (1,247) | — | 110 | — | (1,137) |
| Gross profit | 36,095 | 14,350 | 72,355 | 40 | 122,840 |
| Operating expenses: | | | | | |
| Selling | 15,213 | 6,543 | 35,731 | (90) | 57,397 |
| General and administrative | 20,477 | (2,890) | 15,543 | — | 33,130 |
| Research and development | 3,509 | 1,017 | 312 | — | 4,838 |
| Restructuring and related charges | 2,448 | 1,471 | 1,013 | — | 4,932 |
| | 41,647 | 6,141 | 52,599 | (90) | 100,297 |
| (Loss) income from continuing operations | (5,552) | 8,209 | 19,756 | 130 | 22,543 |
| Interest expense | 15,533 | 7 | 533 | — | 16,073 |
| Equity income | (11,994) | (1,702) | — | 13,696 | — |
| Other (income) expense, net | (3,444) | (889) | 3,862 | — | (471) |
| (Loss) income from continuing operations before income taxes | (5,647) | 10,793 | 15,361 | (13,566) | 6,941 |
| Income tax (benefit) expense | (8,446) | (2,973) | 13,730 | 327 | 2,638 |
| Income from continuing operations | 2,799 | 13,766 | 1,631 | (13,893) | 4,303 |
| (Loss) income from discontinued operations, net of tax | — | (1,772) | 71 | — | (1,701) |
| Net income | $ 2,799 | $ 11,994 | $ 1,702 | $ (13,893) | $ 2,602 |

**RAYOVAC CORPORATION AND SUBSIDIARIES**

**Condensed Consolidating Statement of Operations**

**Six Months Ended March 28, 2004**

**(Unaudited)**

**(In thousands, except per share amounts)**

| | Parent | Guarantor Subsidiaries | Nonguarantor Subsidiaries | Eliminations | Consolidated Total |
|---|---|---|---|---|---|
| Net sales | $ 198,468 | $ 195,951 | $ 408,278 | $ (70,664) | $ 732,033 |
| Cost of goods sold | 119,575 | 130,935 | 238,161 | (71,371) | 417,300 |
| Restructuring and related charges | (1,247) | — | 110 | — | (1,137) |
| Gross profit | 80,140 | 65,016 | 170,007 | 707 | 315,870 |
| Operating expenses: | | | | | |
| Selling expense | 42,525 | 36,592 | 79,902 | (179) | 158,840 |
| General and administrative | 38,444 | (3,646) | 34,845 | — | 69,643 |
| Research and development | 6,119 | 2,187 | 834 | — | 9,140 |
| Restructuring and related charges | 2,448 | 2,571 | 1,013 | — | 6,032 |
| | 89,536 | 37,704 | 116,594 | (179) | 243,655 |
| (Loss) income from continuing operations | (9,396) | 27,312 | 53,413 | 886 | 72,215 |
| Interest expense | 31,764 | 566 | 1,094 | — | 33,424 |
| Equity income | (56,826) | (38,601) | — | 95,427 | — |
| Other expense (income), net | 8,696 | (1,401) | (9,028) | — | (1,733) |
| Income from continuing operations before income taxes | 6,970 | 66,748 | 61,347 | (94,541) | 40,524 |
| Income tax (benefit) expense | (17,272) | 8,895 | 23,449 | 327 | 15,399 |
| Net income from continuing operations | 24,242 | 57,853 | 37,898 | (94,868) | 25,125 |
| (Loss) income from discontinued operations, net of tax | — | (1,027) | 703 | — | (324) |
| Net income | $ 24,242 | $ 56,826 | $ 38,601 | $ (94,868) | $ 24,801 |

**Condensed Consolidating Statement of Cash Flows**

**Six Months Ended March 28, 2004**
**(Unaudited)**
**(in thousands, except per share amounts)**

| | Parent | Guarantor Subsidiaries | Nonguarantor Subsidiaries | Eliminations | Consolidated Total |
|---|---|---|---|---|---|
| Net cash (used) provided by continuing operating activities | $ (16,351) | $ 22,478 | $ 76,442 | $ (67) | $ 82,502 |
| Cash flows from investing activities: | | | | | |
| Purchases of property, plant and equipment, net | (4,693) | (360) | (4,552) | — | (9,605) |
| Payments for acquisitions, net of cash acquired | (981) | — | — | — | (981) |
| Net cash used by investing activities | (5,674) | (360) | (4,552) | — | (10,586) |
| Cash flows from financing activities: | | | | | |
| Reduction of debt | (211,270) | (56,060) | 662 | — | (266,668) |
| Proceeds from debt financing | 106,850 | — | — | — | 106,850 |
| Extinguishment of debt | (1,002) | — | — | — | (1,002) |
| Debt issuance costs | (1,220) | — | — | — | (1,220) |
| Exercise of stock options | 15,405 | — | — | — | 15,405 |
| Proceeds from (advances related to) intercompany transactions | 46,027 | 30,890 | (76,917) | — | — |
| Other | (112) | — | — | — | (112) |
| Net cash used by financing activities | (45,322) | (25,170) | (76,255) | — | (146,747) |
| Net cash used by discontinued operations | — | (315) | — | — | (315) |
| Effect of exchange rate changes on cash and cash equivalents | 8,334 | — | (6,695) | 67 | 1,706 |
| Net decrease in cash and cash equivalents | (59,013) | (3,367) | (11,060) | — | (73,440) |
| Cash and cash equivalents, beginning of period | 80,016 | 6,039 | 21,719 | — | 107,774 |
| Cash and cash equivalents, end of period, including cash in escrow | $ 21,003 | $ 2,672 | $ 10,659 | $ — | $ 34,334 |

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

**Introduction**

We are a global branded consumer products company with leading market positions in our two major product categories: consumer batteries and electric personal care products. We are a leading worldwide manufacturer and marketer of alkaline and zinc carbon batteries, the leading worldwide manufacturer and marketer of hearing aid batteries, a leading worldwide designer and marketer of rechargeable batteries and a leading marketer of battery-powered lighting products. We are also a leading designer and marketer of electric shavers and accessories, electric grooming products and hair care appliances.

We sell in over 120 countries through a variety of channels, including mass merchandisers, home centers and hardware stores, consumer electronics stores, warehouse clubs, food, drug and convenience stores, department stores, hearing aid professionals, industrial distributors and original equipment manufacturers ("OEMs"). We enjoy strong name recognition in our markets under the Rayovac, VARTA and Remington brands, each of which has been in existence for more than 80 years.

Our financial performance is influenced by a number of factors including: general economic conditions, foreign exchange fluctuations, and trends in consumer markets; our overall product line mix, including sales prices and gross margins which vary by product line and geographic market; and our general competitive position, especially as impacted by our competitors' promotional activities and pricing strategies.

Since our latest filing of our Annual Report on Form 10-K for the year ended September 30, 2003, we determined we would discontinue operations at our Remington Service Centers in the United States and the United Kingdom. For additional information on the changes related to our discontinued operations and Remington integration initiatives, see the discussion below under, Discontinued Operations and footnote 1, Significant Accounting Policies—Discontinued Operations.

On January 13, 2004, we committed to and announced a series of initiatives to position us for future growth opportunities and to optimize the global resources of the combined Remington and Rayovac companies. These initiatives include: integrating all of Remington's North America administrative services, marketing, sales, and customer service functions into our North America headquarters in Madison, Wisconsin; moving Remington's Bridgeport, Connecticut manufacturing facility to our Portage, Wisconsin manufacturing location; creation of a global product development group in our technology center in Madison, Wisconsin; closing Remington's Service Center stores in the United States and the United Kingdom; consolidating Remington's and our distribution centers; and moving our corporate headquarters to Atlanta, Georgia. We also announced in January our integration initiatives in Europe that will combine our sales and marketing organizations throughout continental Europe.

We expect to record pretax restructuring and integration charges of approximately $10.0 to $12.0 million in calendar 2004. Cash costs of the integration program, including purchase accounting costs, are expected to total $30.0 to $35.0 million. Cash savings related to these costs are projected to be in the range of $30.0 to $35.0 million when fully realized in fiscal 2005. The result of these initiatives is a reduction of approximately 500 positions, or approximately 10%, of the combined organization. See footnote 8, Restructuring and Related Charges, for additional discussion.

On February 21, 2004, we entered into an agreement to purchase Microlite S.A. ("Microlite"), a Brazilian battery company, from VARTA AG of Germany and Tabriza Brasil Empreendimentos Ltda. Microlite operates two battery-manufacturing facilities in Recife, Brazil and has several strategically located sales and distribution centers throughout Brazil. The acquisition of Microlite consolidates our rights to the Rayovac brand around the world. The acquisition is subject to various closing conditions and is anticipated to close in the third fiscal quarter of 2004. See Management's Discussion and

Analysis of Financial Condition and Results of Operation, Liquidity and Capital Resources, for additional discussion.

On March 31, 2004, we consummated the acquisition of an 85 percent equity interest in Ningbo Baowang Battery Company of Ninghai, China. The final investment, which is subject to certain post-closing adjustments, is anticipated to be approximately $17.0 million in cash plus approximately $7.0 million of assumed debt. Ningbo Baowang, founded in 1995, produces alkaline and zinc carbon batteries for retail, OEM and private label customers within China. The company also exports its batteries to customers throughout North and South America, Europe and Asia. We estimate the acquisition will have minimal impact on earnings in fiscal 2004 and be accretive thereafter. See footnote 12, Subsequent Events, for additional discussion.

**Fiscal Quarter and Six Months Ended March 28, 2004 Compared to Fiscal Quarter and Six Months Ended March 30, 2003**

Year over year historical comparisons are influenced by our September 30, 2003 acquisition of Remington, which is included in our current year Condensed Consolidated Statements of Operations but not prior year results. See footnote 10, Acquisitions, to our Condensed Consolidated Financial Statements for supplemental pro forma information providing additional year over year comparisons of the impacts of the Remington acquisition.

During the six months ended March 28, 2004 (the "Fiscal 2004 Six Months"), we initiated the closing of the Remington Service Centers in the United States and United Kingdom, accelerating an initiative Remington began several years ago. The United States store closings were completed during the Fiscal 2004 Six Months and we anticipate the United Kingdom closings will occur during the third fiscal quarter of 2004. Consequently, the results of the Remington Service Centers for the three months ended March 28, 2004, (the "Fiscal 2004 Quarter"), and Fiscal 2004 Six Months are reflected in our Condensed Consolidated Statements of Operations as a discontinued operation. See footnote 1, Significant Accounting Policies—Discontinued Operations. As a result, and unless specifically stated, all discussions regarding our Fiscal 2004 Quarter and Fiscal 2004 Six Months reflect results for our continuing operations.

*Net Sales.* Our net sales for the Fiscal 2004 Quarter increased $75.7 million, or 37.4%, to $278.0 million from $202.3 million in the three months ended March 30, 2003 (the "Fiscal 2003 Quarter"). Net sales for the Fiscal 2004 Six Months increased $269.5 million, or 58.3%, to $732.0 million from $462.5 million in the six months ended March 30, 2003 (the "Fiscal 2003 Six Months"). The Remington acquisition contributed approximately $56.8 million and $217.9 million, respectively, to the sales increase in the Fiscal 2004 Quarter and Six Months. Favorable foreign exchange rates contributed approximately $13.4 and $35.4 million to the increase during the Fiscal 2004 Quarter and Six Months, respectively. Sales increases occurred in all geographic segments, as discussed in more detail below.

*Gross Profit.* Our gross profit margins for the Fiscal 2004 Quarter improved to 44.2% from 39.4% in the Fiscal 2003 Quarter. Excluding the impacts of restructuring and related charges, our gross profit margins were 43.8% in the Fiscal 2004 Quarter and 40.2% in the previous year. The improvement versus the previous year is primarily attributable to the impacts of the Remington acquisition, lower North America alkaline battery promotional spending, and our product line mix. Sales of our Remington product lines in the Fiscal 2004 Quarter were at more favorable gross profit margins than our general battery and lighting product lines. Excluding the impacts of the Remington acquisition and restructuring charges, our gross profit margins improved approximately 3.0 percentage points. The improvements in margin largely reflect cost improvements, VARTA integration initiatives implemented in the prior year, and generally lower alkaline battery promotional spending in North America following our launch of our 50% more alkaline battery packaging strategy late in Fiscal 2003.

Our gross profit margins for the Fiscal 2004 Six Months improved to 43.1% from 37.4% in the Fiscal 2003 Six Months. Excluding the impacts of restructuring and related charges, our gross profit margins were 43.0% in the Fiscal 2004 Six Months and 39.9% in the previous year. The improvement versus the previous year is primarily attributable to the impacts of the Remington acquisition, lower North America alkaline battery promotional spending, and our product line mix. Sales of our Remington product lines in the Fiscal 2004 Six Months were at more favorable gross profit margins than our general battery and lighting product lines. Excluding the impacts of the Remington acquisition and restructuring charges, our gross profit margins improved approximately 1.4 percentage points. The improvements in margin largely reflect the same causal factors as those experienced above in our Fiscal 2004 Quarter.

*Operating Income.* Our operating income for the Fiscal 2004 Quarter increased $13.7 million to $22.5 million from $8.8 million in the Fiscal 2003 Quarter. The increase was primarily attributable to the impacts of the Remington acquisition, which contributed approximately $6.2 million of operating income, an increase in Europe/Rest of World ("Europe/ROW") profitability reflecting the impacts of our VARTA integration initiatives and the impacts of favorable foreign currency movements, an increase in profitability in Latin America reflecting the impacts of VARTA integration initiatives and stronger sales compounded by lower restructuring and related charges in the Fiscal 2004 Quarter of approximately $1.4 million versus the prior year, which related to the VARTA integration. These improvements in operating income were partially offset by increases in corporate expenses, all of which are discussed in more detail below.

Our operating income for the Fiscal 2004 Six Months increased $52.9 million to $72.2 million from $19.3 million in the Fiscal 2003 Six Months. The increase was primarily attributable to the impacts of the Remington acquisition, which contributed approximately $34.4 million of operating income, an increase in Europe/ROW profitability reflecting the impacts of our VARTA integration initiatives and the impacts of favorable foreign currency movements and lower restructuring and related charges in the Fiscal 2004 Six Months of approximately $15.6 million versus the prior year. These improvements in operating income were partially offset by increases in corporate expenses, all of which are discussed in more detail below.

*Income from Continuing Operations.* Our income from continuing operations for the Fiscal 2004 Quarter increased $4.0 million to $4.3 million from income of $0.3 million in the same period last year. The Fiscal 2004 Quarter increase was due to the improvements in operating income discussed above partially offset by an increase in interest expense of $4.1 million, after tax, reflecting the financing costs associated with the Remington acquisition.

Our income from continuing operations for the Fiscal 2004 Six Months increased $25.4 million to $25.1 million from a loss of 0.3 million in the same period last year. The Fiscal 2004 Six Months increase was due to the improvements in operating income discussed above, the presence of non-operating expenses of $1.9 million, after tax, in the Fiscal 2003 Six Months reflecting the write-off of unamortized debt issuance costs partially offset by an increase in interest expense of $8.6 million, after tax, reflecting the financing costs associated with the Remington acquisition.

*Discontinued Operations.* Our loss from discontinued operations of $1.7 million for the Fiscal 2004 Quarter and $0.3 million for the Fiscal 2004 Six Months reflects the operating results of our Remington Service Centers. Net sales from discontinued operations were approximately $6.9 million and $20.6 million, respectively, with losses from discontinued operations, net of tax, of $1.7 million and $0.3 million, respectively, for the Fiscal 2004 Quarter and Six Months. Service Centers in the United States were closed during the Fiscal 2004 Quarter and we anticipate the United Kingdom Service Centers will be closed during the third fiscal quarter.

*Segment Results.* The Company manages operations in three reportable segments based upon geographic area. North America includes the United States and Canada; Europe/ROW includes continental Europe, the United Kingdom, and all other countries in which we do business; Latin America includes Mexico, Central America, South America, and the Caribbean.

Global and geographic strategic initiatives and financial objectives are determined at the corporate level. Each geographic region is responsible for implementing defined strategic initiatives and achieving certain financial objectives. Each geographic region has a general manager responsible for all the sales and marketing initiatives for all product lines within that region. Financial information pertaining to our geographic regions is contained in footnote 9, Segment Results, of our Notes to Condensed Consolidated Financial Statements filed with this report.

We evaluate segment profitability based on income from operations before corporate expense and restructuring and related charges. Corporate expense includes corporate purchasing expense, general and administrative expense and research and development expense.

**North America**

| | Fiscal Quarter | | Six Months | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| Net sales from external customers | $ 114.5 | $ 78.6 | $ 348.3 | $ 185.7 |
| Segment profit | 19.7 | 11.0 | 53.6 | 30.7 |
| Segment profit as a % of net sales | 17.2% | 14.0% | 15.4% | 16.5% |
| Assets as of March 28, 2004 and September 30, 2003 | $ 567.1 | $ 625.5 | $ 567.1 | $ 625.5 |

Our sales to external customers in the Fiscal 2004 Quarter increased $35.9 million to $114.5 million from $78.6 million the previous year due primarily to the impacts of the Remington acquisition, which contributed approximately $34.6 million, and increases in rechargeable alkaline, zinc carbon, and hearing aid battery sales offset by weakness in alkaline battery and lighting product sales. Rechargeable battery sales increases of 40% were associated with the IC-3 rechargeable battery system launch, which was launched in the fourth quarter of Fiscal 2003, with zinc carbon increases of 50% attributable to expanded distribution with a major retailer. Hearing aid battery sales increases of 8% reflected new distribution with a retailer. Alkaline sales decreases of 3% were primarily attributable to lower volumes due to timing of shipments and our lower sales in the government channel compared to last year when sales spiked during the orange terror alert. These declines were partially offset by lower promotional spending as the Fiscal 2003 Quarter reflected retailer markdown monies of approximately $1.6 million associated with the rollout of our 50% more alkaline battery packaging strategy. Lighting products sales decreases of 13% primarily reflect volume declines primarily attributable to the presence of low margin sales in the previous year and lost retail space.

Our sales to external customers in the Fiscal 2004 Six Months increased $162.6 million to $348.3 million from $185.7 million the previous year due primarily to the impacts of the Remington acquisition, which contributed approximately $147.1 million, and increases in all general battery categories offset by weakness in lighting product sales. General battery sales increases of 16% reflect rechargeable battery sales increases of 28% associated with the IC-3 rechargeable battery system launch, zinc carbon increases of 19% reflect our expanded distribution at a major retailer, and alkaline increases of 14% reflect our strong holiday season and lower promotional spending as the Fiscal 2003 Six Months reflected retailer markdown monies of approximately $1.6 million associated with the rollout of our 50% more alkaline battery packaging strategy and higher promotional spending during the previous year's holiday season. Lighting products sales decreases of 10% primarily reflect volume declines in retail trade channels.

Our profitability in the Fiscal 2004 Quarter increased $8.7 million to $19.7 million from $11.0 million the previous year. The increase in profitability primarily reflects the impacts of the Remington acquisition, which contributed approximately $7.2 million, the impacts of sales increases associated with our battery business and a decrease in advertising expenses due to our change in accounting policy in the first quarter of Fiscal 2004. The impact of our change in our advertising accounting policy is more fully described in footnote 1, Significant Accounting Policies—Change in Accounting Policy. Our profitability margins increased to 17.2% from 14.0% in the same quarter last year, due to the benefits of the Remington acquisition, lower alkaline promotional spending, and lower advertising expense.

Our profitability in the Fiscal 2004 Six Months increased $22.9 million to $53.6 million from $30.7 million the previous year. The increase in profitability primarily reflects the impacts of the Remington acquisition, which contributed approximately $27.9 million, and the impacts of sales increases associated with our battery business offset by an increase in advertising expenses due to our change in accounting policy in the first quarter of Fiscal 2004. Our profitability margins decreased to 15.4% from 16.5% in the previous year, primarily due to the benefits of the Remington business which has higher margins than our alkaline and lighting products business offset by higher advertising expenses as a percentage of sales.

Our assets in the Fiscal 2004 Six Months decreased $58.4 million to $567.1 million from $625.5 million at September 30, 2003. The decrease in assets is primarily attributable to seasonal changes in receivables and inventories due to the impacts of our holiday sales. Intangible assets are approximately $288.8 million and primarily relate to the Remington acquisition. The purchase price allocation for the Remington acquisition has not yet been finalized and future allocations could impact the amount and segment allocation of goodwill and other intangible assets. The purchase price allocation will be finalized by the end of the fiscal year.

**Europe/ROW**

| | Fiscal Quarter | | Six Months | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| Net sales from external customers | $ 132.7 | $ 97.9 | $ 316.7 | $ 216.6 |
| Segment profit | 20.3 | 9.6 | 53.1 | 25.6 |
| Segment profit as a % of net sales | 15.3% | 9.8% | 16.8% | 11.8% |
| Assets as of March 28, 2004 and September 30, 2003 | $ 542.2 | $ 537.4 | $ 542.2 | $ 537.4 |

Our sales to external customers in the Fiscal 2004 Quarter increased $34.8 million, or 35.5%, to $132.7 million from $97.9 million the previous year primarily due to the impacts of the Remington acquisition and favorable foreign currency movements. The Remington acquisition contributed approximately $22.2 million to the sales increase with the balance of the increase primarily attributable to the impact of foreign currency exchange rates as the strengthening Euro and Pound Sterling versus the U.S. Dollar favorably impacted sales. Sales also reflected strong rechargeable alkaline, hearing aid, and lighting products sales reflecting expanded distribution partially offset by softness in zinc carbon sales attributable to the general market trend toward alkaline batteries.

Our sales to external customers in the Fiscal 2004 Six Months increased $100.1 million, or 46.2%, to $316.7 million from $216.6 million the previous year primarily due to the impacts of the Remington acquisition and favorable foreign currency movements. The Remington acquisition contributed approximately $70.8 million to the sales increase with the balance of the increase primarily attributable to the impact of foreign currency exchange rates favorably impacting sales. Sales volumes reflected strong alkaline and lighting products sales reflecting expanded distribution partially offset by softness in zinc carbon sales compounded by weakness in photo battery sales.

Our profitability in the Fiscal 2004 Quarter increased $10.7 million to $20.3 from $9.6 million the previous year. The profitability increase was primarily driven by the impacts of the Remington acquisition, which contributed approximately $3.3 million, gross profit margin expansion reflecting a favorable product line mix, the benefits of VARTA integration initiatives implemented in Fiscal 2003 and the favorable impacts of foreign currency exchange rates. Profitability as a percent of net sales increased from 9.8% in the Fiscal 2003 Quarter to 15.3% in the Fiscal 2004 Quarter primarily reflecting the impact of improved gross profit margins resulting from the impacts of the VARTA integration initiatives and the benefits of higher margins associated with our Remington products partially offset by an increase in operating expenses as a percentage of sales reflecting higher advertising and administrative expenses.

Our profitability in the Fiscal 2004 Six Months increased $27.5 million to $53.1 from $25.6 million the previous year. The profitability increase was primarily driven by the impacts of the Remington acquisition, which contributed approximately $16.0 million, gross profit margin expansion reflecting a favorable product line mix, the benefits of VARTA integration initiatives implemented in Fiscal 2003 and the favorable impacts of foreign currency movements. Profitability as a percent of net sales increased from 11.8% in the Fiscal 2003 Six Months to 16.8% in the Fiscal 2004 Six Months due to the same causal factors described above for the Fiscal 2004 Quarter.

Our assets in the Fiscal 2004 Six Months increased $4.8 million to $542.2 million from $537.4 million at September 30, 2003. The increase primarily reflects the impacts of foreign currency exchange rates partially offset by a seasonal reduction in receivables and inventories. Intangible assets are approximately $253.5 million and primarily relate to the VARTA acquisition. The purchase price allocation for the Remington acquisition has not yet been finalized and future allocations could impact the amount and segment allocation of goodwill and other intangible assets. The purchase price allocation will be finalized by the end of the fiscal year.

**Latin America**

| | Fiscal Quarter | | Six Months | |
|---|---|---|---|---|
| | 2004 | 2003 | 2004 | 2003 |
| Net sales from external customers | $ 30.8 | $ 25.7 | $ 67.1 | $ 60.2 |
| Segment profit | 3.7 | 2.3 | 6.1 | 5.8 |
| Segment profit as a % of net sales | 12.0% | 8.9% | 9.1% | 9.6% |
| Assets as of March 28, 2004 and September 30, 2003 | $ 205.8 | $ 203.9 | $ 205.8 | $ 203.9 |

Our sales to external customers in the Fiscal 2004 Quarter increased $5.1 million, or 19.8%, to $30.8 million from $25.7 million in the previous year. Our sales to external customers in the Fiscal 2004 Six Months increased $6.9 million, or 11.5%, to $67.1 million from $60.2 million in the previous year. Sales increases in the Fiscal 2004 Quarter and Six Months reflect increases in alkaline and zinc carbon battery sales primarily attributable to volume gains associated with our Mexico, Argentina, and Chilean operations, and improving political and economic conditions favorably impacting our Andean operations, partially offset by the unfavorable impacts of foreign currency exchange rates. The Remington acquisition did not have an impact on the Latin America segment.

Our profitability in the Fiscal 2004 Quarter increased $1.4 million to $3.7 million from $2.3 million in the previous year and in the Fiscal 2004 Six Months increased $0.3 million to $6.1 million. The profitability increases primarily reflect stronger sales and the benefits of our VARTA integration initiatives implemented in the previous year. Our profitability margins in the Fiscal 2004 Quarter increased to 12.0% from 8.9% in the same period last year due to improvements in gross profit margins and operating expense decreases as a percentage of sales attributable to VARTA integration initiatives. Profitability margins in the Fiscal 2004 Six Months were relatively unchanged from the previous year.

Our assets in the Fiscal 2004 Six Months increased $1.9 million to $205.8 million from $203.9 million at September 30, 2003 and reflect intangible assets of approximately $123.5 million. There were no significant changes in assets during the Fiscal 2004 Six Months.

*Corporate Expense.* Our corporate expenses in the Fiscal 2004 Quarter increased $8.4 million to $17.4 million from $9.0 million in the previous year. The increase in expense is primarily due (i) a general increase in Remington integration expenses and other costs, (ii) an increase in compensation and incentive expenses of approximately $4.0 million, (iii) an increase in legal and litigation expenses primarily associated with the settlement of the shareholder class action lawsuit of approximately $1.1 million, and (iv) an increase in research and development expense of $0.8 million reflecting the impacts of Remington. Our corporate expense as a percentage of sales in the Fiscal 2004 Quarter increased to 6.2% from 4.4% in the previous year.

Our corporate expenses in the Fiscal 2004 Six Months increased $13.4 million to $35.7 million from $22.3 million in the previous year. The increase in expense is primarily due (i) a general increase in Remington integration expenses and other costs, (ii) an increase in compensation and incentive expenses of approximately $6.2 million, (iii) an increase in a reserve for a long-term receivable with a licensed distributor of approximately $2.3 million, (iv) an increase in research and development expense of approximately $1.2 million reflecting the impacts of Remington, and (v) an increase in legal and litigation expenses of approximately $1.1 million primarily associated with the settlement of the shareholder class action lawsuit. These increases were partially offset by a $1.5 million net charge associated with the settlement of a patent infringement litigation claim in the previous year. Our corporate expense as a percentage of sales in the Fiscal 2004 Six Months was 4.9%, relatively unchanged from the previous year.

*Restructuring and Related Charges.* As we announced on January 13, 2004, we implemented a series of restructuring initiatives associated with our Remington integration. We currently expect to incur restructuring and integration charges of approximately $10.0 to $12.0 million during calendar 2004. Cash costs, including purchase accounting costs, are expected to total approximately $30.0 to $35.0 million, with cash savings related to these initiatives projected to be in the range of $30.0 to $35.0 million when fully realized in Fiscal 2005. The result of these integration initiatives is an expected reduction in the total global workforce of approximately 500 positions. See footnote 8, Restructuring and Related Charges, for additional discussion on these initiatives.

The Fiscal 2004 Quarter reflects net restructuring charges of $3.8 million related to: (i) North America termination benefits of approximately $2.3 million associated with Remington integration initiatives, (ii) certain pre-acquisition executive compensation agreements with certain Remington employees of approximately $1.7 million, (iii) Europe/ROW termination benefits of approximately $0.7 million associated with Remington integration initiatives, (iv) relocation expenses of approximately $0.2 million primarily associated with our move to our new corporate headquarters, and (v) a decrease of $1.1 million attributable to a change in estimate associated with our completion of our North America restructuring initiatives implemented in Fiscal 2003.

The Fiscal 2003 Quarter reflects approximately $5.1 million of restructuring and related charges related to: (i) European integration initiatives of $0.7 million, primarily reflecting termination costs, (ii) North America restructuring initiatives of $0.9 million primarily reflecting relocation expenses, inventory impairments, and termination benefits associated with the relocation of our Madison, Wisconsin packaging facility to our new combined distribution and packaging facility in Dixon, Illinois, (iii) North America and Corporate restructuring initiatives of $3.3 million, including approximately $2.8 million of termination benefits and $0.5 million of other expenses, and (iv) Latin America integration initiatives of $0.2 million, primarily reflecting termination benefits associated with the integration of our Mexico and Colombia businesses.

The Fiscal 2004 Six Months reflects net restructuring charges of $4.9 million related to: (i) North America termination benefits of approximately $2.3 million associated with Remington integration initiatives, (ii) certain pre-acquisition executive compensation agreements with certain Remington employees of approximately $2.8 million, (iii) Europe/ROW termination benefits of approximately

$0.7 million associated with Remington integration initiatives, (iv) miscellaneous relocation expenses of approximately $0.2 million primarily associated with our move to our new corporate headquarters, (v) a decrease of $1.1 million attributable to a change in estimate associated with our completion of our North America restructuring initiatives implemented in Fiscal 2003.

The Fiscal 2003 Six Months reflects $20.5 million of restructuring and related charges related to: (i) European integration initiatives of approximately $3.0 million, primarily reflecting termination benefits of approximately $1.4 million, inventory and asset impairments of approximately $1.2 million, and other integration costs, (ii) North America restructuring initiatives of approximately $3.5 million, including pension and termination costs of approximately $1.1 million, fixed asset and inventory impairments of approximately $1.9 million, and relocation expenses and other shutdown expenses associated with the relocation of our Madison, Wisconsin packaging facility and Middleton, Wisconsin distribution facility to our new leased distribution and packaging facility in Dixon, Illinois, (iii) North America and Corporate restructuring initiatives of approximately $5.5 million, including approximately $5.0 million of termination benefits and research and development contract termination costs of approximately $0.5 million, (iv) Latin America restructuring initiatives of approximately $6.2 million reflecting the closure of our Mexico City, Mexico manufacturing location, including termination payments of approximately $1.4 million, fixed asset and inventory impairments of approximately $4.3 million, and other shutdown related expenses, and (v) other Latin America integrations initiatives of $2.3 million, primarily reflecting termination benefits of approximately $2.0 million associated with the integration of our Mexico and Colombia businesses and other integration related expenses.

*Interest Expense.* Interest expense in the Fiscal 2004 Quarter increased $6.6 million to $16.1 million and in the Fiscal 2004 Six Months $13.8 million to $33.4 million due to the increase in debt of approximately $350.0 million to finance the Remington acquisition. The increase in interest expense was partially offset by our reduction in debt due to our strong operating cash flow over the last twelve months.

*Non-Operating Expense.* There were no non-operating expenses in the Fiscal 2004 Quarter or Six Months. Non-operating expense of $3.1 million in the Fiscal 2003 Six Months relates to the write-off of unamortized debt fees associated with the previous credit facility, replaced in conjunction with the VARTA acquisition.

*Income Tax Expense.* Our effective tax rate on income from continuing operations was 38.0% for the Fiscal 2004 Quarter and Six Months, unchanged from the prior year.

**Adoption of New Accounting Pronouncements**

See discussion in Note 1 and Note 7 to the Condensed Consolidated Financial Statements for Adoption of New Accounting Pronouncements and Employee Benefit Plan disclosures.

**Liquidity and Capital Resources**

**Operating Activities**

For the Fiscal 2004 Six Months, continuing operating activities provided $82.5 million in net cash, an increase of $43.2 million from last year. Within operating cash flow, we recognized an increase in net income of $25.1 million, primarily reflecting the impacts of the Remington acquisition and the presence of higher non-cash restructuring and related charges in the prior year. We also recognized increased amortization expense associated with our VARTA and Remington amortizable intangible assets and our debt issuance costs incurred with the Remington acquisition. In addition, we also realized an income tax benefit associated with the exercise of employee stock options and a reduction in deferred taxes versus the previous year primarily reflecting the timing of completion of our VARTA and Remington integration initiatives. The decrease in other non-cash adjustments primarily reflects the presence of non-cash restructuring charges and the write-off of unamortized debt issuance costs in the Fiscal 2003 Six Months. Operating cash flow from changes in working capital increased $14.4 million versus the previous year primarily reflecting lower inventory investments and higher payables and other liabilities which offset our increased investment in receivables reflecting our stronger sales.

**Investing Activities**

Net cash used by investing activities decreased to $10.6 million for the Fiscal 2004 Six Months, primarily reflecting the impacts of the VARTA acquisition in the prior year cash flows. Capital expenditures in the Fiscal 2004 Six Months were primarily for improvements to alkaline battery manufacturing and to a lesser extent relating to the Remington acquisition and related integration activities. Capital expenditures for Fiscal 2004 are expected to be approximately $28.0 million, which are expected to include spending for continued investment in our alkaline and hearing aid manufacturing operations, continued technology investments, and spending associated with our Remington acquisition.

**Equity Financing Activities**

During the Fiscal 2004 Six Months we granted approximately 0.3 million options to purchase shares of common stock to various employees of the Company. All grants have been at an exercise price equal to the market price of the common stock on the date of the grant. We also issued approximately 1.4 million shares of common stock associated with the exercise of stock options with an aggregate cash exercise value of approximately $15.4 million.

We also granted, from the 1997 incentive plan, approximately 0.4 million shares of restricted stock on various dates during the Fiscal 2004 Six Months, to certain members of management. The majority of these shares will vest over the three-year period ending on September 30, 2006, provided the recipient is still employed by us, with fifty percent of the shares vesting on a pro rata basis over the three-year period and the remaining fifty percent vesting based on our performance during the three-year period. The balance of the shares will vest over a one-year period ending September 30, 2004. The total market value of the restricted shares on date of grant totaled approximately $6.8 million and has been recorded as unearned restricted stock compensation, a separate component of shareholders' equity. Unearned compensation is being amortized to expense over the appropriate vesting period. On March 30, 2004, we amended the provisions of our performance-based awards removing the variable nature of the awards vesting and fixing the vesting period of the awards. See footnote 11, Shareholders' Equity, for additional discussion.

**Debt Financing Activities**

During the Fiscal 2004 Six Months, we redeemed the remaining $56.0 million of our Series B and D Senior Subordinated Debentures assumed in connection with the acquisition of Remington and made payments of $60.0 million on our Term B facility and payments of approximately $45.3 million on our Euro Term Loan facilities. The debentures, Term B, and Euro term loan payments were made with the cash remaining following our debt offering of $350.0 million of 8.5% Senior Subordinated Notes issued in connection with the acquisition of Remington and our cash flow from operations.

In the Fiscal 2004 Quarter, we amended our Senior Credit Facility, the Fourth Amendment ("Fourth Amendment") to the Third Amended and Restated Credit Agreement. The purpose of the Fourth Amendment was to reduce the fixed rate portion of interest ("Rate Margins") paid to lenders on our Term Loans. The re-pricing of the Rate Margins was achieved by replacing our existing Euro-denominated Term A and B Loans and our existing Dollar-denominated Term B Loan with a Euro-denominated Term C Loan and a Dollar-denominated Term C Loan, respectively. Other than the lower Rate Margins and revised payment schedules, the Term C Loans have substantially the same terms and conditions as the Term A and B Loans they replaced. Using foreign exchange rates in effect as of March 28, 2004, we estimate annual interest payments would be reduced approximately $4.4 million as a result of the Fourth Amendment.

In addition to our principal payments included in footnote 6, Debt, we have annual interest payment obligations of approximately $29.8 million associated with our debt offering of $350.0 million of 8.5% Senior Subordinated Notes due in 2013. We also incur interest on our borrowings associated with our Senior Credit Facilities, and such interest would increase our borrowings on our revolving credit facilities if cash were not otherwise available for such payments. Based on amounts currently outstanding under our Senior Credit Facilities, and using market interest rates and foreign exchange rates in effect as of March 28, 2004, we estimate annual interest payments of approximately $17.3 million would be required assuming no further principal payments were to occur and excluding any payments associated with our outstanding interest rate swaps.

We believe our cash flow from operating activities and periodic borrowings under our credit facilities will be adequate to meet the short-term and long-term liquidity requirements of our existing business prior to the expiration of those credit facilities, although no assurance can be given in this regard. Our current Senior Credit Facilities include a revolving credit facility of $120.0 million, a revolving credit facility of €40.0 million, a term loan of $257.0 million, and a term loan of €131.8 million.

As of March 28, 2004, the following amounts were outstanding under these facilities: $0.9 million and $257.0 million, respectively, of the U.S. Dollar denominated revolver and term loan and, €125.0 million of the Euro denominated term loan. In addition, approximately $13.4 million of the remaining availability under the U.S. Dollar denominated revolver was utilized for outstanding letters of credit. Using the March 28, 2004 exchange rate of the Dollar to the Euro of 1.21315 to 1, approximately $155.0 million remains available under these facilities as of March 28, 2004.

Our Third Restated Agreement, ("Agreement"), contains financial covenants with respect to borrowings, which include maintaining minimum interest and fixed charge and maximum leverage ratios. In accordance with the Agreement, the limits imposed by such ratios became more restrictive over time. In addition, the Agreement restricts our ability to incur additional indebtedness, create liens, make investments or specified payments, give guarantees, pay dividends, make capital expenditures, and merge or acquire or sell assets.

Also in connection with the acquisition of Remington, we completed a debt offering of $350.0 million of 8.5% Senior Subordinated Notes due in 2013. The terms of the notes permit the holders to require the Company to repurchase all or a portion of the notes in the event of a change of control. In addition, the terms of the notes restrict or limit our ability to, among other things: (i) pay dividends or make other restricted payments, (ii) incur additional indebtedness and issue preferred stock, (iii) create liens, (iv) incur dividend and other restrictions affecting subsidiaries, (v) enter into mergers, consolidations, or sales of all or substantially all of the assets of the Company, (vi) make asset sales, (vii) enter into transactions with affiliates, and (viii) issue or sell capital stock of wholly owned subsidiaries of the Company. Payment obligations of the notes are fully and unconditionally guaranteed on a joint and several basis by all of the Company's domestic subsidiaries, including ROV Holding, Inc. The foreign subsidiaries of the Company, which do not guarantee the payment obligations under the notes, are directly and wholly owned by ROV Holding, Inc. On March 29, 2004, Remington Products Company L.L.C. (a guarantor subsidiary) merged with Rayovac Corp. (the parent company). As a result of the merger, the results of operations, cash flows, and balance sheet of Remington Products Company will be included with Rayovac Corp. starting with our fiscal quarter ending June 27, 2004.

As of March 28, 2004, we were in compliance with all covenants associated with our approximately $587 million Senior Credit Facility (using the March 28, 2004 exchange rate of the Dollar to the Euro of 1.21315 to 1) and our $350 million of Senior Subordinated Notes. In addition, we were required under our Senior Credit Facility, the Third Amended and Restated Credit Agreement as amended, to transform the Company's German subsidiary, VARTA Geratebatterie, from a GmbH legal structure to a KGaA legal structure (the "Transformation") on or before March 31, 2004. We completed the Transformation during the Fiscal 2004 first quarter.

As discussed in footnote 12, Subsequent Events, on March 31, 2004, we consummated the acquisition of an 85 percent equity interest in Ningbo Baowang Battery Company of Ninghai, China. The final investment, which is subject to certain post-closing adjustments, is anticipated to be approximately $17.0 million plus approximately $7.0 million of assumed debt. As of March 28, 2004, approximately $17.0 million of our outstanding cash was invested in escrow in anticipation of the closing of the transaction.

**Acquisition of Microlite S.A.**

On February 21, 2004, we entered into an agreement to purchase Microlite S.A. ("Microlite"), a Brazilian battery company, from VARTA AG of Germany and Tabriza Brasil Empreendimentos Ltda. The transaction is anticipated to close prior to June 30, 2004 for approximately $28 million in cash and assumed debt plus future payments based on Microlite's performance through June 30, 2005. The transaction is expected to be financed with our existing senior credit facility.

Under the agreement, we will purchase all the outstanding stock of Microlite, which owns the Rayovac brand name in Brazil. Microlite manufactures and sells both alkaline and zinc carbon batteries as well as battery-operated lighting products. Microlite operates two battery-manufacturing facilities in Recife, Brazil and has several strategically located sales and distribution centers throughout Brazil. Microlite has operated as an independent company since 1982 when then owner Inco Limited divided up the worldwide operations of Rayovac and sold them to three separate purchasers: Rayovac Corp., ROV Ltd. and Microlite. In 1999, Rayovac acquired ROV Ltd., a Latin American battery company that held the rights to the Rayovac name in Latin America (except Brazil) and certain countries in the Middle East and Africa. The acquisition of Microlite consolidates our rights to the Rayovac brand around the world.

We estimate the acquisition will have minimal impact on earnings in fiscal 2004 and be accretive thereafter.

**Off-Balance Sheet Arrangements**

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that are material to investors.

**Impact of Recently Issued Accounting Standards**

In December 2003, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 132 (revised 2003), *Employers' Disclosures about Pension and Other Post Retirement Benefits.* Statement No. 132 revises employers' disclosures about pension and other post retirement plans. It does not change the measurement or recognition of those plans required by FASB Statements No. 87, *Employers' Accounting for Pensions*, No. 88, *Employers' Accounting for Settlements and Curtailments of Defined Benefit Pension Plans and for Termination Benefits*, and No. 106, *Employers' Accounting for Postretirement Benefits Other Than Pensions*. Statement No. 132 retains the disclosure requirements contained in Statement No. 132, *Employers' Disclosures about Pensions and Other Post Retirement Benefits*, which it replaces. Statement No. 132 requires additional disclosures to those in the original Statement No. 132 about the assets, obligations, cash flows, and net periodic pension benefit cost of defined benefit plans and other defined benefit post retirement plans. The provisions of the original Statement No. 132 remain in effect until the provisions of this statement are adopted. Except for certain exceptions, revised Statement No. 132 is effective for financial statements with fiscal years ending after December 15, 2003. The interim-period disclosures required are effective for interim periods beginning after December 15, 2003. We have adopted the interim period disclosures of Statement No. 132, as revised. See footnote 7, Commitments and Contingencies—Employee Benefit Plans for additional discussion.

**Critical Accounting Policies and Critical Accounting Estimates**

Our Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States and fairly present the financial position and results of operations of the Company. There have been no significant changes to our critical accounting policies or critical accounting estimates as discussed in our Annual Report on Form 10-K for our fiscal year ended September 30, 2003**,** except for our change in our advertising accounting policy for interim reporting purposes, which is more fully described in footnote 1, Significant Accounting Policies—Change in Accounting Policy.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk**

**Market Risk Factors**

We have market risk exposure from changes in interest rates, foreign currency exchange rates and commodity prices. We use derivative financial instruments for purposes other than trading to mitigate the risk from such exposures.

A discussion of our accounting policies for derivative financial instruments is included in footnote 1 "Significant Accounting Policies" in Notes to our Condensed Consolidated Financial Statements.

**Interest Rate Risk**

We have bank lines of credit at variable interest rates. The general level of U.S. interest rates, LIBOR, and Euro LIBOR primarily affects interest expense. We use interest rate swaps to manage such risk. The net amounts to be paid or received under interest rate swap agreements are accrued as interest rates change, and are recognized over the life of the swap agreements, as an adjustment to interest expense from the underlying debt to which the swap is designated. The related amounts payable to, or receivable from, the contract counter-parties are included in accrued liabilities or accounts receivable.

**Foreign Exchange Risk**

We are subject to risk from sales and loans to and from our subsidiaries as well as sales to, purchases from and bank lines of credit with, third-party customers, suppliers and creditors, respectively, denominated in foreign currencies. Foreign currency sales and purchases are made primarily in Euro and Pounds Sterling. We manage our foreign exchange exposure from anticipated sales, accounts receivable, inter-company loans, firm purchase commitments and credit obligations through the use of naturally occurring offsetting positions (borrowing in local currency), forward foreign exchange contracts, foreign exchange rate swaps and foreign exchange options. The related amounts payable to, or receivable from, the contract counter-parties are included in accounts payable or accounts receivable.

**Commodity Price Risk**

We are exposed to fluctuations in market prices for purchases of zinc used in the manufacturing process. We use commodity swaps, calls and puts to manage such risk. The maturity of, and the quantities covered by, the contracts are closely correlated to our anticipated purchases of the commodities. The cost of calls, and the premiums received from the puts, are amortized over the life of the contracts and are recorded in cost of goods sold, along with the effects of the swap, put and call contracts. The related amounts payable to, or receivable from, the counter-parties are included in accounts payable or accounts receivable.

**Sensitivity Analysis**

The analysis below is hypothetical and should not be considered a projection of future risks. Earnings projections are before tax.

As of March 28, 2004, the potential change in fair value of outstanding interest rate derivative instruments, assuming a 1% unfavorable shift in the underlying interest rates would be a loss of $3.1 million. The net impact on reported earnings, after also including the reduction in one year's interest expense on the related debt due to the same shift in interest rates, would be a net loss of $0.5 million.

As of March 28, 2004, there were no outstanding foreign exchange derivative instruments.

As of March 28, 2004, the potential change in fair value of outstanding commodity price derivative instruments, assuming a 10% unfavorable change in the underlying commodity prices would be a loss of $0.7 million. The net impact on reported earnings, after also including the reduction in cost of one year's purchases of the related commodities due to the same change in commodity prices, would be a net gain of $1.1 million.

**Forward Looking Statements**

Certain of the information contained in this Quarterly Report on Form 10-Q is not historical and may include "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may be identified by such forward-looking language as "expects," "anticipates," "intends," "believes," "will," "estimate," "should," "may" or other similar terms. In reviewing such information, you should note that such statements are based upon current expectations of future events and projections; our actual results may differ materially from those set forth in such forward-looking statements.

Since these forward-looking statements are based upon current expectations of future events and projections and are subject to a number of risks and uncertainties, many of which are beyond our control, actual results or outcomes may differ materially from those expressed or implied herein, and you should not place undue reliance on these statements. Important factors that could cause our actual results to differ materially from those contained in this Quarterly Report on Form 10-Q include, without limitation, (1) competitive promotional activity or spending by competitors or price reductions by competitors, (2) the loss of, or a significant reduction in, sales to a significant retail customer, (3) difficulties or delays in the integration of operations of acquired businesses, (4) the introduction of new product features or technological developments by competitors and/or the development of new competitors or competitive brands, (5) the effects of general economic conditions, including inflation, labor costs and stock market volatility or changes in trade, monetary or fiscal policies in the countries where we do business, (6) our ability to develop and successfully introduce new products and protect our intellectual property, (7) our ability to successfully implement, achieve and sustain manufacturing and distribution cost efficiencies and improvements, and fully realize anticipated cost savings, (8) the impact of unusual items resulting from the implementation of new business strategies, acquisitions and divestitures or current and proposed restructuring activities, (9) the cost and effect of unanticipated legal, tax or regulatory proceedings or new laws or regulations (including environmental regulations), (10) changes in accounting policies applicable to our business, (11) interest rate, exchange rate and raw materials price fluctuations, and (12) the effects of political or economic conditions or unrest in international markets.

Some of the above-mentioned factors are described in further detail in "Risk Factors" beginning on page 32 of our Annual Report on Form 10-K for the year ended September 30, 2003. Other factors and assumptions not identified above were also involved in the derivation of the forward-looking statements contained in this Quarterly Report on Form 10-Q. If such other factors impact our results or if such assumptions are not correct or do not come to fruition, our actual results may differ materially from those projected. We assume no obligation to update these forward-looking statements to reflect actual results or changes in factors or assumptions affecting such forward-looking statements.

**Item 4. Controls and Procedures**

*Evaluation of Disclosure Controls and Procedures.* Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) pursuant to Rule 13a-15(c) under the Exchange Act as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of such date, our disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable SEC rules and forms.

*Changes in Internal Control Over Financial Reporting.* There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

## Part II. Other Information

### Item 1. Legal Proceedings

There have been no significant changes in the status of Rayovac's legal proceedings since the filing of Rayovac's Annual Report on Form 10-K for its fiscal year ended September 30, 2003, except as follows:

> Regarding the class action lawsuit brought against Rayovac Corporation and several of its current and former officers and directors, *Eli Friedman v. Rayovac Corporation, Thomas H. Lee Partners, LP, Kenneth V. Biller, Kent J. Hussey, David A. Jones, Scott A. Schoen, Stephen P. Shanesy, Thomas R. Shepherd, Randall J. Steward, Warren C. Smith, Jr., and Merrell Tomlin* (Case No. 02 C 0308 C, United States District Court, Western District of Wisconsin), the parties have agreed to a settlement in which Rayovac will pay plaintiff class $4 million in consideration for dismissal of all claims brought under this suit. The parties filed a Stipulation of Settlement with the Court to this effect in March, 2004 and the Court granted its preliminary approval of this Stipulation in April, 2004. The settlement is subject to final approval of the Court. We expect a majority of the $4 million settlement to be covered by our insurers, and we do not expect this matter to have a material financial impact on us.
>
> Regarding the various European trademark lawsuits involving our Remington rotary shavers and Koninklijke Philips Electric N.V. (Philips), the Italian court in *Remington Consumer Products Limited v. Koninklijke Philips Electrics N.V. (Italy)*, issued a decision in April, 2004 nullifying all of Philips' rotary shaver marks at issue in the case. It is premature to determine whether Philips will appeal. In *Koninklijke Philips Electrics N.V. v. Remington Products GmbH (Germany),* the German courts issued a ruling in April, 2004 nullifying two of the four Philips' marks at issue in that lawsuit and narrowing the scope of protection provided by the two surviving marks. It is premature to determine whether either party will appeal the German court's decision.
>
> Regarding the patent infringement suit brought against us by The Gillette Company and its subsidiary, Braun GmbH, *(The Gillette Company and Braun GmbH, v. Remington Consumer Products Company, LLC, Case No. 03 CV 12428 WGY),* Gillette/Braun served the complaint on us in March 2004. We have answered the complaint denying all material allegations and we will vigorously defend ourselves in this matter."

### Item 6. Exhibits and Reports on Form 8-K

(a) *Exhibits.* Please refer to the Exhibit Index.

(b) *Reports on Form 8-K.* The Company filed two reports on Form 8-K during the three-month period ended March 28, 2004. The first report on Form 8-K was dated January 8, 2004 and was filed on January 9, 2004. The Form 8-K reported on the Company's estimated financial results for its first fiscal quarter ended December 29, 2003. The second report on Form 8-K was dated and filed on January 22, 2004 and reported the announcement of certain financial results for its first fiscal quarter ended December 29, 2003, among other matters.

**Signatures**

Pursuant to the requirements of Section 13 or 15(d) 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.

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| DATE: May 11, 2004 | RAYOVAC CORPORATION | |
| | By: | /s/ RANDALL J. STEWARD |
| | | Randall J. Steward<br>*Executive Vice President and Chief Financial Officer* |

## EXHIBIT INDEX

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| Exhibit 2.1 | Purchase Agreement, dated August 21, 2003 by and among Rayovac Corporation, Remington Products Company, L.L.C., Vestar Equity Partners, L.P., Investors/RP, L.L.C. and RPI Corp. (filed by incorporation by reference to the Current Report on Form 8-K, File No. 001-13615, dated August 22, 2003) filed September 3, 2003. |
| Exhibit 2.2 | Amendment No. 1 to Purchase Agreement dated August 21, 2003 by and among Rayovac Corporation, Remington Products Company, L.L.C., Vestar Equity Partners, L.P., Investors/RP, L.L.C. and RPI Corp. (filed by incorporation by reference to the Current Report on Form 8-K, File No. 001-13615, dated September 30, 2003) filed October 15, 2003. |
| Exhibit 2.3 | Joint Venture Agreement, dated July 28, 2002, by and among Rayovac Corporation, VARTA AG and ROV German Limited GmbH, as amended (filed by incorporation by reference to the Current Report on Form 8-K, File No 001-13615, dated October 1, 2002) filed October 16, 2002. |
| Exhibit 3.1 | Amended and Restated Articles of Incorporation of Rayovac Corporation (filed by incorporation by reference to the Annual Report on Form 10-K for the fiscal year ended September 30, 1997, File No. 333-17895) filed December 23, 1997. |
| Exhibit 3.2 | Amended and Restated By-laws of Rayovac Corporation, as amended through July 24, 2002 (filed by incorporation by reference to the Annual Report on Form 10-K for the fiscal year ended September 30, 2003, File No. 001-13615) filed December 16, 2002. |
| Exhibit 4.1 | Registration Rights Agreement, dated September 30, 2003, by and among Rayovac Corporation, ROV Holding, Inc., Rovcal, Inc., Vestar Shaver Corp., Vestar Razor Corp., Remington Products Company, L.L.C., Remington Capital Corporation, Remington Rand Corporation, Remington Corporation, L.L.C., Banc of America Securities LLC, Citigroup Global Markets Inc. and ABN AMRO Incorporated (filed by incorporation by reference to the Current Report on Form 8-K, File No. 001-13615, dated September 30, 2003) filed October 15, 2003. |
| Exhibit 4.2 | Indenture, dated September 30, 2003, by and among Rayovac Corporation, ROV Holding, Inc., Rovcal, Inc., Vestar Shaver Corp., Vestar Razor Corp., Remington Products Company, L.L.C., Remington Capital Corporation, Remington Rand Corporation, Remington Corporation, L.L.C. and U.S. Bank National Association (filed by incorporation by reference to the Current Report on Form 8-K, File No. 001-13615, dated September 30, 2003) filed October 15, 2003. |
| Exhibit 4.3 | Supplemental Indenture, dated October 24, 2003, by and among Rayovac Corporation, ROV Holding, Inc., Rovcal, Inc., Remington Products Company, L.L.C. and U.S. Bank National Association (filed by incorporation by reference to the Registration Statement on Form S-4, File No. 333-110290, dated November 6, 2003) filed November 6, 2003. |
| Exhibit 4.4 | Form of Note (included in Exhibit 4.2) (filed by incorporation by reference to the Current Report on Form 8-K, File No. 001-13615, dated September 30, 2003) filed October 15, 2003. |
| Exhibit 10.1 | Amended and Restated Employment Agreement, dated as of October 1, 2002, by and between the Company and David A. Jones (filed by incorporation by reference to Amendment No. 1 to the Quarterly Report on Form 10-Q/A for the quarterly period ended December 29, 2002, File No. 001-13615) filed May 2, 2003. |

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| Exhibit 10.2 | Amended and Restated Employment Agreement, dated as of October 1, 2002, by and between the Company and Kent J. Hussey (filed by incorporation by reference to the Annual Report on Form 10-K for the fiscal year ended September 30, 2003, File No. 001-13615) filed December 16, 2002. |
| Exhibit 10.3 | Amended and Restated Employment Agreement, dated as of October 1, 2002, by and between the Company and Kenneth V. Biller (filed by incorporation by reference to the Annual Report on Form 10-K for the fiscal year ended September 30, 2003, File No. 001-13615) filed December 16, 2002. |
| Exhibit 10.4 | Separation Agreement and Release, dated as of March 2, 2004, by and between the Company and Stephen P. Shanesy. |
| Exhibit 10.5 | Amended and Restated Employment Agreement, dated as of January 1, 2004, by and between the Company and Lester C. Lee. |
| Exhibit 10.6 | Amended and Restated Employment Agreement, dated as of October 1, 2002, by and between the Company and Luis A. Cancio (filed by incorporation by reference to the Annual Report on Form 10-K for the fiscal year ended September 30, 2003, File No. 001-13615) filed December 16, 2002. |
| Exhibit 10.7 | Amended and Restated Employment Agreement, dated as of October 1, 2002, by and between the Company and Dr. Paul G. Cheeseman (filed by incorporation by reference to the Annual Report on Form 10-K for the fiscal year ended September 30, 2003, File No. 001-13615) filed December 16, 2002. |
| Exhibit 10.8 | Employment Agreement, dated as of August 19, 2002, by and between the Company and Randall J. Steward (filed by incorporation by reference to the Annual Report on Form 10-K for the fiscal year ended September 30, 2003, File No. 001-13615) filed December 16, 2002. |
| Exhibit 10.9 | Registered Director's Agreement, effective as of October 1, 2002, by and between ROV German Holding GmbH and Remy Burel (filed by incorporation by reference to the Annual Report on Form 10-K for the fiscal year ended September 30, 2003, File No. 001-13615) filed December 16, 2002. |
| Exhibit 10.10 | Building Lease between the Company and SPG Partners dated May 14, 1985, as amended June 24, 1986, and June 10, 1987 (filed by incorporation by reference to the Registration Statement on Form S-1, File No. 333-17895) filed December 13, 1996. |
| Exhibit 10.11 | Amendment, dated December 31, 1998, between the Company and SPG Partners, to the Building Lease, between the Company and SPG Partners, dated May 14, 1985 (filed by incorporation by reference to the Quarterly Report on Form 10-Q for the quarterly period ended January 3, 1999, File No. 001-13615) filed February 17, 1999. |
| Exhibit 10.12 | Build-To-Suit Lease Agreement, dated as of May 2, 2002, by and among 200 Corporate Drive, L.L.C., as Landlord, the Company, as Tenant, and Higgins Development Partners, L.L.C., as Developer (filed by incorporation by reference to the Annual Report on Form 10-K for the fiscal year ended September 30, 2003, File No. 001-13615) filed December 16, 2002. |
| Exhibit 10.13 | Real Estate Lease, dated September 1, 2001, by and between VARTA Gerätebatterie GmbH, as Tenant, and Paula Grundstucksverwaltungsgesellschaft mbH and Co. Vermietungs-KG, as Landlord, as amended (filed by incorporation by reference to the Quarterly Report on Form 10-Q for the quarterly period ended December 29, 2002, File No. 001-13615) filed February 12, 2003. |

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| Exhibit 10.14 | Real Property Leasing Agreement, dated December 21, 2000, by and between VARTA Gerätebatterie GmbH, as Tenant, and ROSATA Grudstücks-Vermietungsgesellschaft mbH and Co. object Dischingin KG, as Landlord, as amended (filed by incorporation by reference to the Quarterly Report on Form 10-Q for the quarterly period ended December 29, 2002, File No. 001-13615) filed February 12, 2003. |
| Exhibit 10.15 | Addendum No. 2 to Real Property Leasing Agreement, dated December 21, 2000, by and between VARTA Gerätebatterie GmbH, as Tenant, and ROSATA Grudstücks-Vermietungsgesellschaft mbH and Co. object Dischingin KG, as Landlord, as amended (filed by incorporation by reference to the Registration Statement on Form S-4, File No. 333-110290, dated November 6, 2003) filed November 6, 2003. |
| Exhibit 10.16 | Third Amended and Restated Credit Agreement, dated October 1, 2002, by and among the Company, VARTA Gerätebatterie GmbH, the lenders party thereto, LaSalle Bank National Association, as documentation agent, Citicorp North America, Inc., as syndication agent, and Bank of America, N.A., as administrative agent (filed by incorporation by reference to the Current Report on Form 8-K, File No. 333-17895, dated October 1, 2002) filed October 16, 2002. |
| Exhibit 10.17 | Amendment No. 1 to Third Amended and Restated Credit Agreement, dated October 1, 2002, by and among the Company, VARTA Gerätebatterie GmbH, the lenders party thereto, LaSalle Bank National Association, as documentation agent, Citicorp North America, Inc., as syndication agent, and Bank of America, N.A., as administrative agent (filed by incorporation by reference to the Quarterly Report on Form 10-Q for the quarterly period ended December 29, 2002, File No. 001-13615) filed February 12, 2003. |
| Exhibit 10.18 | Amendment No. 2 to Third Amended and Restated Credit Agreement, dated October 1, 2002, by and among the Company, VARTA Gerätebatterie GmbH, the lenders party thereto, LaSalle Bank National Association, as documentation agent, Citicorp North America, Inc., as syndication agent, and Bank of America, N.A., as administrative agent (filed by incorporation by reference to the Current Report on Form 8-K, File No. 001-13615, dated September 30, 2003) filed October 15, 2003. |
| Exhibit 10.19 | Amendment No. 3 to Third Amended and Restated Credit Agreement, dated October 1, 2002, by and among the Company, VARTA Gerätebatterie GmbH, the lenders party thereto, LaSalle Bank National Association, as documentation agent, Citicorp North America, Inc., as syndication agent, and Bank of America, N.A., as administrative agent (filed by incorporation by reference to the Current Report on Form 8-K, File No. 001-13615, dated September 30, 2003), filed October 15, 2003. |
| Exhibit 10.20 | Amendment No. 4 to Third Amended and Restated Credit Agreement dated October 1, 2002, by and among the Company, VARTA Gerätebatterie GmbH, the lenders party thereto, LaSalle Bank National Association, as documentation agent, Citicorp North America, Inc., as syndication agent, and Bank of America, N.A., as administrative agent. |
| Exhibit 10.21 | Rayovac Corporation 1996 Stock Option Plan (filed by incorporation by reference to Quarterly Report on Form 10-Q for the quarterly period ended June 29, 1997, File No. 333-17895) filed August 13, 1997. |
| Exhibit 10.22 | 1997 Rayovac Incentive Plan (filed by incorporation by reference to the Registration Statement on Form S-1, File No. 333-35181) filed September 8, 1997. |
| Exhibit 10.23 | Rayovac Profit Sharing and Savings Plan (filed by incorporation by reference to the Registration Statement on Form S-1, File No. 333-35181) filed September 8, 1997. |
| Exhibit 10.24 | Rayovac Corporation Supplemental Executive Retirement Plan (filed by incorporation by reference to the Quarterly Report on Form 10-Q for the quarterly period ended December 29, 2002, File No. 001-13615) filed February 12, 2003. |

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| Exhibit 10.25 | Rayovac Corporation Deferred Compensation Plan, as amended (filed by incorporation by reference to the Quarterly Report on Form 10-Q for the quarterly period ended December 29, 2002, File No. 001-13615) filed February 12, 2003. |
| Exhibit 10.26 | Technical Collaboration, Sale and Supply Agreement, dated as of March 5, 1998, by and among the Company. Matsushita Battery Industrial Co., Ltd. and Matsushita Electric Industrial Co., Ltd. (filed by incorporation by reference to the Quarterly Report on Form 10-Q for the quarterly period ended March 28, 1998, File No. 333-17895) filed May 5, 1998. |
| Exhibit 18.1 | Preferability letter from KPMG LLP, Independent Auditors. |
| Exhibit 31.1 | Certification of Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| | Exhibit 31.2 Certification of Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 the Sarbanes-Oxley Act of 2002. |
| Exhibit 32.1 | Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| Exhibit 32.2 | Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |

QuickLinks

EXHIBIT 10.4

SEPARATION AGREEMENT AND RELEASE

This Agreement ("Agreement") is entered into this 2nd day of March, 2004 (the "Effective Date") by and between Rayovac Corporation ("Rayovac") and Stephen P. Shanesy ("Executive").

WHEREAS, Executive is currently employed by Rayovac as Executive Vice President - Strategic Initiatives; and WHEREAS, Executive and Rayovac are parties to an Amended and Restated Employment Agreement dated October 1, 2002 (the "Employment Agreement"); and

WHEREAS, Rayovac has previously granted Executive options to purchase shares of the Company's common stock as set forth on SCHEDULE A attached hereto and made a part hereof (the "Stock Options"); and

WHEREAS, Executive owns two sets of common stock of Rayovac with unlapsed restrictions as to transfer (collectively, "Restricted Stock") as of the Effective Date. The first set of Restricted Stock is restricted by virtue of a Rayovac Corporation Restricted Stock Award Agreement dated October 1, 2002, and such agreement provided for the grant of Twenty-Eight Thousand Four Hundred and Fifteen (28,415) shares of Restricted Stock. The restrictions on such shares are all scheduled to lapse on September 30, 2005 in accordance with the terms of such agreement (the "First Set"). The second set of Restricted Stock is restricted by virtue of a Rayovac Corporation Restricted Stock Award Agreement dated October 1, 2003, and such agreement provided for the grant of Twenty-Two Thousand Two Hundred Sixty (22,260) shares of Restricted Stock. The restrictions on such shares are all scheduled to lapse over the three year period following the grant date of such Restricted Stock in accordance with the terms of such agreement (the "Second Set"); and

WHEREAS, Executive has executed two Full Recourse Promissory Notes with Rayovac, the first dated May 1, 2002 in the amount of One Hundred Thirty Thousand and Two Dollars ($130,002) and the second dated August 11, 2000 in the amount of Two Hundred Thousand Dollars ($200,000) (the "Notes"); and

WHEREAS, Rayovac and Executive desire to resolve all outstanding issues or future issues of any kind and reach a full and final settlement as to the Employment Agreement, the Stock Options, the Restricted Stock, the Notes and all other issues relating to Executive's employment with Rayovac.

NOW THEREFORE, for and in consideration of the foregoing and of the terms, conditions and agreements set forth herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, Executive and Rayovac agree as follows:

I. REGULAR EMPLOYMENT. Effective January 1, 2004, Executive shall serve as Executive Vice President - Strategic Initiatives, and shall report to the Chief Executive Officer of Rayovac. Executive's last day at this EVP-Strategic Initiatives position with Rayovac will be March 31,2004.

II. CONTINUING EMPLOYMENT ON SPECIAL ASSIGNMENT.

a. DURATION. Executive will remain on special assignment from April 1, 2004 until September 30, 2005 (the "Special Assignment Period"), which shall be Executive's last day of employment with Rayovac, during which time Executive will be paid at his current base salary of Three Hundred Twenty-Five Thousand Dollars ($325,000) ("Base Salary") per annum. Deductions relating to the benefits set forth in Paragraph lI(c) below and applicable U.S. federal and state taxes and other required with holdings will be withheld from his wages.

b. DUTIES. While on special assignment, Executive will not be expected to be present at Rayovac's offices, but will remain available for consultation if Rayovac encounters a situation requiring access to Executive's specialized knowledge.

c. BENEFITS. During the Special Assignment Period, Executive will be eligible to participate in the following benefits available to Rayovac employees residing in the U.S.: Rayovac's Comprehensive Medical Plan, Dental Insurance Plan, Business Travel Accident Plan, Profit Sharing & Savings Plan (401 (k)) Executive Deferred Compensation and Life Insurance programs. Executive understands that, at the end of the Special Assignment Period, he is entitled to pursue his "COBRA" rights with respect to the continuation of medical insurance coverage pursuant to the applicable plan provisions and will have conversion options for the life and disability plans. Executive further understands that the benefits conferred by this Agreement will be governed by their respective plan terms. In addition, Executive shall receive income tax planning and preparation services for tax years 2004 and 2005, will retain all privileges under Rayovac's corporate membership at Bishop's Bay Country Club during the Special Assignment Period, and is eligible to receive one executive physical during the Special Assignment Period.

d. SETTLEMENT. Salary and benefits set forth in this Section II shall be paid in full satisfaction of Executive's severance benefits and the other benefits after termination, if any, called for by the Employment Agreement.

e. BONUS. Executive shall be paid a bonus for fiscal year 2004, provided and to the extent Rayovac achieves applicable performance objectives for such fiscal year as determined by the Board of Directors. Executive shall be paid a bonus for fiscal year 2005 in the amount of One Hundred Ninety 2



Five Thousand Dollars ($195,000) on or before December 31, 2005. Executive shall not be eligible for any other bonus payments, including any bonus for fiscal year 2006.

f. VACATION. Vacation benefits will accrue through September 30, 2004. Payment for any unused, accrued vacation days will be made on or before October 30, 2004. Executive will not earn or accrue additional vacation benefits after September 30, 2004.

g. STOCK OPTIONS / STOCK GRANTS. Executive's Stock Options scheduled to vest in October 2004 and in October 2005 shall so vest at such time. Executive must exercise all vested options on or before October 30, 2005 or the Stock Options will be forfeited. No new Stock Options or awards of Restricted Stock will be granted after the Effective Date; provided, that Executive shall receive a cash award in lieu of an equity grant for fiscal year 2004. The target amount of this award will equal $108,333.33; payment will be made at such time equity awards are granted to other Executive Committee members by the Compensation Committee of the Board of Directors of Rayovac.

h. RESTRICTED STOCK. Executive and Rayovac agree that all restrictions on the First Set of Restricted Stock and the Second Set of Restricted Stock shall lapse in accordance with the terms of the Restricted Stock Award Agreement governing such grants; provided, however, that any Restricted Stock granted under the Second Set of Restricted Stock still bearing restrictions on October 2, 2005 shall be forfeited to Rayovac on such date. As soon as reasonably practicable after the Effective Date, Executive shall deliver all certificates in Executive's possession or under Executive's control (if any) relating to such forfeited Restricted Stock to the Legal Department at Rayovac's World Headquarters for cancellation.

i. VEHICLE. Executive shall be entitled to use his Rayovac-owned/leased vehicle until September, 2005 in accordance with the terms, and subject to the conditions, of the Executive Leased Vehicle Policy. In accordance with the terms of such policy, Executive shall be entitled to purchase such vehicle at book value in September, 2005. Executive will be responsible for taxes relating to the fair market value of the vehicle at the time of purchase.

j. SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN. Rayovac will credit Executive's Supplemental Executive Retirement Plan ("SERP") account with a Rayovac contribution made in accordance with the terms and conditions of the SERP on October 1, 2004. Executive's SERP account will continue to vest and accrue interest during the Special Assignment Period in accordance with the terms and conditions of the SERP. No additional contributions will be made after October 1, 2004.



k. NOTES. Executive shall remain bound by the terms and conditions of the Notes, including, without limitation, the obligation to make payments of principal and interest on or before applicable dates specified in such Notes. Notwithstanding the above, in no event may any principal or interest under such Notes remain outstanding after September 30, 2005.

m. USE OF RAYOVAC EQUIPMENT. Executive shall enjoy the use of a Rayovacowned personal computer (and associated software and peripherals) and cellular telephone during the Special Assignment Period. Rayovac will discontinue access to Rayovac networks and the support of Rayovac's information services department as of September 30, 2004. Costs and expenses of cellular telephone service after September 30, 2004 will be the sole responsibility and obligation of Executive.

III. ACKNOWLEDGEMENT AND CONSIDERATION. Executive agrees that the payments and benefits described in Paragraph II above and his continued employment on special assignment are being provided in consideration for his signing this Agreement, giving a release and covenant not to sue, and not revoking under Paragraph XV so that this Agreement becomes effective. Executive understands that he is not otherwise entitled to many of the benefits provided under this Agreement and that he will not receive these benefits unless he signs this Agreement and it becomes effective.

IV. GENERAL RELEASE BY EXECUTIVE. Except as set forth in Paragraph V below, Executive on his own behalf and for his spouse, heirs, successors, assigns, executors and representatives of any kind, hereby releases and forever discharges Rayovac, its subsidiaries and affiliates, and its and their present and former employees, directors, officers, agents, shareholders, and insurers, from any and all claims, demands, rights, liabilities, and causes of action of any kind or nature, known or unknown, arising prior to, on or after the execution date of this Agreement, including but not limited to any claims, demands, rights, liabilities and causes of actions arising or having arisen out of or in connection with his employment or his termination of employment with Rayovac, except as provided in Paragraph V below or as otherwise set forth in this Agreement. This release specifically includes, but is not limited to, a release of any and all claims pursuant to the Age Discrimination in Employment Act ("ADEA"), 29 U.S.C. Section 621 ET SEQ., the Wisconsin Fair Employment Act, Wis. Stats., Sections 111.31-111.395, Title VII of the Civil Rights Act of 1964, 42 U.S.C. Section 2000e et seq., 42 U.S.C. Sections 1981-1986, the Civil Rights Act of 1991, the Americans with Disabilities Act, all claims for defamation and wrongful discharge, and any other claims whether based on contract or tort.

V. CLAIMS NOT WAIVED. Executive understands that this Agreement does not waive any claims that he may have under (a) any worker's compensation law; (b) any plan currently maintained by Rayovac that provides for retirement benefits; (c) any law or any policy or plan currently maintained by Rayovac that provides health insurance



continuation or conversion rights; or (d) any claim that the Executive by law may not waive.

VI. COVENANT NOT TO SUE. Executive understands and agrees that this Agreement does prohibit Executive from initiating a lawsuit against Rayovac for any claim released in Paragraph IV and does prohibit Executive from recovering any amounts or obtaining any remedy for himself for any claim released under Paragraph IV through an action or proceeding brought by others. Executive further understands that if he violates any of the commitments he has made in this Agreement, Rayovac may seek to recover or discontinue all of the payments, benefits and other rights provided in exchange for acceptance of this Agreement. Executive also agrees to pay Rayovac's costs, including attorneys' fees, incurred in enforcing this Agreement, except as prohibited by law.

VII. CONFIDENTIALITY/NON-DISPARAGEMENT. Executive agrees to keep the terms of this Agreement completely confidential, except that Executive may share information concerning the terms of this Agreement with his family, and as necessary for purposes of legal or tax advice, with his attorney and tax advisor, subject to the understanding that his family, attorney and tax advisor will also keep the terms of this Agreement completely confidential, and that any breach by them will be considered a breach by Executive. Executive also agrees not to make disparaging remarks to customers, suppliers or others about Rayovac's business, products or employees.

VIII. NON-ADMISSION. This Agreement does not constitute an admission by either party that any action it took prior to the date hereof with respect to the other was wrongful, unlawful or in violation of any statute, law or regulation. Instead, this Agreement is entered into solely for the purposes of compromise and to clarify the parties' respective rights and obligations.

IX. BREACH OF AGREEMENTS BY EXECUTIVE. In the event that Executive breaches any term or condition of this Agreement, or any other agreement in effect between the parties, including those relating to treatment of confidential information as set forth in confidentiality agreements previously executed by Executive, Company shall have the right to immediately terminate the benefits which would otherwise accrue to Executive under this Agreement.

X. PREVIOUS AGREEMENTS. The Employment Agreement between the parties dated October 1, 2002, and all other agreements between the parties (excluding only Stock Option Agreements, Restricted Stock Agreements and Notes specifically referenced herein) are hereby terminated and all rights and obligations thereunder are of no further force or effect. Executive understands and agrees that this document contains the entire agreement between Executive and Rayovac relating to his employment with Rayovac, that this agreement supersedes and displaces any prior agreements and discussions between Executive and Rayovac relating to such matters and that he may not rely on any such prior agreements and discussions.



XI. NON-COMPETE. Executive agrees as follows:

a. That during his employment with Rayovac through the end of the Special Assignment Period, he will not, directly or indirectly, in any capacity, either separately, jointly or in association with others, as an officer, director, consultant, agent, employee, owner, principal, partner or stockholder of any business, or in any other capacity, engage or have a financial interest in any business which is involved in the design, manufacturing, marketing or sale of batteries or battery operated lighting devices (excepting only the ownership of not more than 5% of the outstanding securities of any class of stock in a company listed on a stock exchange) and conducts business in North America.

b. Without limiting the generality of clause (a) above, Executive further agrees that during his employment with Rayovac through the end of the Special Assignment Period, he will not, directly or indirectly, in any capacity, either separately, jointly or in association with others, solicit or otherwise contact any of Rayovac's customers or prospects, as shown by Rayovac's records, that were customers or prospects of Rayovac at any time during the tenure of his employment with Rayovac through the end of the Special Assignment Period if such solicitation or contact is for the general purpose of selling products that satisfy the same general needs as any products that Rayovac had available for sale to its customers or prospects.

c. That during the tenure of his employment with Rayovac through the end of the Special Assignment Period, he shall not, other than in connection with employment for Rayovac, solicit the employment or services of any employee of Rayovac who is or was an employee of Rayovac at any time during the tenure of his employment with Rayovac through the end of the Special Assignment Period. During the period between the date hereof and the end of the Special Assignment Period, the Executive shall not hire any employee of Rayovac for any other business.

d. If a court determines that the foregoing restrictions are too broad or otherwise unreasonable under applicable law, including with respect to time or space, the court is hereby requested and authorized by the parties hereto to revise the foregoing restrictions to include the maximum restrictions allowed under the applicable law. For purposes of this Paragraph XI and Paragraph XII, "Rayovac" refers to Rayovac and any incorporated or unincorporated affiliates of Rayovac.

XII. CONFIDENTIAL INFORMATION

a. The Executive agrees to hold in strict confidence and, except as Rayovac may authorize or direct, not disclose to any person or use



any confidential information or materials received by the Executive from Rayovac and any confidential information or materials of other parties received by the Executive in connection with his employment with Rayovac. For purposes of this Paragraph XII, confidential information or materials shall include existing and potential customer information, existing and potential supplier information, product information, design and construction information, pricing and profitability information, financial information, sales and marketing strategies and techniques and business ideas or practices. The restriction on the Executive's use or disclosure of the confidential information or materials shall remain in force until the earlier of (i) such information is of general knowledge in the industry through no fault of the Executive or any agent of the Executive and (ii) the date five (5) years from the end of the Special Assignment Period. The

Executive also agrees to return to Rayovac promptly upon its request any Rayovac information or materials in the Executive's possession or under the Executive's control.

b. For a period of five (5) years from the end of the Special Assignment Period, the Executive will not disclose to any other person, firm or entity any inventions, discoveries, improvements, trade secrets, formulas, techniques, processes, know-how and similar matters, whether or not patentable and whether or not reduced to practice, which are conceived or learned by the Executive during the period of the Executive's employment with Rayovac, either alone or with others, which relate to or result from the actual or anticipated business or research of Rayovac or which result, to any extent, from the Executive's use of Rayovac's premises or property; provided, however, that this Paragraph XII(b) shall be subject to any applicable law relating to the disclosure of trade secrets.

c. Upon the request of Rayovac, Executive shall promptly deliver to Rayovac all documents, data, records, notes, drawings, manuals and all other tangible information in whatever form which pertains to Rayovac, and the Executive will not retain any such information or any reproduction or excerpt thereof.

XIII. GOVERNING LAW/DISPUTES/WAIVER OF JURY TRIAL. This Agreement shall be construed under and governed by the laws of the State of Wisconsin, without reference to its conflicts of law principles. Any disputes arising out of this Agreement shall be brought in federal district court in Madison, Wisconsin. THE PARTIES AGREE TO WAIVE ANY AND ALL RIGHTS THAT THEY MAY HAVE TO A JURY TRIAL WITH RESPECT TO DISPUTES ARISING OUT OF THIS AGREEMENT.

XIV. VOLUNTARY AGREEMENT. Executive acknowledges and states that he has read and understands this Agreement and has entered into it knowingly and voluntarily.



XV. CONSIDERATION AND REVOCATION PERIOD. Executive hereby acknowledges that he was given a copy of this Agreement and was given twenty-one (21) days to review it and consider whether to sign it, and that he was encouraged by Rayovac to consult an attorney during said twenty-one (21) day period about this Agreement. He further understands that for a period of seven (7) days following his execution of this Agreement, he may revoke the Agreement by doing so in writing and that the Agreement will not become enforceable or effective until the revocation period has expired without revocation. Any revocation must be delivered to the Human Resources Department at Rayovac's World Headquarters.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date written below.

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| Rayovac Corporation | Stephen P. Shanesy |
| By: /S/ DAVID A. JONES | /S/ STEPHEN P. SHANESY |
| Name & Title: David A. Jones, CEO | |
| Date: 3/2/04 | Date: 3/2/04 |

Exhibit 10.20

AMENDMENT NO. 4 TO THE
CREDIT AGREEMENT

DATED AS OF MARCH 10, 2004

AMENDMENT NO. 4 TO THE THIRD AMENDED AND RESTATED CREDIT AGREEMENT (this "AMENDMENT") among Rayovac Corporation, a Wisconsin corporation (the "COMPANY"), the banks, financial institutions and other institutional lenders parties to the Credit Agreement referred to below (collectively, the "LENDERS") and Bank of America, N.A., as administrative agent (the "ADMINISTRATIVE AGENT") for the Lenders.

PRELIMINARY STATEMENTS:

(1) The Company, Varta Geratebatterie GmbH & Co. KGaA (the "SUBSIDIARY BORROWER" and, together with the Company, the "BORROWER"), the Lenders and the Administrative Agent have entered into a Third Amended and Restated Credit Agreement dated as of October 1, 2002 (such Credit Agreement, (as amended, supplemented or otherwise modified through the date hereof, the "CREDIT Agreement"). Capitalized terms not otherwise defined in this Amendment have the same meanings as specified in the Credit Agreement;

(2) the Company desires to amend the Credit Agreement to provide, in part, for (i) the addition of a new U.S. Term Loan C Facility having identical terms with and having the same rights and obligations under the Loan Documents as the U.S. Term Loan B Facility, as set forth in the Loan Documents, except as such terms are amended hereby, (ii) the addition of a new Euro Term Loan C Facility having identical terms with and having the same rights and obligations under the Loan Documents as the Euro Term Loan B Facility, as set forth in the Loan Documents, except as such terms are amended hereby, and (iii) certain other amendments;

(3) each Lender that has made a U.S. Term Loan B who executes and delivers this Amendment (which Term Loans shall thereafter be deemed terminated and refinanced in full) shall be deemed, upon the effectiveness of this Amendment, to have exchanged its U.S. Term Loan B for a U.S. Term Loan C (a "U.S. TERM LOAN C") in the same principal amount as such Lender's outstanding U.S. Term Loan B as set forth in Schedule 2.1 to the Credit Agreement, as amended as of the Amendment No. 4 Effective Date (as hereinafter defined);

(4) each Lender that has made a Euro Term Loan A or a Euro Term Loan B who executes and delivers this Amendment (which Term Loans shall thereafter be deemed terminated and refinanced in full) shall be deemed, upon the effectiveness of this Amendment, to have exchanged its Euro Term Loan A or Euro Term Loan B or both, as the case may be, for a Euro Term Loan C (a "EURO TERM LOAN C") in the same principal amount as such Lender's outstanding Euro Term Loan A, Euro Term Loan B or the aggregate of both, as the case may be, as set forth in Schedule 2.1 to the Credit Agreement, as amended as of the Amendment No. 4 Effective Date;





(5) each Person who executes and delivers this Amendment as an Additional Lender (each, an "ADDITIONAL LENDER"), will make a U.S. Term Loan C (an "ADDITIONAL U.S. TERM LOAN C") or a Euro Term Loan C (an "ADDITIONAL EURO TERM LOAN C") or both, as the case may be, on the Amendment No. 4 Effective Date to the Company in an aggregate principal amount equal to the amount set forth opposite its name on Schedule 2.1 to the Credit Agreement, as amended as of the Amendment No. 4 Effective Date, the proceeds of which will be used by the Company to refinance in full the outstanding principal amount of U.S. Term Loans B, Euro Term Loans A and Euro Term Loans B of any Lenders, if any, who do not execute and deliver this Amendment, it being understood that an Additional Lender may be a Lender prior to the Amendment No. 4 Effective Date;

(6) the Company shall pay all accrued and unpaid interest on its U.S. Term Loans B, Euro Term Loans A and Euro Term Loans B to the Amendment No. 4 Effective Date on such Amendment No. 4 Effective Date, other than interest payable to each Lender with a Euro Term Loan C Commitment who has an outstanding Euro Term Loan A, Euro Term Loan B, or both, and each Lender with a U.S. Term Loan C Commitment who has an outstanding U.S. Term Loan B; and

(7) the Lenders signatory hereto are, on the terms and conditions stated below, willing to grant the request of the Company, and the Company and such Lenders have agreed to amend the Credit Agreement as hereinafter set forth.

SECTION 1. AMENDMENTS TO CREDIT AGREEMENT. The Credit Agreement is, effective as of the date hereof and subject to the satisfaction of the conditions precedent set forth in SECTION 4, hereby amended as follows:

(a) Clauses (b) and (c) of the second preliminary statement to the Credit Agreement are amended in their entirety and replace with the following:

"(b) establish a seven-year EURO 131,750,000 term loan facility available to the Company in Euros ("EURO TERM LOAN C FACILITY"), (c) establish a seven-year $257,000,000 term loan facility available to the Company in Dollars ("U.S. TERM LOAN C FACILITY"),"

(b) SECTION 1.1 is amended as follows:

(i) By deleting the definition of "EURO TERM LOAN B" in its entirety and inserting the following definition in its place:

"EURO TERM LOAN C - see SUBSECTION 2.1(f)."

(ii) By deleting the definition of "EURO TERM LOAN B COMMITMENT" in its entirety and inserting the following definition in its place:

"EURO TERM LOAN C COMMITMENT means, as to any Lender, the commitment of such Lender to make a Euro Term Loan C pursuant to SUBSECTION 2.1(f). The amount of each Lender's Euro Term Loan C Commitment is set forth across from such Lender's name on SCHEDULE 2.1."





(iii) By deleting the definition of "EURO TERM LOAN B FACILITY" in its entirety and inserting the following definition in its place:

"EURO TERM LOAN C FACILITY - see the RECITALS"

(iv) By deleting the definition of "LOAN DOCUMENTS" in its entirety and inserting the following definition in its place:

"LOAN DOCUMENTS means this Agreement, any Notes, any Fee Letter, the L/C-Related DOCUMENTS, an ROV Guaranty, a KGaA Guaranty, the Collateral Documents, each guaranty of a Swap Contract and all other documents delivered to the Administrative Agent or any Lender in connection herewith."

(v) By deleting the definition of "QUALIFIED FOREIGN CREDIT FACILITY" in its entirety and inserting the following definition in its place:

QUALIFIED FOREIGN CREDIT FACILITY means a credit facility provided by a Lender or an Affiliate of a Lender to any Foreign Subsidiary or a Secured Swap Contract, in either case which (i) is guarantied by the Company, (ii) is permitted under SUBSECTION 8.5(c) or (d) and (iii) the Company has specified (in a written notice to the Administrative Agent) is entitled to the benefit of the Guaranty and the Collateral Documents.

(vi) By deleting the definition of "U.S. TERM LOAN B" in its entirety and inserting the following definition in its place:

"U.S. TERM LOAN C - see SUBSECTION 2.1(f)."

(vii) By deleting the definition of "U.S. TERM LOAN B COMMITMENT" in its entirety and inserting the following definition in its place:

"U.S. TERM LOAN C COMMITMENT means, as to any Lender, the commitment of such Lender to make a U.S. Term Loan C pursuant to SUBSECTION 2.1(g). The amount of each Lender's U.S. Term Loan C Commitment is set forth across from such Lender's name on SCHEDULE 2.1."

(viii) By deleting the definition of "U.S. TERM LOAN B FACILITY" in its entirety and inserting the following definition in its place:

"U.S. TERM LOAN C FACILITY - see the RECITALS."

(ix) By inserting the following definitions in alphabetical order:

"ADDITIONAL EURO TERM LOAN C - see SUBSECTION 2.1(g).

ADDITIONAL EURO TERM LOAN C COMMITMENT means, as to any Additional Lender, the commitment of such Lender to make an Additional Euro Term Loan C pursuant to SUBSECTION 2.1(g). The amount of each Lender's Additional Euro Term Loan C Commitment is set forth across from such Lender's name on SCHEDULE 2.1.





ADDITIONAL LENDER means a financial institution with an Additional Euro Term Loan C Commitment or an Additional U.S. Term Loan C Commitment to make, respectively, Additional Euro Term Loans C or Additional U.S. Term Loans C to the Company on the Amendment No. 4 Effective Date, it being understood that an Additional Lender may be an existing Term Lender.

ADDITIONAL U.S. TERM LOAN C - see SUBSECTION 2.1(g).

ADDITIONAL U.S. TERM LOAN C COMMITMENT means, as to any Additional Lender, the commitment of such Lender to make an Additional U.S. Term Loan C pursuant to SUBSECTION 2.1(g). The amount of each Lender's Additional U.S. Term Loan C Commitment is set forth across from such Lender's name on SCHEDULE 2.1.

AMENDMENT NO. 4 means Amendment No. 4 to the Credit Agreement dated as of February ___, 2004, among the Company, the Lenders party thereto and the Administrative Agent.

AMENDMENT NO. 4 EFFECTIVE DATE has the meaning specified in Amendment No. 4.

EURO TERM LOAN B has the meaning specified in SECTION 1.1 of this Credit Agreement, as in effect prior to the Amendment No. 4 Effective Date.

EURO TERM LOAN B COMMITMENT has the meaning specified in SECTION 1.1 of this Credit Agreement, as in effect prior to the Amendment No. 4 Effective Date.

INCREASE EFFECTIVE DATE - see SUBSECTION 2.16(b).

REMINGTON AUSTRALIA means Remington Products Australia Pty Ltd.

REMINGTON IRELAND means Remington Consumer Products (Ireland).

REMINGTON NEW ZEALAND means Remington Products New Zealand Ltd.

SECURED SWAP CONTRACT means any Swap Contract permitted under Article VIII that is entered into by and between any Foreign Subsidiary and any Swap Bank.

SWAP BANK means any Lender or an Affiliate of a Lender in its capacity as a party to a Secured Swap Contract.

U.S. TERM LOAN B has the meaning specified in SECTION 1.1 of this Credit Agreement, as in effect prior to the Amendment No. 4 Effective Date.

U.S. TERM LOAN B COMMITMENT has the meaning specified in SECTION 1.1 of this Credit Agreement, as in effect prior to the Amendment No. 4 Effective Date."

(x) By amending the following definitions in their entirety to read as follows:





"BORROWING means a borrowing hereunder consisting of (a) U.S.

Revolving Loans, Euro Revolving Loans, Euro Term Loans C or U.S. Term Loans C of the same Type made to a Borrower on the same day by the Lenders under the applicable Facility and, in the case of Eurocurrency Loans, having the same Interest Period, or (b) a Swingline Loan made to a Borrower by the Swingline Lender, in each case pursuant to ARTICLE II.

COMMITMENT means, as to each Lender, such Lender's U.S. Revolving Commitment, Euro Revolving Commitment, Euro Term Loan C Commitment, and/or U.S. Term Loan C Commitment, as applicable.

FACILITY means one of the credit facilities under this Agreement, i.e., the U.S. Revolving Facility, the Euro Revolving Facility, the Euro Term Loan C Facility or the U.S. Term Loan C Facility.

LOAN means an extension of credit by a Lender to a Borrower under ARTICLE II or ARTICLE III in the form of a U.S. Revolving Loan, Euro Revolving Loan, Euro Term Loan C, U.S. Term Loan C, Swingline Loan or L/C Advance.

TERM LOAN means a Euro Term Loan C or a U.S. Term Loan C."

(c) SECTION 2.1 of the Credit Agreement is amended by adding the following new subsections (f) through (i) immediately after SECTION 2.1(e):

"(f) EXCHANGE. (i) Subject to the terms and conditions hereof, each Lender with a Euro Term Loan C Commitment who has an outstanding Euro Term Loan A, Euro Term Loan B, or both, severally agrees to exchange all such outstanding Loans for a like principal amount in Euro of Euro Term Loans C on the Amendment No. 4 Effective Date (each, collectively with the Additional Euro Term Loans C, a "EURO TERM LOAN C"), and from and after the Amendment No. 4 Effective Date such Euro Term Loans A and Euro Term Loans B shall be deemed refinanced in full and such Euro Term Loans C shall be deemed made hereunder. Amounts borrowed as Euro Term Loans C (whether pursuant to this subsection or subsection (g)(i) below) which are repaid or prepaid by the Company may not be reborrowed. The Euro Term Loan C Commitments shall expire concurrently with the making of the Euro Term Loans C (whether pursuant to this subsection or subsection (g)(i) below) on the Amendment No. 4 Effective Date.

(ii) Subject to the terms and conditions hereof, each Lender with a U.S. Term Loan C Commitment who has an outstanding U.S. Term Loan B, severally agrees to exchange its outstanding U.S. Term Loan B for a like principal amount in Dollars of U.S. Term Loans C on the Amendment No. 4 Effective Date (each, collectively with the Additional U.S. Term Loans C, a "U.S. TERM LOAN C"), and from and after the Amendment No. 4 Effective Date such U.S. Term Loans B shall be deemed refinanced in full and such U.S. Term Loans C shall be deemed made hereunder. Amounts borrowed as U.S. Term Loans C (whether pursuant to this subsection or subsection (g)(ii) below) which are repaid or prepaid by the Company may not be reborrowed. The U.S. Term Loan C Commitments shall expire concurrently with the making of the U.S. Term Loans





C (whether pursuant to this subsection or subsection (g)(ii) below) on the Amendment No. 4 Effective Date.

(g) ADDITIONAL LOANS. (i) Subject to the terms and conditions hereof, each Additional Lender with an Additional Euro Term Loan C Commitment severally agrees to make a single loan to the Company (each such loan, an "ADDITIONAL EURO TERM LOAN C") on the Amendment No. 4 Effective Date in the amount of such Additional Euro Term Loan C Commitment on the Amendment No. 4 Effective Date. The Company shall refinance all Euro Term Loans A and Euro Term Loans B of Lenders with outstanding Euro Term Loans A and Euro Term Loans B that do not execute and deliver Amendment No. 4 on the Amendment No. 4 Effective Date with the gross proceeds of the Additional Euro Term Loans C.

(ii) Subject to the terms and conditions hereof, each Additional Lender with an Additional U.S. Term Loan C Commitment severally agrees to make a single loan to the Company (each such loan, an "ADDITIONAL U.S. TERM LOAN C") on the Amendment No. 4 Effective Date in the amount of such Additional U.S. Term Loan C Commitment on the Amendment No. 4 Effective Date. The Company shall refinance all U.S. Term Loans B of Lenders with outstanding U.S. Term Loans B that do not execute and deliver Amendment No. 4 on the Amendment No. 4 Effective Date with the gross proceeds of the Additional U.S. Term Loans C.

(h) INTEREST. On the Amendment No. 4 Effective Date the Company shall pay all accrued and unpaid interest on the Euro Term Loans A, the Euro Term Loans B and the U.S. Term Loans B to the Term Lenders other than interest payable to each Lender with a Euro Term Loan C Commitment who has an outstanding Euro Term Loan A, Euro Term Loan B, or both, and each Lender with a U.S. Term Loan C Commitment who has an outstanding U.S. Term Loan B."

(d) SECTION 2.9(d) of the Credit Agreement is amended in its entirety to read as follows:

"(d) THE EURO TERM LOAN C FACILITY. On each date set forth on SCHEDULE 2.9(d), the Company shall repay Euro Term Loans C in an aggregate amount equal to the amount set forth opposite such date on such Schedule."

(e) SECTION 2.9(e) of the Credit Agreement is amended in its entirety to read as follows:

"(e) THE U.S. TERM LOAN C FACILITY. On each date set forth on SCHEDULE 2.9(e), the Company shall repay U.S. Term Loans C in an aggregate amount equal to the amount set forth opposite such date on such Schedule."

(f) SECTION 2.10(d) is amended in its entirety to read as follows:

"(d) Each Euro Term Loan C shall bear interest on the outstanding principal amount thereof from the applicable Borrowing Date at a rate per annum equal to the Eurocurrency Rate PLUS 3.00%."





(g) SECTION 2.10(e) of the Credit Agreement is amended in its entirety to read as follows:

"(e) Each U.S. Term Loan C shall bear interest on the outstanding principal amount thereof from the applicable Borrowing Date at a rate per annum equal to the Base Rate PLUS 1.50% or the Eurocurrency Rate PLUS 2.50%, as the case may be (and subject to the Company's right to convert to the other Type of Loans under SECTION 2.4)."

(h) SECTION 7.12 of the Credit Agreement is amended in its entirety to read as follows:

"7.12 USE OF PROCEEDS. The Company shall use the proceeds of the U.S. Revolving Loans, the Euro Revolving Loans, the Euro Term Loans A, the Euro Term Loans B and the U.S. Term Loans B (i) to consummate the VARTA Acquisition, (ii) for fees and expenses incurred in connection with the VARTA Acquisition, (iii) to make an investment in Cayman Finance Co., (iv) to refinance existing Indebtedness (v) to consummate the Remington Acquisition, (vi) for fees and expenses incurred in connection with the Remington Acquisition and (vii) for working capital and other general corporate purposes not in contravention of any Requirement of Law or of any Loan Document. The Company shall use the proceeds of the Euro Term Loans C solely to prepay the Euro Term Loans A and the Euro Term Loans B outstanding on the Amendment No. 4 Effective Date. The Company shall use the proceeds of the U.S. Term Loans C solely to prepay the U.S. Term Loans B outstanding on the Amendment No. 4 Effective Date."

(i) Schedule 2.1 to the Credit Agreement is, effective only for dates of determination subsequent to the Amendment No. 4 Effective Date, amended in its entirety and replaced with Schedule 2.1 attached hereto.

(j) Schedule 2.9(d) to the Credit Agreement is amended in its entirety and replaced with Schedule 2.9(d) attached hereto.

(k) Schedule 2.9(e) to the Credit Agreement is amended in its entirety and replaced with Schedule 2.9(e) attached hereto.

(l) Upon the Amendment No. 4 Effective Date, the Euro Term Loans C and the U.S. Term Loans C shall have the same terms, rights and obligations as the Euro Term Loans B and the U.S. Term Loans B, respectively, as set forth in the Loan Documents, except as modified by SECTION 1 of this Amendment, and all references, other than those in SECTIONS 2.1(f), (g) AND (h) AND SECTION 7.12, to "Euro Term Loans B", "Euro Term Loan B Commitment", "Euro Term Loan B Facility", "U.S. Term Loan B", "U.S. Term Loan B Commitment", and "U.S. Term Loan B Facility" in the Loan Documents shall be deemed to be references to "Euro Term Loans C", "Euro Term Loan C Commitment", "Euro Term Loan C Facility", "U.S.

Term Loan C", "U.S. Term Loan C Commitment", and "U.S. Term Loan C Facility", respectively.





SECTION 2. OTHER AMENDMENTS

(a) SECTION 2.7(a) of the Credit Agreement is amended by inserting the following phrase immediately after the phrase "prepay any Borrowing of Loans in whole or in part," contained therein:

"(i) in the case of any such prepayment of Term Loans prior to the first anniversary of the Amendment No. 4 Effective Date made with the proceeds of any Indebtedness of the Company or any Subsidiary issued or incurred solely to refinance the Credit Agreement, a premium of 1.0% of the aggregate principal amount so prepaid and (ii) in the case of any other such prepayment,"

(b) The first sentence of SECTION 2.7(b) of the Credit Agreement is amended by adding a new clause (iii) at the end thereof as follows:

", and (iii) any premium required to be paid pursuant to SECTION 2.7(a)".

(c) A new SECTION 2.16 of the Credit Agreement is inserted in proper numerical order as follows:

"2.16 INCREASE IN COMMITMENTS.

(a) Provided there exists no Unmatured Event of Default or Event of Default, upon notice to the Administrative Agent (which shall promptly notify the Lenders), the Company may from time to time request an increase in the Euro Term Loan C Commitments or the U.S. Term Loan C Commitments, or both, by an amount (for all such requests in the aggregate) not exceeding $150,000,000 (or the Dollar Equivalent thereof); provided that (i) any such request for an increase shall be in a minimum amount of EURO 5,000,000 in the case of a Euro Term Loan C Commitment increase and $5,000,000 in the case of a U.S. Term Loan C Commitment increase, and (ii) the Company may make a maximum of three such requests. At the time of sending such notice, the Company (in consultation with the Administrative Agent) shall specify the time period within which each Lender is requested to respond (which shall in no event be less than ten Business Days from the date of delivery of such notice to the Lenders). Each Lender shall notify the Administrative Agent within such time period whether or not it agrees to increase its Euro Term Loan C Commitment or U.S. Term Loan C Commitment, as the case may be, and, if so, whether by an amount equal to, greater than, or less than its Percentage of such requested increase. Any Lender not responding within such time period shall be deemed to have declined to increase its Commitment. The Administrative Agent shall notify the Company and each Lender of the Lenders' responses to each request made hereunder. To achieve the full amount of a requested increase, the Company may also invite additional Eligible Assignees to become Lenders pursuant to a joinder agreement in form and substance satisfactory to the Administrative Agent and its counsel.

(b) If the Term Commitments are increased in accordance with this Section, the Administrative Agent and the Company shall determine the effective date (the "INCREASE EFFECTIVE DATE") and the final allocation of such increase. The





Administrative Agent shall promptly notify the Company and the Lenders of the final allocation of such increase and the Increase Effective Date. As a condition precedent to such increase, the Company shall deliver to the Administrative Agent a certificate of each Borrower and each Guarantor dated as of the Increase Effective Date (in sufficient copies for each Lender) signed by a Responsible Officer of such Person (i) certifying and attaching the resolutions adopted by such Person approving or consenting to such increase; PROVIDED that no German Entity shall be required to deliver copies of resolutions unless resolutions are necessary pursuant to its Organizational Documents, and (ii) in the case of the Company, certifying that, before and after giving effect to such increase, (A) the representations and warranties contained in ARTICLE VI and the other Loan Documents are true and correct on and as of the Increase Effective Date, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date, and except that for purposes of this SECTION 2.16, the representations and warranties contained in subsection (a) of SECTION 6.11 shall be deemed to refer to the most recent statements furnished pursuant to subsections (a) of SECTION 6.11, and (B) no Default exists. Each Lender that increases its Euro Term Loan C Commitment or U.S. Term Loan C Commitment, or both, and each Eligible Assignee that becomes a Lender, in each case pursuant to the provisions of this SECTION 2.16, severally agrees, on the terms and conditions set forth herein, to make a Euro Term Loan C, U.S. Term Loan C, or both, as the case may be, to the Company on the applicable Increase Effective Date in the amount of such Lender's increased or new Euro Term Loan C Commitment, U.S. Term Loan C Commitment or both, as the case may be. The increased and new Term Commitments shall expire concurrently with the making of such Term Loans on the applicable Increase Effective Date.

(c) This Section shall supersede any provisions in SECTIONS 2.15 or 11.1 to the contrary."

(d) SECTION 7.14 of the Credit Agreement is amended in its entirety to read as follows:

"7.14 SWAP CONTRACTS. At all times, the Company shall maintain one or more Swap Contracts with terms and counterparties reasonably satisfactory to the Administrative Agent to the extent necessary to ensure that, after giving effect to such Swap Contracts, at least 50% of all outstanding Indebtedness of the Company either by its terms accrues interest at a fixed rate until maturity or is subject to an interest rate Swap Contract."

(e) SECTION 8.1 of the Credit Agreement is amended by:

(i) Deleting the word "and" at the end of clause (n) thereof,

(ii) Replacing the period at the end of clause (o) thereof with "; and", and

(iii) Adding a new clause (p) as follows:

"(p) Liens on property of Remington Australia, Remington Ireland and Remington New Zealand securing Indebtedness of such Subsidiary that is permitted under the provisions of SECTION 8.5."





(f) SECTION 8.4(i) of the Credit Agreement is amended by inserting before the semi-colon at the end thereof the phrase ", and the acquisition by the Company of Ningbo Baowang Battery Company for aggregate consideration of up to $25,000,000"

(g) SECTION 8.4(j) of the Credit Agreement is amended by deleting the phrase "after the Effective Date exceeds (or after such Acquisition would exceed) $75,000,000" contained in clause (vii) thereof with the following phrase:

"after the Amendment No. 4 Effective Date exceeds (or after such Acquisition would exceed) $150,000,000".

(h) SECTION 9.1(h) of the Credit Agreement is amended by deleting the amount "$3,000,000" in the second place it appears therein and replacing it with the amount "$10,000,000".

(i) SECTION 10.11(c) of the Credit Agreement is amended by deleting the word "or" before clause (F) thereof and inserting immediately after such clause (F) the following:

"; or (G) at the Company's request, constituting property of Remington Australia, Remington Ireland or Remington New Zealand in order to permit such property to be pledged as collateral for Indebtedness of such Subsidiary to the extent permitted under SECTION 8.1 and SECTION 8.5 hereof".

SECTION 3. CONSENT. The Required Lenders hereby approve and consent to the issuance and sale of up to $150,000,000 additional subordinated indebtedness on terms that are no more adverse to the Lenders than those contained in the

Indenture, dated as of September 30, 2003 between the Company and U.S. Bank National Association, as trustee, as "Subordinated Debt" under SECTION 8.5(b) of the Credit Agreement.

SECTION 4. CONDITIONS OF EFFECTIVENESS. This Amendment shall become effective when, and only when, and as of the date (the "AMENDMENT NO. 4 EFFECTIVE DATE") on which, (x) the Administrative Agent shall have received counterparts of this Amendment executed by the Company and Lenders with aggregate Percentages of 51% or more or, as to any of the Lenders, advice satisfactory to the Administrative Agent that such Lender has executed this Amendment, (y) simultaneously with the making of the Euro Term Loans C and the U.S. Term Loans C, the Company shall have paid all accrued and unpaid interest on its U.S. Term Loans B, Euro Term Loans A and Euro Term Loans B to the Amendment No. 4 Effective Date, other than interest payable to each Lender with a Euro Term Loan C Commitment who has an outstanding Euro Term Loan A, Euro Term Loan B, or both, and each Lender with a U.S. Term Loan C Commitment who has an outstanding U.S. Term Loan B PLUS any loss or expense pursuant to SECTION 11.4 of the Credit Agreement and (z) the Administrative Agent shall have additionally received all fees due and payable in connection with this Amendment No. 4, payment of all accrued fees and expenses of the Administrative Agent (including the reasonable and accrued fees of counsel to the Administrative Agent invoiced on or prior to the date hereof and all of the following documents, each such document (unless otherwise specified) dated the date of receipt thereof by the Administrative Agent (unless otherwise specified) and in sufficient





copies for each Lender, in form and substance satisfactory to the Agent (unless otherwise specified):

(a) A Notice of Borrowing in accordance with the requirements of SECTION 2.3 of the Credit Agreement prior to the Amendment No. 4 Effective Date with respect to the borrowing of the Euro Term Loans C and the U.S. Term Loans C on the Amendment No. 4 Effective Date except that the three Business Days notice requirement is hereby waived.

(b) Certified copies of (i) the resolutions of the Board of Directors of (A) the Company approving this Amendment and the matters contemplated hereby and thereby and (B) each Guarantor evidencing approval of the Consent and the matters contemplated hereby and thereby; PROVIDED that no German entity shall be required to deliver copies of resolutions unless resolutions are necessary pursuant to its Organization Documents and (ii) all documents evidencing other necessary corporate action and governmental approvals, if any, with respect to this Amendment, the Consent and the matters contemplated hereby and thereby.

(c) A certificate of the Secretary or an Assistant Secretary or director of the Company and each Guarantor certifying the names and true signatures of the officers of the Company and such Guarantor authorized to sign this Amendment and the Consent and the other documents to be delivered hereunder and thereunder, PROVIDED that, in lieu of the foregoing, each German Entity shall deliver a certified copy of its current excerpt of the commercial register file (HANDELSREGISTERAUSZUG) and a certified copy of the specimen signature (UNTERSCHRIFTENPROBE) currently filed with the commercial register of the representative of such Person who will execute, deliver and perform the Amendment, the Consent and the other documents to be delivered hereunder and thereunder, or other evidence of corporate authorization and incumbency satisfactory to the Administrative Agent.

(d) Counterparts of the Consent appended hereto (the "CONSENT"), executed by each Guarantor (other than the Company).

(e) A favorable opinion of Sutherland, Asbill & Brennan, counsel for the Company, ROV Holding Inc., a Delaware corporation, Rovcal, Inc., a California corporation and each Remington Company that is a Domestic Subsidiary in form and substance satisfactory to the Administrative Agent.

SECTION 5. REPRESENTATIONS AND WARRANTIES OF THE COMPANY. The Company represents and warrants as follows:

(a) The Company and each Guarantor is a corporation duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization.

(b) The execution, delivery and performance by the Company of this Amendment and the Loan Documents, as amended hereby, to which it is or is to be a party, the execution and delivery by each Guarantor of the

Consent and the Loan





Documents to which it is or is to be a party, and the consummation of the transactions contemplated hereby are within the Company's and each Guarantor's corporate powers, have been duly authorized by all necessary corporate action and do not (i) contravene the Organization Documents of the Company or any Guarantor, (ii) violate any Requirement of Law, (iii) conflict with or result in a breach or contravention of, or the creation of a Lien (except for the Liens created under the Collateral Documents, as amended hereby) under, any document evidencing any Contractual Obligation to which the Company or any Guarantor is a party or any order, injunction, writ or decree of any Governmental Authority to which either the Company, any Guarantor or any of their properties is subject.

(c) No approval, consent, exemption, authorization or other action by, or notice to, or filing with, any Governmental Authority is necessary or required in connection with the due execution, delivery or performance by, or enforcement against, either the Company of this Amendment or any of the Loan Documents, as amended hereby, to which it is or is to be a party or any Guarantor of the Consent or any other Loan Document to which it is a party.

(d) This Amendment has been duly executed and delivered by the Company. This Amendment and each of the other Loan Documents, as amended hereby, to which the Company is a party are legal, valid and binding obligations of the Company, enforceable against the Company in accordance with their respective terms. The Consent and each of the other Loan Documents, as amended hereby, to which each Guarantor is a party are legal, valid and binding obligations of such Guarantor, enforceable against such Guarantor in accordance with their respective terms.

(e) There is no action, suit, investigation, litigation or proceeding affecting either Borrower or any Subsidiary (including, without limitation, any Environmental Claim) pending or to the best knowledge of the Company, threatened, in arbitration or before any Governmental Authority that would reasonably be expected to have a Material Adverse Effect. No injunction, writ, temporary restraining order or other order of any nature has been issued by any court or other Governmental Authority purporting to enjoin or restrain the execution, delivery or performance of this Amendment or any other Loan Document or directing that the transactions provided for herein or therein not be consummated as herein or therein provided.

SECTION 6. REFERENCE TO AND EFFECT ON THE LOAN DOCUMENTS. (a) On and after the effectiveness of this Amendment, each reference in the Credit Agreement to "this Agreement", "hereunder", "hereof" or words of like import referring to the Credit Agreement, and each reference in the Notes and each of the other Loan Documents to "the Credit Agreement", "thereunder", "thereof" or words of like import referring to the Credit Agreement, shall mean and be a reference to the Credit Agreement, as amended by this Amendment.

(b) The Credit Agreement, the Notes and each of the other Loan Documents, as specifically amended by this Amendment, are and shall continue to be in full force and effect and are hereby in all respects ratified and confirmed. Without limiting the generality of the foregoing, the Collateral Documents and all of the Collateral described therein do and shall





continue to secure the payment of all Obligations of the Loan Parties under the Loan Documents, in each case as amended by this Amendment.

(c) The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of any Lender or the Agent under any of the Loan Documents, nor constitute a waiver of any provision of any of the Loan Documents.

SECTION 7. COSTS, EXPENSES. The Company agrees to pay on demand all reasonable costs and expenses of the Administrative Agent in connection with the preparation, execution, delivery and administration, modification and amendment of this Amendment and the other instruments and documents to be delivered hereunder (including, without limitation, the reasonable fees and expenses of counsel for the Administrative Agent) in accordance with the terms of SECTION 11.4 of the Credit Agreement.

SECTION 8. EXECUTION IN COUNTERPARTS. This Amendment may be executed in any number of counterparts and by different parties hereto in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute but one and the same agreement. Delivery of an executed counterpart of a signature page to this Amendment by telecopier shall be effective as delivery of a manually executed counterpart of this Amendment.

SECTION 9. GOVERNING LAW. This Amendment shall be governed by, and construed in accordance with, the laws of the State of New York.



IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized, as of the date first above written.

RAYOVAC CORPORATION

By /s/ Randall J. Steward
-----------------------------------
Title: Executive Vice President & CFO

VARTA GERATEBATTERIE GMBH & CO.
KGAA

By /s/ Remy Burel
-----------------------------------
Title: Chief Executive Officer

By /s/ Andreas Rouve
-----------------------------------
Title: Chief Financial Officer

BANK OF AMERICA, N.A.,
as Administrative Agent and as Lender

By
---------------------------------------
Title: Managing Director



Each undersigned that is an Additional Lender hereby agrees to become a Lender as defined in the Credit Agreement and be bound by the terms and conditions thereof.

Agreed as of the date first above written

---------------------------------------
[Please type or print name of Lender]

By
------------------------------------
Title:



SCHEDULE 2.1

COMMITMENTS

NAME OF
LENDER
FACILITY

| AMOUNT OF COMMITMENT |
| --- |
| Bank of America, N.A. |
| TOTAL: |

EURO TERM LOAN C LENDERS AND EURO TERM LOAN C COMMITMENTS

As set forth in the Register maintained by the Administrative Agent pursuant to Section 11.8 - TOTAL EURO TERM LOAN C COMMITMENTS: EURO [__________]

U.S. TERM LOAN C LENDERS AND U.S. TERM LOAN C COMMITMENTS

As set forth in the Register maintained by the Administrative Agent pursuant to Section 11.8 - TOTAL U.S. TERM LOAN C COMMITMENTS: $[__________]



SCHEDULE 2.9(d)

EURO TERM LOAN C



SCHEDULE 2.9(e)

U.S. TERM LOAN C



CONSENT

Dated as of February ___, 2004

Each of the undersigned, as Guarantors under, as applicable (i) the Guaranty dated as of October 1, 2002, (ii) the Restated Guaranty dated as of October 1, 2002 or (iii) any other guaranty issued by any Person of the Obligations of the Company or the Subsidiary Borrower, in each case (collectively, the "GUARANTY") in favor of the Administrative Agent and the Lenders parties to the Credit Agreement referred to in the foregoing Amendment, hereby consents to such Amendment and hereby confirms and agrees that (a) notwithstanding the effectiveness of such Amendment, the Guaranty is, and shall continue to be, in full force and effect and is hereby ratified and confirmed in all respects, except that, on and after the effectiveness of such Amendment, each reference in the Guaranty to the "Credit Agreement", "thereunder", "thereof" or words of like import shall mean and be a reference to the Credit Agreement, as amended by such Amendment, and (b) each of the Collateral Documents to which such Guarantor is a party and all of the Collateral described therein do, and shall continue to, secure the payment of all of the obligations to be secured thereunder.

ROV HOLDING, INC.

By ----------------------------
Title:

ROV INTERNATIONAL FINANCE COMPANY

By ----------------------------
Title:

RAYOVAC EUROPE GMBH

By
----------------------------
Title:

ROV GERMAN GENERAL PARTNER GMBH

By
----------------------------
Title:

ROV GERMAN LIMITED GMBH

By
----------------------------
Title:



RAYOVAC (UK) LTD.

By
----------------------------
Title:

ROVCAL, INC.

By
----------------------------
Title:

REMINGTON PRODUCTS COMPANY, L.L.C.

By
----------------------------
Title:

QuickLinks -- Click here to rapidly navigate through this document

**Exhibit 31.1**

**CERTIFICATIONS**

I, David A. Jones, Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rayovac Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) [paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986];

   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 11, 2004

/s/ DAVID A. JONES

David A. Jones
*Chief Executive Officer*

QuickLinks

Exhibit 31.1

QuickLinks -- Click here to rapidly navigate through this document

**Exhibit 31.2**

**CERTIFICATIONS**

I, Randall J. Steward, Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rayovac Corporation (the "registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) [paragraph omitted pursuant to SEC Release Nos. 33-8238 and 34-47986];

    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

| | |
|---|---|
| Date: May 11, 2004 | /s/ RANDALL J. STEWARD |
| | Randall J. Steward<br>*Chief Financial Officer* |

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Exhibit 31.2

**Exhibit 32.1**

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

In connection with the Quarterly Report on Form 10-Q of Rayovac Corporation (the "Company") for the Quarterly Period ended March 28, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David A. Jones, as Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ DAVID A. JONES

Name: David A. Jones
Title: Chief Executive Officer
Date: May 11, 2004

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under that section. This certification shall not be deemed incorporated by reference in any filing under the Securities Act or Exchange Act, except to the extent that the Company specifically incorporates it by reference.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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Exhibit 32.1

**Exhibit 32.2**

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

In connection with the Quarterly Report on Form 10-Q of Rayovac Corporation (the "Company") for the Quarterly period ended March 28, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Randall J. Steward, as Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ RANDALL J. STEWARD

Name: Randall J. Steward
Title: Chief Financial Officer
Date: May 11, 2004

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to liability under that section. This certification shall not be deemed incorporated by reference in any filing under the Securities Act or Exchange Act, except to the extent that the Company specifically incorporates it by reference.

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

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Exhibit 32.2