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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 June 27, 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 (State or other jurisdiction of incorporation or organization)	**22-2423556** (I.R.S. Employer Identification Number)
Six Concourse Parkway, Suite 3300, Atlanta, Georgia (Address of principal executive offices)	**30328** (Zip Code)

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

(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 August 5, 2004, was 34,575,874.

RAYOVAC CORPORATION
QUARTERLY REPORT ON FORM 10-Q
FOR QUARTER ENDED JUNE 27, 2004
INDEX

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

RAYOVAC CORPORATION
Condensed Consolidated Balance Sheets
June 27, 2004 and September 30, 2003
(Unaudited)
(Amounts in thousands, except per share figures)

	June 27, 2004	September 30, 2003
-ASSETS-		
Current assets:		
Cash and cash equivalents	$ 17,832	$ 107,774
Receivables, less allowances of $22,559 and $22,911, respectively	275,872	270,581
Inventories	220,752	219,254
Prepaid expenses and other	97,408	77,717
Total current assets	611,864	675,326
Property, plant and equipment, net	165,446	150,609
Goodwill	308,816	398,380
Intangible assets, net	419,288	252,870
Deferred charges and other	85,951	71,196
Debt issuance costs	26,329	28,111
Total assets	$ 1,617,694	$ 1,576,492
-LIABILITIES AND SHAREHOLDERS' EQUITY-		
Current liabilities:		
Current maturities of long-term debt	$ 21,606	$ 72,852
Accounts payable	156,651	172,632
Accrued liabilities	179,401	160,041
Total current liabilities	357,658	405,525
Long-term debt, net of current maturities	824,213	870,540
Employee benefit obligations, net of current portion	68,873	63,044
Other	84,853	35,381
Total liabilities	1,335,597	1,374,490
Minority interest in equity of consolidated affiliates	1,468	—
Shareholders' equity:		
Common stock, $.01 par value, authorized 150,000 shares; issued 64,057 and 61,999 shares, respectively; outstanding 34,521 and 32,463 shares, respectively	641	620
Additional paid-in capital	221,814	185,561
Retained earnings	202,317	164,703
Accumulated other comprehensive loss	(2,491)	(12,457)
Notes receivable from officers/shareholders	(3,605)	(3,605)
	418,676	334,822
Less treasury stock, at cost, 29,536 shares	(130,070)	(130,070)
Less unearned restricted stock compensation	(7,977)	(2,750)
Total shareholders' equity	280,629	202,002
Total liabilities and shareholders' equity	$ 1,617,694	$ 1,576,492

See accompanying notes which are an integral part of these condensed consolidated financial statements.

RAYOVAC CORPORATION
Condensed Consolidated Statements of Operations
For the three and nine month periods ended June 27, 2004 and June 29, 2003
(Unaudited)
(Amounts in thousands, except per share figures)

	THREE MONTHS		NINE MONTHS	
	2004	2003	2004	2003
Net sales	$ 308,264	$ 207,673	$ 1,040,297	$ 670,162
Cost of goods sold	173,555	117,478	590,855	395,494
Restructuring and related charges	—	10,429	(1,137)	21,719
Gross profit	134,709	79,766	450,579	252,949
Selling	60,996	42,282	219,837	137,831
General and administrative	28,281	21,231	97,923	62,345
Research and development	6,207	3,558	15,347	11,504
Restructuring and related charges	1,685	684	7,717	9,930
Total operating expenses	97,169	67,755	340,824	221,610
Operating income	37,540	12,011	109,755	31,339
Interest expense	15,617	8,476	49,041	28,079
Non-operating expense	—	—	—	3,072
Other expense (income), net	1,328	(728)	(404)	(3,586)
Minority interest	12	—	12	—
Income from continuing operations before income taxes	20,583	4,263	61,106	3,774
Income tax expense	7,826	1,394	23,225	1,208
Income from continuing operations	12,757	2,869	37,881	2,566
(Income)/loss from discontinued operations, net of tax benefits of $14 and $539, respectively	(57)	—	267	—
Net income	$ 12,814	$ 2,869	$ 37,614	$ 2,566
Basic earnings per share:				
Weighted average shares of common stock outstanding	33,648	31,865	32,977	31,841
Income from continuing operations	$ 0.38	$ 0.09	$ 1.15	$ 0.08
Loss from discontinued operations	—	—	0.01	—
Net income	$ 0.38	$ 0.09	$ 1.14	$ 0.08
Diluted earnings per share:				
Weighted average shares and equivalents outstanding	35,388	32,499	34,413	32,461
Income from continuing operations	$ 0.36	$ 0.09	$ 1.10	$ 0.08
Loss from discontinued operations	—	—	0.01	—
Net income	$ 0.36	$ 0.09	$ 1.09	$ 0.08

See accompanying notes which are an integral part of these condensed consolidated financial statements.

RAYOVAC CORPORATION
Condensed Consolidated Statements of Cash Flows
For the nine month periods ended June 27, 2004 and June 29, 2003
(Unaudited)
(Amounts in thousands)

	NINE MONTHS	
	2004	2003
Cash flows from operating activities:		
Net income	$ 37,614	$ 2,566
Non-cash adjustments to net income:		
Discontinued operations	267	—
Restructuring and related charges	(1,139)	15,941
Depreciation	24,259	23,606
Amortization of intangible assets	742	256
Amortization of debt issuance costs	3,133	1,409
Amortization of unearned restricted stock compensation	4,050	2,570
Stock option income tax benefit	8,150	124
Deferred income taxes	(10,558)	(13,070)
Other non-cash adjustments	(1,803)	3,167
Net changes in assets and liabilities, net of acquisitions and discontinued operations	16,300	(3,216)
Net cash provided by continuing operating activities	81,015	33,353
Cash flows from investing activities:		
Purchases of property, plant and equipment, net	(16,444)	(17,317)
Payment for acquisitions, net of cash acquired	(41,980)	(245,130)
Net cash used by investing activities	(58,424)	(262,447)
Cash flows from financing activities:		
Reduction of debt	(324,937)	(373,467)
Proceeds from debt financing	195,100	612,621
Debt issuance costs	(1,351)	(12,976)
Exercise of stock options	18,846	176
Other	—	(1,079)
Net cash (used) provided by financing activities	(112,342)	225,275
Net cash used by discontinued operations	(336)	—
Effect of exchange rate changes on cash and cash equivalents	145	4,198
Net (decrease) increase in cash and cash equivalents	(89,942)	379
Cash and cash equivalents, beginning of period	107,774	9,881
Cash and cash equivalents, end of period	$ 17,832	$ 10,260

See accompanying notes which are an integral part of these condensed consolidated financial statements.

RAYOVAC CORPORATION

Notes to Condensed Consolidated Financial Statements (Unaudited)

(Amounts in thousands, except per share figures)

1 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: These condensed consolidated 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 June 27, 2004, and the results of operations for the three and nine month periods ended June 27, 2004 and June 29, 2003, and cash flows for the nine month periods ended June 27, 2004 and June 29, 2003. Certain information and footnote disclosures normally included in consolidated 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 consolidated 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 condensed consolidated financial statements include the consolidated 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 June 27, 2004 and September 30, 2003 give effect to the acquisition of Remington Products Company, L.L.C., ("Remington"), which occurred on September 30, 2003. In addition, the Company's Balance Sheet as of June 27, 2004 gives effect to the acquisition of Ningbo Baowang Battery Company, Ltd. ("Ningbo"), which occurred on March 31, 2004, and Microlite S.A. ("Microlite"), which occurred on May 28, 2004. The Company's Condensed Consolidated Statement of Operations for the three and nine months ended June 27, 2004 include the results of Ningbo and Microlite as of their respective acquisition dates. The Company's Condensed Consolidated Statements of Operations for the three and nine months ended June 29, 2003, include only the results attributable to Rayovac and its subsidiaries prior to the Remington, Ningbo and Microlite acquisitions. Consequently, all Condensed Consolidated Statements of Operations footnote disclosures exclude the results of Remington, Ningbo and Microlite for the three and nine months ended June 29, 2003. See footnote 10, "Acquisitions", for additional information on the Remington, Ningbo and Microlite acquisitions.

Change in Accounting Policy: In previous years, the Company deferred certain advertising costs incurred on an interim basis in accordance with Accounting Principles Board (APB) No. 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 consolidated 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 resulted in an increased level of advertising expenses as well as such expenses being more seasonal in nature when compared to the Company's legacy battery products. Therefore, during 2004, the Company began expensing all advertising costs in the period incurred. 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 consolidated financial statements. The impacts on net income and earnings per share related to the change in accounting policy are as follows:

	Three Months		Nine Months	
	2004	2003	2004	2003
Income before change in accounting policy	$ 11,593	$ 2,869	$ 38,431	$ 2,566
Impact due to change in accounting policy, net of tax	1,221	—	(817)	—
Net income, as reported	$ 12,814	$ 2,869	$ 37,614	$ 2,566
Basic earnings (loss) per share:				
Before change in accounting policy	$ 0.34	$ 0.09	$ 1.17	$ 0.08
Impact due to change in accounting policy, net of tax	0.04	—	(0.03)	—
As reported	$ 0.38	$ 0.09	$ 1.14	$ 0.08
Diluted earnings (loss) per share:				
Before change in accounting policy	$ 0.33	$ 0.09	$ 1.12	$ 0.08
Impact due to change in accounting policy, net of tax	0.03	—	(0.03)	—
As reported	$ 0.36	$ 0.09	$ 1.09	$ 0.08

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 and earnings per share would have been as follows:

	Three Months		Nine Months	
	2004	2003	2004	2003
Pro forma amounts assuming new accounting policy is applied retroactively:				
Net income	$ 12,814	$ 3,737	$ 37,614	$ 1,202
Basic earnings per share	$ 0.38	$ 0.12	$ 1.14	$ 0.04
Diluted earnings per share	$ 0.36	$ 0.11	$ 1.09	$ 0.04

Discontinued Operations: The Company has reflected Remington's United States and United Kingdom Service Centers as discontinued operations. The Company discontinued operations at these Service Centers during 2004 as part of the 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 nine months ended June 27, 2004:

	Three Months	Nine Months
Net sales	$ 906	$ 21,470
(Income) loss from discontinued operations before income taxes	$ (43)	$ 806
Income tax benefits	(14)	(539)
(Income) loss from discontinued operations, net of tax	$ (57)	$ 267
Depreciation expense associated with discontinued operations	$ 9	$ 263

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. Generally, with respect to battery and lighting sales, the Company is not obligated to accept product returns. The Company does accept returns related to shaving and grooming and personal care products and, accordingly, the Company does recognize a reserve for such potential returns based on past experience and 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. The Company accrues an estimate of the costs of such 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 reflected as either a reduction of net sales or an increase of cost of sales, based on the nature of the promotional program.

For all types of promotional arrangements, 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 or correspondence with the individual customers.

The Company also enters into various contractual arrangements, primarily with retailers, which require the Company to make upfront cash, or "slotting" payments, to secure the right to distribute through such customers. 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 $14,545 and $47,763 for the three and nine months ended June 27, 2004, and $10,901 and $35,150, for the three and nine months ended June 29, 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 as well as 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 a broad range of customers, one of which accounts for approximately 18% of the Company's sales volume for the nine month period ended June 27, 2004. This major customer also represented approximately 13% of the Company's receivables as of June 27, 2004 and September 30, 2003.

Approximately 53% of the Company's sales in the nine-month period ended June 27, 2004 occurred 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 consolidated 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 APB 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.

Certain restricted stock awards issued during the current fiscal year vest based on the Company's attainment of certain performance measures and have been accounted for as variable awards under the provisions of APB No. 25, with appropriate charges to compensation expense each period. Subsequent to 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 are accounted for as fixed awards in periods subsequent to March 28, 2004. Results of operations include compensation cost related to grants of restricted stock of $1,251 and $857 and $4,050 and $2,570 for the three and nine months ended June 27, 2004 and June 29, 2003, respectively.

The Company has adopted the disclosure-only provisions of Financial Accounting Standards Bulletin (FASB) 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 such awards consistent with an alternative method prescribed by FASB No. 123, the Company's net income and earnings per share would have reflected the pro forma amounts indicated below:

	Three Months		Nine Months	
	2004	2003	2004	2003
Net income, as reported	$ 12,814	$ 2,869	$ 37,614	$ 2,566
Add: Stock-based compensation expense included in reported net income, net of tax	763	523	2,471	1,568
Deduct: Total stock-based compensation expense determined under fair value based method for all awards, net of tax	(1,290)	(1,575)	(5,096)	(5,110)
Pro forma net income (loss)	$ 12,287	$ 1,817	$ 34,989	$ (976)
Basic earnings (loss) per share:				
As reported	$ 0.38	$ 0.09	$ 1.14	$ 0.08
Pro forma	$ 0.37	$ 0.06	$ 1.06	$ (0.03)
Diluted earnings (loss) per share:				
As reported	$ 0.36	$ 0.09	$ 1.09	$ 0.08
Pro forma	$ 0.35	$ 0.06	$ 1.02	$ (0.03)

The effect of restricted stock and unexercised stock options of approximately 620 shares outstanding for the nine months ended June 29, 2003 were excluded from the diluted EPS calculation, as their effect was anti-dilutive.

In March 2004, the FASB issued the Exposure Draft, "Share-Based Payment—an amendment of Statements No. 123 and 95". The Exposure Draft would replace existing requirements under FASB No. 123 and APB No. 25. Under the Exposure Draft, all equity-based awards to employees would be required to be recognized in the income statement based on their fair value. Total stock based compensation expense as determined under the Exposure Draft may differ from the pro forma amounts calculated above. The Exposure Draft is currently expected to be finalized in late 2004 and would be effective for the Company beginning in Fiscal Year 2006.

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 receivables and recognized in earnings as an adjustment to interest expense from the underlying debt to which the swap is designated. Pretax derivative losses for such hedges of $1,241 and $3,709 were recorded as an adjustment to interest expense for the three and nine months ended June 27, 2004, and $1,210 and $3,561 for the three and nine months ended June 29, 2003, respectively. At June 27, 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 June 27, 2004 was an after-tax loss of $1,591.

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 condensed consolidated 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 gains (losses) were recorded as an adjustment to earnings for such contracts settled at maturity of $282 for both the three and nine months ended June 27, 2004, and $0 and ($11) for the three and nine months ended June 29, 2003, respectively. At June 27, 2004, the Company had $4,804 of such foreign exchange derivative contracts outstanding. The pretax derivative gain (loss) on these contracts recorded as an adjustment to earnings at June 27, 2004 was immaterial.

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 condensed consolidated 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 nine months ended June 27, 2004, $0 and $118 of pretax derivative gains from such hedges were recorded as an adjustment to earnings. During the three and nine months ended June 29, 2003, no such foreign exchange derivative activity occurred. At June 27, 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 $718 and $1,586 for the three and nine months ended June 27, 2004, and ($171) and ($520) for the three and nine months ended June 29, 2003, respectively. At June 27, 2004, the Company had a series of such swap contracts outstanding through October 2004 with a contract value of $2,612. The derivative net gain on these contracts recorded in OCI at June 27, 2004 was an after-tax gain of $362.

2 INVENTORIES

Inventories consist of the following:

	June 27, 2004	September 30, 2003
Raw material	$ 41,617	$ 60,732
Work-in-process	32,771	34,914
Finished goods	146,364	123,608
	$ 220,752	$ 219,254

3 ACQUIRED INTANGIBLE ASSETS AND GOODWILL

Intangible assets consist of the following:

	June 27, 2004				September 30, 2003			
Amortized Intangible Assets:	Gross Carrying Amount	Accum. Amort.	Cumulative Effect of Translation	Net	Gross Carrying Amount	Accum. Amort.	Cumulative Effect of Translation	Net
Proprietary technology	$ 11,281	$ (892)	$ 2,282	$ 12,671	$ 10,421	$ (340)	$ 1,766	$ 11,847
Customer lists	1,781	(360)	387	1,808	1,781	(210)	318	1,889
	$ 13,062	$ (1,252)	$ 2,669	$ 14,479	$ 12,202	$ (550)	$ 2,084	$ 13,736
Pension Intangibles								
Under-funded pension	$ 2,379	$ —	$ —	$ 2,379	$ 2,405	$ —	$ —	$ 2,405
Unamortized Intangible Assets:								
Trade names balance as of beginning of the period	$ 218,642	$ (4,875)	$ 22,962	$ 236,729	$ 90,000	$ (4,875)	$ —	$ 85,125
Trade name purchase price allocation during the period	159,000	—	—	159,000	—	—	—	—
Translation during the period	—	—	6,701	6,701	—	—	—	—
Trade name acquired during the period	—	—	—	—	128,642	—	22,962	151,604
Trade names balance as of the end of the period	$ 377,642	$ (4,875)	$ 29,663	$ 402,430	$ 218,642	$ (4,875)	$ 22,962	$ 236,729
Intangible assets, net	$ 393,083	$ (6,127)	$ 32,332	$ 419,288	$ 233,249	$ (5,425)	$ 25,046	$ 252,870

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	875	50,586	13,299	64,760
Purchase price allocation during the period	(159,860)	—	—	(159,860)
Effect of translation	—	2,072	3,464	5,536
Balance as of June 27, 2004, net	$ 126,433	$ 90,534	$ 91,849	$ 308,816

During 2004, the Company completed the acquisitions of Ningbo and Microlite. During 2003, the Company completed the acquisition of substantially all of the consumer battery business of VARTA AG ("VARTA") and the acquisition of Remington. 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 nine months ended June 27, 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 the VARTA, Remington, Ningbo and Microlite acquisitions. The purchase price allocations for the Remington, Ningbo and Microlite acquisitions are not yet finalized as the Company is finalizing valuations of property, plant and equipment, inventory, and integration initiatives. Future allocations of the Remington, Ningbo and Microlite purchase prices may impact the amount and segment allocation of goodwill. See also footnote 10, "Acquisitions," for additional discussion of the Remington, Ningbo and Microlite acquisitions.

The proprietary technology assets are being amortized on a straight-line basis over 10 to 19 years and the customer lists are 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 FASB 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 nine months ended June 27, 2004 and June 29, 2003 is as follows:

	Three Months		Nine Months	
	2004	**2003**	**2004**	**2003**
Amortized intangible assets	$ 268	$ 170	$ 742	$ 256

The Company estimates annual amortization expense for the next five fiscal years will approximate $950 per year.

4 OTHER COMPREHENSIVE INCOME

Comprehensive income and the components of other comprehensive income for the three and nine months ended June 27, 2004 and June 29, 2003 are as follows:

	Three Months		Nine Months	
	2004	2003	2004	2003
Net income	$ 12,814	$ 2,869	$ 37,614	$ 2,566
Other comprehensive income:				
Foreign currency translation	(357)	6,706	6,845	8,408
Adjustment of additional minimum pension liability	—	—	133	—
Net unrealized loss on available-for-sale securities	—	—	—	(20)
Reclassification adjustment for losses included in net income	—	—	—	250
Net unrealized gain (loss) on derivative instruments	1,286	(276)	2,988	(1,013)
Net change to derive comprehensive income for the period	929	6,430	9,966	7,625
Comprehensive income	$ 13,743	$ 9,299	$ 47,580	$ 10,191

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 nine months ended June 27, 2004 and June 29, 2003 were primarily attributable to the impact of translation of the 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 nine months ended June 27, 2004 and June 29, 2003 is calculated based upon the following number of shares:

	Three Months		Nine Months	
	2004	2003	2004	2003
Basic earnings per share	33,648	31,865	32,977	31,841
Effect of restricted stock and assumed conversion of stock options	1,740	634	1,436	620
Diluted earnings per share	35,388	32,499	34,413	32,461

6 DEBT

Outstanding debt consists of the following:

	June 27, 2004	September 30, 2003
Revolving credit facility	$ 54,500	$ —
Euro term A loan facility	—	49,563
Euro term B loan facility	—	139,067
Euro term C loan facility	138,821	—
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	45,498	31,752
	845,819	943,392
Less current maturities	21,606	72,852
Long-term debt	$ 824,213	$ 870,540

During the nine months ended June 27, 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 the Company's debt offering of $350,000 of 8.5% Senior Subordinated Notes issued in connection with the acquisition of Remington.

In addition, during the nine months ended June 27, 2004, the Company made payments of $60,000 on the Term B facility (which was subsequently refinanced and is now reflected as the Term C facility) using a combination of cash remaining following the debt offering of the Senior Subordinated Notes and cash generated from operating activities. Also during the nine months ended June 27, 2004, the Company made payments of $58,700 on the Euro term A and B Loan facilities (which were subsequently refinanced and are now reflected as the Euro term C facility) using cash generated from our operating activities.

Interest on the Euro term C loan facility is Euro-denominated LIBOR plus a fixed 3.00% margin per annum (5.08% at June 27, 2004). Interest on the Term C loan facility is at Dollar-denominated LIBOR plus a fixed 2.50% margin per annum (3.73% at June 27, 2004). The new term loans expire in September 2009.

Also, during the nine months ended June 27, 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 term facilities, as amended in the Fourth Amendment, provide for quarterly amortization over their remaining terms totaling approximately $2,979 in 2005, $4,050 in 2006 and 2007, $45,135 in 2008 and $339,607 in 2009.

Subsequent to June 27, 2004, the Third Amended and Restated Credit Agreement was amended in July 2004 ("Fifth Amendment") primarily to (i) increase permitted levels of investments by the Company in its foreign subsidiaries to $100,000, (ii) increase permitted indebtedness of foreign subsidiaries to third parties to $100,000 and permit such subsidiaries to grant liens securing such indebtedness if otherwise permitted, (iii) permit foreign subsidiaries to factor accounts receivable, (iv) define 80%-owned subsidiaries as wholly owned and permit such subsidiaries to pay pro-rata dividends out of earnings to minority shareholders and (v) increase permitted annual capital expenditures to $50,000.

At June 27, 2004, the Company had Committed Senior Credit Facilities and Senior Subordinated Notes of approximately $915,000, of which approximately $99,000 remains available as of June 27, 2004.

At June 27, 2004, the Company was in compliance with all covenants associated with its Senior Credit Facilities and its Senior Subordinated Notes.

7 COMMITMENTS AND CONTINGENCIES

Commitments and Contingencies: The Company has provided for the estimated costs associated with environmental remediation activities at certain of its current and former manufacturing sites. The Company believes that any additional liability in excess of the amounts provided of $5,361, 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 former subsidiary, Remington Products Company, L.L.C. The Company cannot predict the ultimate outcome of these matters at this time and the amount of loss, if any, cannot be reasonably estimated. Accordingly, no loss has been recorded in the condensed consolidated financial statements.

On March 26, 2004, the Company announced it reached an agreement in principle to settle the shareholder lawsuits, which the court approved in July 2004. Under the terms of the $4,000 settlement, the Company's obligation is approximately $750, with the remaining amounts expected to be paid by the Company's insurers. The obligation is reflected in the Condensed Consolidated Statements of Operations in general and administrative expenses for the nine months ended June 27, 2004 and in the Condensed Consolidated Balance Sheet as of June 27, 2004 in accrued liabilities.

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 employees. Under a portion of these agreements, the Company has agreed to pay defined 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 remaining agreements, the Company has agreed to pay such 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 FASB No. 132 (revised 2003), "*Employer's Disclosures about Pension and Other Post Retirement Benefits*." The provisions of FASB No. 132, as revised, require additional disclosures to those in the original FASB No. 132 regarding 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 nine months ended June 27, 2004 and June 29, 2003, respectively, reflect the following pension benefit and deferred compensation costs.

	Three Months		Nine Months	
Components of net periodic pension benefit and deferred compensation cost	**2004**	**2003**	**2004**	**2003**
Service cost	$ 471	$ 371	$ 1,400	$ 1,114
Interest cost	999	867	2,983	2,603
Expected return on assets	(555)	(585)	(1,648)	(1,726)
Amortization of prior service cost	138	93	282	280
Amortization of transition obligation	11	11	33	33
Loss on curtailments	—	—	—	702
Recognized net actuarial loss	128	137	514	381
Net periodic benefit cost	$ 1,192	$ 894	$ 3,564	$ 3,387

	Three Months		Nine Months	
Pension and deferred compensation contributions	**2004**	**2003**	**2004**	**2003**
Contributions made during period	$ 563	$ 232	$ 1,756	$ 1,643

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 functions, and other costs directly related to the restructurings and other related initiatives.

The Company reports restructuring and related charges relating to administrative functions in operating expenses. These include 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, 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 itself 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 the Company's North America headquarters in Madison, Wisconsin; moving Remington's Bridgeport, Connecticut manufacturing facility to the Company's Portage, Wisconsin manufacturing location; creation of a global product development group in the Company's technology center in Madison, Wisconsin; closing Remington's Service Centers in the United States and the United Kingdom; consolidating distribution centers; and moving the Company's corporate headquarters to Atlanta, Georgia. The Company also announced the integration of its sales and marketing organizations throughout continental Europe.

During the nine months ended June 27, 2004, restructuring and related charges included in cost of goods sold include the benefit of approximately $1,100 related to a reduction to previously established inventory obsolescence estimates. These initiatives are now completed and the change in estimate is reflected in the 2003 Restructuring Summary.

During the nine months ended June 27, 2004, operating expenses include restructuring and related charges of approximately $7,700 related to: (i) North America restructuring initiatives of approximately $4,700 primarily related to termination benefits of approximately $3,600 and recruiting and relocation costs of approximately $1,100, (ii) European integration initiatives of approximately $2,400 reflecting termination benefits, fixed asset impairments, and lease cancellation costs, (iii) charges related to pre-acquisition executive compensation agreements with certain Remington employees of approximately $2,000, and (iv) changes in estimates associated with Fiscal 2003 restructuring initiatives in North America and Europe of $1,400 reflecting lower termination benefits and lower distributor termination costs than initially estimated. The changes in estimates are reflected in the 2003 Restructuring Summary.

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
Expenses accrued	1,000	500	1,500
Expense as incurred	700	900	1,600
Cash expenditures	(700)	(1,100)	(1,800)
Balance June 27, 2004	$ 3,700	$ 300	$ 4,000

The 2004 restructuring initiatives are expected to be completed by the end of 2005.

During the nine months ended June 29, 2003, restructuring and related charges included in cost of goods sold approximate $21,700 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 relocation of our Madison, Wisconsin packaging facility and Middleton, Wisconsin distribution facility to a new leased distribution and packaging facility in Dixon, Illinois, resulting in charges of approximately $13,200, including non cash pension curtailment costs of approximately $700, termination benefits of approximately $2,200, fixed asset and inventory impairments of approximately $8,800, and relocation expenses and other shutdown related expenses of approximately $1,500; and (iii) a series of restructuring initiatives impacting the Company's manufacturing functions in Europe and North America resulting in charges of approximately $2,300, including termination benefits of approximately $1,300 and inventory and asset impairments of approximately $1,000.

During the nine months ended June 29, 2003, operating expenses include restructuring and related charges of approximately $9,900 related to: (i) North America and Corporate restructuring initiatives of approximately $6,700 related to termination benefits of approximately $5,200, 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 $700; (ii) European integration initiatives of approximately $1,100, which include 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 the Company's 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
Change in estimate	(700)	(700)	(1,400)
Cash expenditures	(200)	(800)	(1,000)
Balance June 27, 2004	$ 500	$ —	$ 500

The 2003 restructuring initiatives are expected to be completed by the end of the 2004 calendar year.

9 SEGMENT RESULTS

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

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 sold in North America and Europe/ROW. Latin America sales are primarily derived 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 nine months ended June 27, 2004 and June 29, 2003 is as follows:

	Three Months		Nine Months	
	2004	2003	2004	2003
Net sales to external customers				
North America	$ 136,227	$ 81,176	$ 484,535	$ 266,853
Europe/ROW	136,738	96,146	453,392	312,787
Latin America	35,299	30,351	102,370	90,522
Total segments	$ 308,264	$ 207,673	$ 1,040,297	$ 670,162

	Three Months		Nine Months	
	2004	2003	2004	2003
Inter segment net sales				
North America	$ 9,177	$ 8,517	$ 62,711	$ 24,198
Europe/ROW	2,999	2,990	11,139	9,101
Latin America	111	4	206	4
Total segments	$ 12,287	$ 11,511	$ 74,056	$ 33,303

	Three Months		Nine Months	
	2004	2003	2004	2003
Segment profit				
North America	$ 32,016	$ 14,249	$ 85,614	$ 44,957
Europe/ROW	21,076	13,296	74,210	39,008
Latin America	2,856	5,048	8,966	10,895
Total segments	55,948	32,593	168,790	94,860
Corporate expense	16,723	9,469	52,455	31,872
Restructuring and related charges	1,685	11,113	6,580	31,649
Interest expense	15,617	8,476	49,041	28,079
Non-operating expense	—	—	—	3,072
Other expense (income), net	1,328	(728)	(404)	(3,586)
Minority interest	12	—	12	—
Income from continuing operations before income taxes	$ 20,583	$ 4,263	$ 61,106	$ 3,774

	June 27, 2004	September 30, 2003
Segment assets		
North America	$ 592,491	$ 625,463
Europe/ROW	586,183	537,400
Latin America	291,728	203,909
Total segments	1,470,402	1,366,772
Corporate	147,292	209,720
Total assets at period end	$ 1,617,694	$ 1,576,492

10 ACQUISITIONS

Acquisition of Remington

On September 30, 2003, the Company acquired all of the equity interests of Remington, a leading consumer products company focused 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.

Acquisition of Ningbo

On March 31, 2004, the Company acquired an 85 percent equity interest in Ningbo of Ninghai, China. The remaining 15 percent equity interest will continue to be held by Ningbo Baowang Investment Company and the founder/general manager of Ningbo. Ningbo, founded in 1995, produces alkaline and zinc carbon batteries for retail, OEM, and private label customers.

The results of Ningbo's operations, since the acquisition on March 31, 2004, are included in the Company's Condensed Consolidated Statements of Operations for the three and nine months ended June 27, 2004. The financial results of the Ningbo acquisition are reported as part of Europe/ROW segment. Ningbo contributed $3,400 in net sales for the three and nine months ended June 27, 2004, and had an insignificant impact on net income for the quarter.

The transaction closed on March 31, 2004 with a purchase price of approximately $25,000, financed with cash of approximately $16,000, and the assumption of debt of approximately $9,000. The Company is currently finalizing the purchase price allocation, which may impact the Company's estimates of the net assets acquired in the transaction.

Acquisition of Microlite

On May 28, 2004, the Company acquired all of the equity interests in 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. Microlite manufactures and sells both alkaline and zinc carbon batteries as well as battery-operated lighting products. Microlite has operated as an independent company since 1982. The acquisition of Microlite consolidates the Company's rights to the Rayovac brand name around the world.

The results of Microlite's operations, since the acquisition on May 28, 2004, are included in the Company's Condensed Consolidated Statement of Operations for the three and nine months ended June 27, 2004. The financial results of the Microlite acquisition are reported as part of the Latin America segment. Microlite contributed $2,800 in net sales, and recorded a net loss of $223 for the three and nine months ended June 27, 2004.

The transaction closed on May 28, 2004 with a total purchase price of approximately $21,500 in cash plus approximately $8,000 of assumed debt. In addition, the Company prepaid contingent consideration totaling $7,000 (recorded in Prepaid expenses and other on the Condensed Consolidated Balance Sheet as of June 27, 2004) that will be earned by the seller, Tabriza, upon the attainment by Microlite of certain earnings targets to be achieved through June 30, 2005. The Company is currently finalizing the purchase price allocation, which may impact the Company's estimates of the net assets acquired in the transaction.

Supplemental Pro Forma information: The following reflects the Company's pro forma results had the results of the Remington and Microlite businesses been included for all periods beginning after September 30, 2002. The results of Ningbo are not included in the pro forma results as the acquisition is not material. The amounts included for Remington for the Fiscal 2003 Three Months and Fiscal 2003 Nine Months reflect net sales and net income of the Remington Service Centers, which are reflected as discontinued operations in the three and nine months ended June 27, 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 and Microlite acquisitions and related purchase price allocation.

	Three Months		Nine Months	
	2004	2003	2004	2003
Net sales				
Reported net sales	$ 308,264	$ 207,673	$ 1,040,297	$ 670,162
Pro forma adjustments	8,489	82,686	37,618	317,173
Pro forma net sales	$ 316,753	$ 290,359	$ 1,077,915	$ 987,335
Income from continuing operations				
Reported net income from continuing operations	$ 12,757	$ 2,869	$ 37,881	$ 2,566
Pro forma adjustments	(2,289)	(1,389)	(7,223)	2,154
Pro forma net income from continuing operations	$ 10,468	$ 1,480	$ 30,658	$ 4,720
Basic Earnings Per Share				
Reported basic earnings per share	$ 0.38	$ 0.09	$ 1.15	$ 0.08
Pro forma adjustments	(0.07)	(0.04)	(0.22)	0.07
Pro forma basic earnings per share	$ 0.31	$ 0.05	$ 0.93	$ 0.15
Diluted Earnings Per Share				
Reported diluted earnings per share	$ 0.36	$ 0.09	$ 1.10	$ 0.08
Pro forma adjustments	(0.06)	(0.04)	(0.21)	0.07
Pro forma diluted earnings per share	$ 0.30	$ 0.05	$ 0.89	$ 0.15

11 SHAREHOLDERS' EQUITY

The Company issued approximately 440 shares of restricted stock to certain members of management during the nine months ended June 27, 2004 of which approximately 13 shares of such restricted stock were forfeited during the nine months ended June 27, 2004. Of the net 427 outstanding restricted shares granted, the majority 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. See Footnote 1, "Significant Accounting Policies, Stock Based Compensation," for additional discussion of vesting provisions.

The total market value of the restricted shares on date of grant was approximately $6,735, net of forfeitures, 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 $2,542, net of forfeitures, reflecting the increase in the value of the performance-based shares from the grant dates to March 29, 2004. Subsequent to March 29, 2004, the Company amended the vesting provisions of the performance based awards to provide for ultimate vesting of the restricted shares generally at the end of two years. Unearned compensation is being amortized to expense over the appropriate vesting period.

Also during the nine months ended June 27, 2004, the Company issued approximately 1,631 shares of common stock resulting from the exercise of stock options with an aggregate cash exercise value of approximately $18,846. The Company also recognized a tax benefit of approximately $8,150 associated with the exercise of these stock options, which was accounted for as an increase in additional paid-in capital.

The Company granted approximately 282 stock options during the nine months ended June 27, 2004, with exercise prices ranging between $14.60 and $28.70. All grants were at an exercise price equal to the market price of the stock on the date of the grant.

In July 2004, the Company's Board of Directors ("Board") approved the 2004 Rayovac Incentive Plan ("2004 Incentive Plan"). The 2004 Incentive Plan replaces the 1997 Rayovac Incentive Plan and will be effective August 1, 2004. Under the 2004 Incentive Plan, the Company may grant to employees and non-employee directors stock options, stock appreciation rights ("SARs"), restricted stock, and other stock-based awards, as well as cash-based annual and long-term incentive awards. Accelerated vesting will occur in the event of a change in control, as defined in the 2004 Incentive Plan. Up to 3,500 shares of common stock may be issued under the 2004 Incentive Plan. The 2004 Incentive Plan expires in July 2014. See Note 8, "Stock Option Plans," to the Company's notes to the consolidated financial statements for the year ended September 30, 2003 for additional discussion of the stock option plans.

12 CONDENSED CONSOLIDATING FINANCIAL STATEMENTS

In connection with the acquisition of Remington, the Company completed a debt offering of $350,000 of 8.5% Senior Subordinated Notes due in 2013. Payment obligations of the Senior Subordinated Notes were 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 Company L.L.C. The foreign subsidiaries of the Company, which do not guarantee the payment obligations under the notes, were directly and wholly owned by ROV Holding, Inc. and Remington Products Company L.L.C.

The following 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 elimination entries eliminate investments in subsidiaries and intercompany balances and transactions. Separate condensed consolidated 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. (previously a guarantor subsidiary) merged with Rayovac Corporation (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. are now included with Rayovac Corporation for all periods presented.

RAYOVAC CORPORATION AND SUBSIDIARIES

Condensed Consolidating Balance Sheets

June 27, 2004

(Unaudited)

(Amounts in thousands)

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 4,537	$ 45	$ 13,250	$ —	$ 17,832
Receivables, net	37,440	195, 837	282,932	(240,337)	275,872
Inventories	94,203	—	130,220	(3,671)	220,752
Prepaid expenses and other	46,732	4	49,021	1,651	97,408
Total current assets	182,912	195,886	475,423	(242,357)	611,864
Property, plant and equipment, net	73,663	101	91,682	—	165,446
Goodwill	136,062	—	172,754	—	308,816
Intangible assets, net	247,666	—	171,810	(188)	419,288
Deferred charges and other	103,733	(1)	24,836	(42,617)	85,951
Debt issuance costs	26,329	—	—	—	26,329
Investments in subsidiaries	619,168	502,360	—	(1,121,528)	—
Total assets	$ 1,389,533	$ 698,346	$ 936,505	$ (1,406,690)	$ 1,617,694
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current liabilities:					
Current maturities of long-term debt	$ 119,490	$ —	$ 23,169	$ (121,053)	$ 21,606
Accounts payable	78,291	88,568	108,833	(119,041)	156,651
Accrued liabilities	58,465	464	120,472	—	179,401
Total current liabilities	256,246	89,032	252,474	(240,094)	357,658
Long-term debt, net of current maturities	799,666	—	67,165	(42,618)	824,213
Employee benefit obligations, net of current portion	34,311	—	34,562	—	68,873
Other	23,993	10,962	49,897	1	84,853
Total liabilities	1,114,216	99,994	404,098	(282,711)	1,335,597
Minority interest in equity of consolidated affiliates	—	1,469	1,469	(1,470)	1,468
Shareholders' equity:					
Common stock	641	1	12,400	(12,401)	641
Additional paid-in capital	221,696	380,175	401,388	(781,445)	221,814
Retained earnings	202,748	216,345	118,141	(334,917)	202,317
Accumulated other comprehensive (loss) income	(8,116)	362	(991)	6,254	(2,491)
Notes receivable from officers/shareholders	(3,605)	—	—	—	(3,605)
	413,364	596,883	530,938	(1,122,509)	418,676
Less treasury stock, at cost	(130,070)	—	—	—	(130,070)
Less unearned restricted stock compensation	(7,977)	—	—	—	(7,977)
Total shareholders' equity	275,317	596,883	530,938	(1,122,509)	280,629
Total liabilities and shareholders' equity	$ 1,389,533	$ 698,346	$ 936,505	$ (1,406,690)	$ 1,617,694

RAYOVAC CORPORATION AND SUBSIDIARIES

Condensed Consolidating Statement of Operations

Three Months Ended June 27, 2004

(Unaudited)

(Amounts in thousands)

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	$ 129,368	$ 12,971	$ 184,022	$ (18,097)	$ 308,264
Cost of goods sold	72,218	12,582	107,296	(18,541)	173,555
Gross profit	57,150	389	76,726	444	134,709
Operating expenses:					
Selling	22,765	242	38,060	(71)	60,996
General and administrative	19,586	(6,839)	15,534	—	28,281
Research and development	5,786	—	421	—	6,207
Restructuring and related charges	1,027	—	658	—	1,685
	49,164	(6,597)	54,673	(71)	97,169
Income from continuing operations	7,986	6,986	22,053	515	37,540
Interest expense	14,690	—	927	—	15,617
Equity income	(21,172)	(14,217)	—	35,389	—
Other (income) expense, net	273	(156)	1,235	(24)	1,328
Minority interest	—	—	12	—	12
Income from continuing operations before income taxes	14,195	21,359	19,879	(34,850)	20,583
Income tax expense	1,713	187	5,729	197	7,826
Income from continuing operations	12,482	21,172	14,150	(35,047)	12,757
(Income) loss from discontinued operations, net of tax	10	—	(67)	—	(57)
Net income	$ 12,472	$ 21,172	$ 14,217	$ (35,047)	$ 12,814

RAYOVAC CORPORATION AND SUBSIDIARIES

Condensed Consolidating Statement of Operations

Nine Months Ended June 27, 2004

(Unaudited)

(Amounts in thousands)

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	$ 502,885	$ 33,872	$ 592,719	$ (89,179)	$ 1,040,297
Cost of goods sold	302,454	32,856	345,876	(90,331)	590,855
Restructuring and related charges	(1,247)	—	110	—	(1,137)
Gross profit	201,678	1,016	246,733	1,152	450,579
Operating expenses:					
Selling expense	101,426	698	117,962	(249)	219,837
General and administrative	59,747	(12,203)	50,379	—	97,923
Research and development	14,093	—	1,254	—	15,347
Restructuring and related charges	6,046	—	1,671	—	7,717
	181,312	(11,505)	171,266	(249)	340,824
Income from continuing operations	20,366	12,521	75,467	1,401	109,755
Interest expense	47,020	—	2,021	—	49,041
Equity income	(65,811)	(52,844)	—	118,655	—
Other expense (income), net	8,656	(1,242)	(7,818)	—	(404)
Minority interest	—	—	12	—	12
Income from continuing operations before income taxes	30,501	66,607	81,252	(117,254)	61,106
Income tax (benefit) expense	(7,273)	796	29,178	524	23,225
Income from continuing operations	37,774	65,811	52,074	(117,778)	37,881
(Income) loss from discontinued operations, net of tax	1,037	—	(770)	—	267
Net income	$ 36,737	$ 65,811	$ 52,844	$ (117,778)	$ 37,614

RAYOVAC CORPORATION AND SUBSIDIARIES

Condensed Consolidating Statement of Cash Flows

Nine Months Ended June 27, 2004

(Unaudited)

(Amounts in thousands)

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net cash (used) provided by continuing operating activities	$ (3,709)	$ 2,002	$ 81,735	$ 987	$ 81,015
Cash flows from investing activities:					
Purchases of property, plant and equipment, net	(8,849)	—	(7,595)	—	(16,444)
Intercompany investments	(52,725)	(52,725)	—	105,450	—
Payments for acquisitions, net of cash acquired	(3,344)	—	(38,636)	—	(41,980)
Net cash used by investing activities	(64,918)	(52,725)	(46,231)	105,450	(58,424)
Cash flows from financing activities:					
Reduction of debt	(316,536)	—	(8,401)	—	(324,937)
Proceeds from debt financing	195,100	—	—	—	195,100
Debt issuance costs	(1,351)	—	—	—	(1,351)
Exercise of stock options	18,846	—	—	—	18,846
Proceeds from (advances related to) intercompany transactions	82,542	50,721	(27,813)	(105,450)	—
Net cash (used) provided by financing activities	(21,399)	50,721	(36,214)	(105,450)	(112,342)
Net cash used by discontinued operations	(336)	—	—	—	(336)
Effect of exchange rate changes on cash and cash equivalents	8,891	—	(7,759)	(987)	145
Net decrease in cash and cash equivalents	(81,471)	(2)	(8,469)	—	(89,942)
Cash and cash equivalents, beginning of period	86,008	47	21,719	—	107,774
Cash and cash equivalents, end of period	$ 4,537	$ 45	$ 13,250	$ —	$ 17,832

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 retailers, wholesalers and distributors. 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 note 1 to our Condensed Consolidated Financial Statements filed with this report, "Significant Accounting Policies—Discontinued Operations".

In January 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 Products Company, L.L.C. ("Remington") and Rayovac companies. The status of those global integration initiatives follows:

- The integration of Remington's North America operations into Rayovac's existing business structure was substantially complete as of the beginning of the fiscal 2004 third quarter.
- The consolidation of Remington's European operations into Rayovac's European business unit was substantially complete as of the end of the third quarter.
- Remington's and Rayovac's North America and European distribution facilities have been consolidated as of the end of the third quarter.
- Rayovac and Remington research and development functions have been merged into a single corporate research facility in Madison, WI. In addition, a new global product innovation team has been organized and is functioning to develop future product innovations across all of our product categories.
- The Remington manufacturing operations in Bridgeport, CT are being consolidated into Rayovac's manufacturing facility in Portage, WI, with the Bridgeport plant closing by calendar year end.
- The move of our corporate headquarters to Atlanta, GA was completed as of the end of May 2004.
- All operations at Remington's United Kingdom and United States Service Centers were discontinued as of the end of the fiscal 2004 third quarter.

We expect to record pretax restructuring and integration charges of approximately $10 million to $11 million in calendar 2004. Cash costs of the integration program, including those recorded as additional acquisition costs, are expected to total $30 million to $35 million. Cash savings related to these costs are projected to be in the range of $30 million to $35 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 note 8 to our Condensed Consolidated Financial Statements filed with this report, "Restructuring and Related Charges", for additional discussion.

As a result of the integration of Remington and Rayovac operations, we no longer report profitability between Remington and Rayovac legacy operations. Gross profit information related to the products sold historically by each company is available and presented below in our discussions of segment profitability.

On March 31, 2004, we completed the acquisition of an 85 percent equity interest in Ningbo Baowang Battery Company, Ltd. ("Ningbo") of Ninghai, China for approximately $16 million in cash plus approximately $9 million of assumed debt. Ningbo, founded in 1995, produces alkaline and zinc carbon batteries for retail, OEM and private label customers within China. Ningbo also exports its batteries to customers throughout North and South America, Europe and Asia. The financial results of the Ningbo acquisition are reported as part of our condensed consolidated results in our Europe/Rest of World ("Europe/ROW") segment in the fiscal third quarter of 2004. Ningbo contributed $3.4 million in net sales to our third quarter results, and had an insignificant impact on net income for the quarter. See note 10 to our Condensed Consolidated Financial Statements filed with this report, "Acquisitions", for additional discussion.

On May 28, 2004, we completed the acquisition of Microlite S.A. ("Microlite"), a Brazilian battery company, from VARTA AG of Germany and Tabriza Brasil Empreendimentos Ltda. Total purchase price was approximately $21.5 million in cash plus approximately $8 million of assumed debt. In addition, we prepaid contingent consideration totaling $7 million, that will be earned by the seller, Tabriza, upon the attainment by Microlite of certain earnings targets to be achieved through June 30, 2005. 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 financial results of the Microlite acquisition were reported as part of our condensed consolidated third quarter results in our Latin America segment for the one month period ended June 27, 2004. Microlite contributed $2.8 million to our third quarter net sales, and recorded a net operating loss of $0.2 million. See note 10 to our Condensed Consolidated Financial Statements filed with this report, "Acquisitions", for additional discussion.

Fiscal Quarter and Nine Months Ended June 27, 2004 Compared to Fiscal Quarter and Nine Months Ended June 29, 2003

Year over year historical comparisons are influenced by our acquisition of Remington, Ningbo and Microlite, which are included in our current year Condensed Consolidated Statements of Operations but not in prior year results. See note 10 to our Condensed Consolidated Financial Statements filed with this report, "Acquisitions", for supplemental pro forma information providing additional year over year comparisons of the impacts of the acquisitions.

During the nine months ended June 27, 2004 (the "Fiscal 2004 Nine 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 and United Kingdom store closings were completed during the Fiscal 2004 Nine Months. Consequently, the results of the Remington Service Centers for the three months ended June 27, 2004, (the "Fiscal 2004 Quarter"), and Fiscal 2004 Nine Months are reflected in our Condensed Consolidated Statements of Operations as a discontinued operation. See note 1 to our Condensed Consolidated Financial Statements filed with this report, "Significant Accounting Policies—Discontinued Operations". As a result, and unless specifically stated, all discussions regarding our Fiscal 2004 Quarter and Fiscal 2004 Nine Months reflect results for our continuing operations.

Net Sales. Our net sales for the Fiscal 2004 Quarter increased to $308 million from $208 million in the three months ended June 29, 2003 (the "Fiscal 2003 Quarter") representing a 48% increase. Net sales for the Fiscal 2004 Nine Months increased to $1,040 million from $670 million in the nine months ended June 29, 2003 (the "Fiscal 2003 Nine Months") reflecting a 55% increase. Acquisitions contributed approximately $82 million and $300 million, respectively, to the sales increase in the Fiscal 2004 Quarter and Fiscal 2004 Nine Months. Favorable foreign exchange rates contributed approximately $4 million and $39 million to the increase during the Fiscal 2004 Quarter and Fiscal 2004 Nine Months, respectively. The remaining sales increases were primarily a result of increased general battery sales. 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 43.7% from 38.4% in the Fiscal 2003 Quarter. Excluding the impacts of restructuring and related charges, our gross profit margins were 43.7% in the Fiscal 2004 Quarter and 43.4% in the previous year. Our margins benefited from the acquisition of Remington, whose gross profit margins are higher than those in our general battery and lighting products businesses as well as from ongoing cost reductions within manufacturing. Approximately $2 million is included in gross profit for the quarter as a result of the Ningbo and Microlite acquisitions. Excluding the impacts of the Remington, Ningbo and Microlite acquisitions and restructuring charges, our gross profit margins declined slightly in the quarter. The decline in margin largely reflects lower margins in our general battery business.

Our gross profit margins for the Fiscal 2004 Nine Months improved to 43.3% from 37.7% in the Fiscal 2003 Nine Months. Excluding the impacts of restructuring and related charges, our gross profit margins were 43.2% in the Fiscal 2004 Nine Months and 41.0% 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 changes in our product line mix. Sales of our Remington products in the Fiscal 2004 Nine Months were at more favorable gross profit margins than our general battery and lighting products. Excluding the impacts of the Remington, Ningbo and Microlite acquisitions and restructuring charges, our gross profit margins improved slightly.

Operating Income. Our operating income for the Fiscal 2004 Quarter increased to $38 million from $12 million in the Fiscal 2003 Quarter. The increase was primarily attributable to the impacts of the Remington acquisition, improved sales for our general battery business, the benefits of cost improvement initiatives and lower restructuring and related costs in the current quarter. These improvements in operating income were partially offset by increases in corporate expenses and lower profitability in Latin America.

Our operating income for the Fiscal 2004 Nine Months increased to $110 million from $31 million in the Fiscal 2003 Nine Months. The increase was primarily attributable to the impacts of the Remington acquisition, lower restructuring and related charges in the Fiscal 2004 Nine Months versus the prior year and the impacts of favorable foreign currency movements. These improvements in operating income were partially offset by increases in corporate expenses.

Income from Continuing Operations. Our income from continuing operations for the Fiscal 2004 Quarter increased to $13 million from income of $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 $7 million, reflecting the financing costs associated with acquisitions, and the impact of increased income tax expense, which was driven by improvements in operating income and the non-recurrence of tax credits recognized in the previous year.

Our income from continuing operations for the Fiscal 2004 Nine Months increased to $38 million from income of $3 million in the same period last year. The Fiscal 2004 Nine Months increase was due to the improvements in operating income discussed above partially offset by an increase in interest expense of $21 million reflecting the financing costs associated with the Remington acquisition and the impact of increased income tax expense, which was driven by improvements in operating income and the non-recurrence of tax credits recognized in the previous year.

Discontinued Operations. Our loss from discontinued operations of $0.3 million for the Fiscal 2004 Nine Months reflects the operating results of our Remington Service Centers. Net sales from discontinued operations were approximately $1 million during the current quarter and $21 million for the current year to date period. Our loss from discontinued operations, net of tax, was not significant in the current quarter. Service Centers in the United States were closed during the quarter ended March 28, 2004, and the United Kingdom Service Centers were closed during the Fiscal 2004 Third Quarter.

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

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 note 9 to our Condensed Consolidated Financial Statements filed with this report, "Segment Results".

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		Nine Months	
	2004	2003	2004	2003
Net sales to external customers	$ 136	$ 81	$ 485	$ 267
Segment profit	32	14	86	45
Segment profit as a % of net sales	23.5%	17.3%	17.7%	16.9%
Assets as of June 27, 2004 and September 30, 2003			$ 592	$ 625

Our sales to external customers in the Fiscal 2004 Quarter increased to $136 million from $81 million the previous year. This 68% increase was primarily due to the impacts of the Remington acquisition, which contributed approximately $46 million, and increases in our general battery business, primarily driven by a 13% increase in alkaline battery sales.

Our sales to external customers in the Fiscal 2004 Nine Months increased to $485 million from $267 million the previous year, an 82% increase. This increase was primarily due to the impacts of the Remington acquisition, which contributed approximately $193 million and increases in our general battery business primarily driven by a 14% increase in alkaline battery sales.

Our profitability in the Fiscal 2004 Quarter increased to $32 million from $14 million the previous year. The increase in profitability primarily reflects the impacts of the Remington acquisition, which contributed approximately $21 million to gross profit, the impacts of sales increases associated with our battery business and the favorable impact from restructuring and cost improvement initiatives, which contributed to lowered operating expenses as a percentage of sales. Our profitability margin increased to 23.5% from 17.3% in the same quarter last year.

Our profitability in the Fiscal 2004 Nine Months increased to $86 million from $45 million the previous year. The increase in profitability primarily reflects the impacts of the Remington acquisition, which contributed approximately $91 million to gross profit, and the impacts of sales increases associated with our general battery business. Our profitability margin increased to 17.7% from 16.9% in the previous year, primarily due to the benefits of Remington's higher margin products, offset by higher advertising expenses as a percentage of sales.

Our assets in the Fiscal 2004 Nine Months decreased to $592 million from $625 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 $289 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. The purchase price allocation will be finalized by the end of the fiscal year.

Europe/ROW

	Fiscal Quarter		Nine Months	
	2004	**2003**	**2004**	**2003**
Net sales to external customers	$ 137	$ 96	$ 453	$ 313
Segment profit	21	13	74	39
Segment profit as a % of net sales	15.3%	13.5%	16.3%	12.5%
Assets as of June 27, 2004 and September 30, 2003			$ 586	$ 537

Our sales to external customers in the Fiscal 2004 Quarter increased to $137 million from $96 million the previous year representing a 43% increase. The Remington acquisition contributed approximately $30 million to the sales increase, Ningbo contributed approximately $3 million with the balance of the increase primarily attributable to the favorable impact of foreign currency. Our general battery business reflected strong alkaline and hearing aid battery sales, partially offset by softness in zinc carbon sales attributable to the general market trend toward alkaline batteries. Lighting products sales also increased in the quarter as a result of expanded distribution.

Our sales to external customers in the Fiscal 2004 Nine Months increased to $453 million from $313 million the previous year, a 45% increase, primarily due to the impacts of acquisitions and favorable foreign currency movements. The Remington acquisition contributed approximately $100 million to the sales increase, Ningbo contributed approximately $3 million, with approximately $46 million of the remaining increase attributable to the favorable impact of foreign currency exchange rates. Sales volumes reflected strong hearing aid battery and lighting products sales reflecting expanded distribution partially offset by softness in zinc carbon sales.

Our operating profitability in the Fiscal 2004 Quarter increased to $21 million from $13 million the previous year. The profitability increase was primarily driven by the impacts of the Remington acquisition, which contributed approximately $16 million in gross profit, gross profit margin expansion reflecting a favorable product line mix, and the favorable impacts of foreign currency exchange rates. Profitability as a percent of net sales increased to 15.3% in the Fiscal 2004 Quarter from 13.5% in the Fiscal 2003 Quarter primarily reflecting improved gross profit margins resulting from the impacts of the VARTA integration initiatives implemented in 2003 and the benefits of higher margins associated with our Remington products. These benefits were partially offset by a slight increase in operating expenses as a percentage of sales reflecting higher selling and administrative expenses.

Our operating profitability in the Fiscal 2004 Nine Months increased to $74 million from $39 million the previous year. The profitability increase was primarily driven by the impacts of the Remington acquisition, which contributed approximately $51 million in gross profit, 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 to 16.3% in the Fiscal 2004 Nine Months from 12.5% in the Fiscal 2003 Nine Months due to the same causal factors described above for the Fiscal 2004 Quarter.

Our assets in the Fiscal 2004 Nine Months increased to $586 million from $537 million at September 30, 2003. The increase is primarily due to the Ningbo acquisition. Intangible assets approximate $264 million of our total assets and primarily relate to the VARTA acquisition. The purchase price allocations for the Remington and Ningbo acquisitions have not yet been finalized and future allocations could impact the amount and segment allocation of goodwill and other intangible assets.

Latin America

	Fiscal Quarter		Nine Months	
	2004	2003	2004	2003
Net sales to external customers	$ 35	$ 30	$ 102	$ 91
Segment profit	3	5	9	11
Segment profit as a % of net sales	8.6%	16.7%	8.8%	12.1%
Assets as of June 27, 2004 and September 30, 2003			$ 292	$ 204

Our sales to external customers in the Fiscal 2004 Quarter increased to $35 million from $30 million in the previous year reflecting a 17% increase. Our sales to external customers in the Fiscal 2004 Nine Months increased to $102 million from $91 million in the previous year, a 12% increase. Sales increases in the Fiscal 2004 Quarter and Fiscal 2004 Nine Months reflect strong increases in our general battery business, driven by the alkaline and zinc carbon battery product lines, coupled with the impact of the Microlite acquisition which contributed $3 million in net sales to the Quarter and Nine Month periods. Partially offsetting these increases were 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 decreased to $3 million from $5 million in the previous year. Profitability in the Fiscal 2004 Nine Months decreased to $9 million from $11 million. These profitability decreases primarily reflect declining gross margins. Our profitability margins in the Fiscal 2004 Quarter decreased to 8.6% from 16.7% in the same period last year and decreased to 8.8% from 12.1% in the Fiscal 2004 Nine Months versus the Fiscal 2003 Nine Months. These decreases were primarily the result of increased distribution and administrative expenses coupled with unfavorable changes in customer mix.

Our assets in the Fiscal 2004 Nine Months increased to $292 million from $204 million at September 30, 2003 and reflect intangible assets of approximately $176 million. The increase primarily reflects the impacts of assets acquired and goodwill associated with the Microlite acquisition.

Corporate Expense. Our corporate expenses in the Fiscal 2004 Quarter increased to $17 million from $9 million in the previous year. The increase in expense is primarily due to (i) a general increase in expenses related to Remington, (ii) an increase in compensation and incentive expenses of approximately $2 million, and (iii) an increase in research and development expense of $3 million reflecting the impacts of Remington. Our corporate expense as a percentage of net sales in the Fiscal 2004 Quarter increased to 5.4% from 4.6% in the previous year.

Our corporate expenses in the Fiscal 2004 Nine Months increased to $52 million from $32 million in the previous year. The increase in expense is primarily due to (i) a general increase in expenses related to Remington, (ii) an increase in compensation and incentive expenses of approximately $8 million, (iii) an increase in a reserve for a long-term receivable with a licensed distributor of approximately $2 million, (iv) an increase in research and development expense of approximately $4 million reflecting the impacts of Remington, and (v) an increase in legal and litigation expenses of approximately $2 million primarily associated with the settlement of the shareholder class action lawsuit. These increases were partially offset by a $2 million net charge associated with the settlement of a patent infringement litigation claim in the previous year. Our corporate expense as a percentage of net sales in the Fiscal 2004 Nine Months increased to 5.0% from 4.8% in 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 million to $11 million during calendar 2004. Cash costs, including those recorded as acquisition costs, are expected to total approximately $30 million to $35 million, with cash savings related to these initiatives projected to be in the range of $30 million to $35 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 note 8 to our Condensed Consolidated Financial Statements filed with this report, "Restructuring and Related Charges", for additional discussion on these initiatives.

The Fiscal 2004 Quarter reflects net restructuring charges of $1.7 million related to: (i) North America termination benefits of approximately $1.4 million associated with Remington integration initiatives, (ii) Europe/ROW fixed asset impairments and termination benefits of approximately $1.5 million associated with Remington integration initiatives, (iii) relocation and recruiting expenses of approximately $1.0 million primarily associated with the move to our new corporate headquarters, (iv) a decrease of $0.6 million attributable to a change in estimate associated with pre-acquisition executive compensation agreements with certain Remington employees, (v) a decrease of $0.8 million attributable to a change in estimate associated with our completion of our European restructuring initiatives implemented in Fiscal 2003, and (vi) a decrease of $0.6 million attributable to a change in estimate associated with the completion of our North America restructuring initiatives implemented in Fiscal 2003.

The Fiscal 2003 Quarter reflects approximately $11.1 million of special charges related to North America restructuring initiatives reflecting $7.2 million of inventory and fixed asset impairments, $2.8 million of termination benefits and $1.1 million of relocation and exit expenses primarily associated with the relocation of our Madison, Wisconsin packaging facility and Middleton, Wisconsin distribution center to our new leased distribution and packaging facility in Dixon, Illinois.

The Fiscal 2004 Nine Months reflects net restructuring charges of $6.6 million related to: (i) North America termination benefits of approximately $3.6 million associated with Remington integration initiatives, (ii) certain pre-acquisition executive compensation agreements with certain Remington employees of approximately $2.0 million, (iii) Europe/ROW fixed asset impairments and termination benefits of approximately $2.4 million associated with Remington integration initiatives, (iv) relocation and recruiting expenses of approximately $1.1 million primarily associated with the move to our new corporate headquarters, (v) changes in estimates associated with Fiscal 2003 restructuring initiatives in

North America and Europe of $1.4 million reflecting lower termination benefits and lower distributor termination costs than initially estimated, and (vi) favorable changes in estimates of approximately $1.1 million related to a reduction of previously established inventory obsolescence reserves.

The Fiscal 2003 Nine Months reflects $31.6 million of special charges related to: (i) European integration initiatives of approximately $3.1 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 $14.0 million, including pension and termination costs of approximately $3.3 million, fixed asset and inventory impairments of approximately $9.1 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 $6.0 million, including approximately $5.2 million of termination benefits, research and development contract termination costs of approximately $0.5 million, and integration, legal, and other expenses, (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 integration initiatives of $2.3 million, primarily reflecting termination benefits of approximately $2.0 million associated with the integration of our Rayovac and VARTA Mexican businesses and our Rayovac and VARTA Colombian businesses and other integration related expenses.

Interest Expense. Interest expense in the Fiscal 2004 Quarter increased to $16 million from $9 million in the Fiscal 2003 Quarter. In the Fiscal 2004 Nine Months interest expense increased to $49 million from $28 million in the Fiscal 2003 Nine Months. These increases were primarily due to the increase in debt of approximately $350 million to finance the Remington acquisition. The increase in interest expense was tempered 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 Nine Months. Non-operating expense of approximately $3 million in the Fiscal 2003 Nine 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% for the Fiscal 2004 Quarter and Nine Months, compared to approximately 32% in the Fiscal 2003 Quarter and Nine Months. Our expected effective tax rate increased as a result of the benefit of tax credits recognized in Fiscal Year 2003 that did not recur in Fiscal Year 2004, combined with additional taxable income in the current year in higher taxed foreign jurisdictions.

Liquidity and Capital Resources

Operating Activities

For the Fiscal 2004 Nine Months, continuing operating activities provided $81 million in net cash, an increase of $48 million from last year. Within operating cash flow, we recognized an increase in net income of $35 million, primarily reflecting the impacts of the Remington acquisition. We also recognized increased amortization expense associated with debt issuance costs, and restricted stock compensation. In addition, we also realized an income tax benefit associated with the exercise of employee stock options. Operating cash flow from changes in working capital increased $19 million versus the previous year.

Investing Activities

Net cash used by investing activities decreased to $58 million for the Fiscal 2004 Nine Months as compared to $262 million for the Fiscal 2003 Nine Months, primarily reflecting the impacts of the VARTA acquisition in the prior period cash flows and the impacts of the Ningbo and Microlite acquisitions in the current period cash flows. Capital expenditures for Fiscal 2004 are expected to be approximately $28 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 Nine 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 1.6 million shares of common stock associated with the exercise of stock options with an aggregate cash exercise value of approximately $19 million.

We also granted, from the 1997 incentive plan, approximately 0.4 million shares of restricted stock on various dates during the Fiscal 2004 Nine 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 total market value of the restricted shares on date of grant totaled approximately $7 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 note 11 to our Condensed Consolidated Financial Statements filed with this report, "Shareholders' Equity", for additional discussion.

Debt Financing Activities

During the Fiscal 2004 Nine 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 $58.7 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 (discussed below) and our cash flow from operations. Also during this period, we borrowed $54.4 million under our Senior revolving facility. These borrowings were used primarily to finance the acquisitions of Ningbo and Microlite. The remaining increase in indebtedness for the period is primarily related to debt acquired with the aforementioned acquisitions.

Subsequent to the Fiscal 2004 Quarter, we amended our Senior Credit Facility, the Fifth Amendment ("Fifth Amendment") to the Third Amended and Restated Credit Agreement, as amended (the "Credit Agreement"). The purpose of the Fifth Amendment was to increase limits on investments by the Company in foreign subsidiaries, increase limits on third party debt incurred by foreign subsidiaries and permit the debt to be secured, allow foreign subsidiaries to factor accounts receivable, allow 80%-owned foreign subsidiaries to pay pro-rata dividends to minority shareholders, and increase annual limits for consolidated capital expenditures.

In addition to our principal payments included in note 6 to our Condensed Consolidated Financial Statements filed with this report, "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.

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 €114.0 million.

As of June 27, 2004, the following amounts were outstanding under these facilities: $54.5 million and $257.0 million, respectively, of the U.S. Dollar denominated revolver and term loan and, €114.0 million of the Euro denominated term loan. In addition, approximately $14.9 million of the remaining availability under the U.S. Dollar denominated revolver was utilized for outstanding letters of credit. Approximately $99.4 million remains available under these facilities as of June 27, 2004.

Our Credit Agreement, contains financial covenants with respect to borrowings, which include maintaining minimum interest and fixed charge and maximum leverage ratios. In accordance with the Credit Agreement, the limits imposed by such ratios became more restrictive over time. In addition, the Credit 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.

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, ROV Holding, Inc. and ROVCAL, Inc. The foreign operating 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 Corporation (the parent company). As a result of the merger, the results of operations, cash flows, and balance sheet of Remington will be included with Rayovac Corporation starting with our fiscal quarter ended June 27, 2004.

As of June 27, 2004, we were in compliance with all covenants associated with our Senior Credit Facilities and our Senior Subordinated Notes.

On May 28, 2004, we completed the acquisition of Microlite, a Brazilian battery company, from VARTA AG of Germany and Tabriza Brasil Empreendimentos Ltda. Total purchase price was approximately $21.5 million in cash plus approximately $8 million of assumed debt. In addition, we prepaid contingent consideration totaling $7 million that will be earned by the seller, Tabriza, upon the attainment of certain earnings targets by Microlite to be achieved through June 30, 2005. 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 financial results of the Microlite acquisition were reported as part of our condensed consolidated third quarter results for the one month period ended June 27,

2004. Microlite contributed $3 million to our third quarter net sales, and recorded a small operating loss. See note 10 to our Condensed Consolidated Financial Statements filed with this report, "Acquisitions", for additional discussion.

We estimate the acquisition will have minimal impact on earnings in fiscal 2004 and fiscal 2005 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.

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 note 1 to our Condensed Consolidated Financial Statements filed with this report, "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 note 1 to our Condensed Consolidated Financial Statements filed with this report, "Significant Accounting Policies—Derivative Financial Instruments".

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, accounts payable 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 June 27, 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 $2.6 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 gain of $0.5 million.

As of June 27, 2004, the potential change in fair value of outstanding foreign exchange derivative instruments, assuming a 10% unfavorable change in the underlying exchange rates would be a loss of $0.5 million. The net impact on reported earnings, after also including the effect of the change in the underlying foreign currency-denominated exposures, would be immaterial.

As of June 27, 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 $0.3 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 $1.7 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 and its final approval of the Stipulation in July, 2004. A majority of the $4 million settlement will 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. Philips has appealed this decision. 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. Both parties have appealed 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.*

On April 22, 2004, we furnished a Current Report on Form 8-K pursuant to Item 12 containing the press release relating to our estimated financial results for our second fiscal quarter ended March 28, 2004.

On May 10, 2004, we filed a Current Report on Form 8-K reporting under Item 9 the election of John D. Bowlin to our Board of Directors.

On June 14, 2004, we filed a Current Report on Form 8-K reporting under Item 2 our acquisition of 90.1% of the outstanding capital stock of Microlite, S.A., a Brazilian company.

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.

DATE: August 11, 2004	RAYOVAC CORPORATION
	By: /s/ RANDALL J. STEWARD
	Randall J. Steward *Executive Vice President and Chief Financial Officer* *(Principal Financial Officer)*

EXHIBIT INDEX

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 2.4	Purchase Agreement, dated February 21, 2004, by an among Rayovac Corporation, ROV Holding, Inc., VARTA AG, Interelectrica Adminstração e Participações Ltda., and Tabriza Brasil Empreendimentos Ltda. (filed by incorporation by reference to the Current Report on Form 8-K, File No. 001-13615, dated May 28, 2004) filed June 14, 2004.
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.
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 (filed by incorporation by reference to the Quarterly Report on Form 10-Q for the quarterly period ended March 28, 2004, File No. 001-13615) filed May 12, 2004.
Exhibit 10.5	Amended and Restated Employment Agreement, dated as of January 1, 2004, by and between the Company and Lester C. Lee (filed by incorporation by reference to the Quarterly Report on Form 10-Q for the quarterly period ended March 28, 2004, File No. 001-13615) filed May 12, 2004.
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.
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 (filed by incorporation by reference to the Quarterly Report on Form 10-Q for the quarterly period ended March 28, 2004, File No. 001-13615) filed May 12, 2004
Exhibit 10.21	Amendment No. 5, dated June 25, 2004, 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 10.22	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 10.23	1997 Rayovac Incentive Plan (filed by incorporation by reference to the Registration Statement on Form S-1, File No. 333-35181) filed October 31, 1997.
Exhibit 10.24	2004 Rayovac Incentive Plan.
Exhibit 10.25	Rayovac Profit Sharing and Savings Plan (filed by incorporation by reference to the Registration Statement on Form S-1, File No. 333-35181) filed October 31, 1997.
Exhibit 10.26	Amendment, date July 31, 2003, to the Rayovac 401(k) Retirement Savings Plan.
Exhibit 10.27	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.
Exhibit 10.28	Amendment No. 3 to Rayovac Corporation Supplemental Executive Retirement Plan.
Exhibit 10.29	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 10.30	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 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 10.21

AMENDMENT NO. 5 TO THE
CREDIT AGREEMENT

DATED AS OF JUNE 25, 2004

AMENDMENT NO. 5 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 and signatory hereto (collectively, the "LENDERS") and Bank of America, N.A., as administrative agent (the "ADMINISTRATIVE AGENT") for the Lenders.

PRELIMINARY STATEMENTS:

(1) The Company, VARTA Consumer Batteries GmbH & Co. KGaA (formerly known as VARTA Geratebatterie GmbH) (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 has requested that the Lenders amend the Credit Agreement in certain respects as set forth below.

(3) 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 2 hereof, hereby amended as follows:

(a) SECTION 1.1 is amended as follows:

(i) By deleting the definition of "WHOLLY-OWNED SUBSIDIARY" in its entirety and inserting the following definition in replacement therefor:

"WHOLLY-OWNED SUBSIDIARY means (i) the Subsidiary Borrower and (ii) any Person in which (other than director's qualifying shares or similar shares owned by other Persons due to native ownership requirements) 100% of the capital stock or other equity interests of each class is owned beneficially and of record by the Company or by one or more Wholly-Owned Subsidiaries, PROVIDED that references herein to "Wholly-Owned Subsidiaries" shall in any event include Microlite S.A. and/or Ningbo

Baowang Battery Company so long as at least 80% of each class of capital stock or other equity interests of Microlite S.A. and Ningbo Baowang Battery Company, respectively, is owned beneficially and of record by the Company or by one or more Wholly-Owned Subsidiaries."

(ii) By adding the following new definitions in the appropriate alphabetical order:

"AMENDMENT NO. 5 means Amendment No. 5 to the Credit Agreement, dated as of June 25, 2004, among the Company, the Lenders party thereto and the Administrative Agent.

80% SUBSIDIARY means any Foreign Subsidiary in which (other than director's qualifying shares or similar shares owned by other Persons due to native ownership requirements) 80% of the capital stock or other equity interests of each class is owned beneficially and of record by the Company or by one or more Wholly-Owned Subsidiaries."

(b) SECTION 8.1 is amended by (i) deleting the word "and" at the end of SUBSECTION (o) thereof, (ii) deleting the punctuation mark "." at the end of SUBSECTION (p) thereof and inserting "; and" in replacement therefor and (iii) adding the following new SUBSECTION (q):

"(q) Liens on property of any Foreign Subsidiary (other than the Subsidiary Borrower) securing Indebtedness of such Foreign Subsidiary permitted under the provisions of SECTION 8.5."

(c) SECTION 8.2 is amended as follows:

(i) By deleting the phrase "or transfers by any Wholly-Owned Subsidiary" in SUBSECTION (d) thereof and inserting the parenthetical "or transfers by any Subsidiary" in replacement therefor.

(ii) By deleting the word "and" at the end of SUBSECTION (h) thereof.

(iii) By deleting the punctuation mark "." at the end of SUBSECTION (i) thereof and inserting "; and" in replacement therefor.

(iv) By adding the following new SUBSECTION (j):

"(j) the non-recourse sale of accounts receivable by any Foreign Subsidiary (other than the Subsidiary Borrower) in the ordinary course of business."

(d) SECTION 8.4 is amended by deleting SUBSECTION (c) thereof and inserting the following in replacement therefor:

"(c) investments by the Company in its Wholly-Owned Subsidiaries or 80% Subsidiaries or by any Subsidiary in any Wholly-Owned Subsidiary or 80%

Subsidiary, in the form of contributions to capital or loans or advances; PROVIDED that, immediately before and after giving effect to such investment, no Event of Default or Unmatured Event of Default shall have occurred and be continuing and the aggregate amount invested by the Company and its Subsidiaries (other than Foreign Subsidiaries) in Foreign Subsidiaries after the Effective Date (excluding investments in Cayman Finance Co. which constitute Guaranty Obligations) shall not exceed $100,000,000;

(e) SECTION 8.5 is amended as follows:

(i) By (A) deleting the word "and" at the end of SUBSECTION (k) thereof, (B) deleting the punctuation mark "." at the end of SUBSECTION (l) thereof and inserting "; and" in replacement therefor and (C) adding the following new SUBSECTION (m):

"(m) Indebtedness incurred by the Subsidiary Borrower in connection with leases for the Subsidiary Borrower's leased facilities located in Ellwangen, Germany and Dischingen, Germany."

(ii) By deleting the parenthetical "(other than Indebtedness permitted by SUBSECTION (f) below)" in SUBSECTION (d) thereof and inserting the parenthetical "(other than Indebtedness permitted by SUBSECTION (f) or (m) below)" in replacement therefor.

(iii) By deleting the figure "$30,000,000" in SUBSECTION (d) thereof and inserting the figure "$100,000,000" in replacement therefor.

(iv) By deleting the proviso in SUBSECTION (d) thereof and inserting the following new proviso in replacement therefor:

(v) "(PROVIDED the aggregate amount of Indebtedness of the Subsidiary Borrower, other than Indebtedness hereunder or permitted by SUBSECTION (e), (f) or (m) below, shall not exceed $10,000,000)".

(vi) By deleting SUBSECTION (e) thereof and inserting the following new proviso in replacement therefor:

"(e) Indebtedness of Subsidiaries to the Company, Wholly-Owned Subsidiaries or 80% Subsidiaries, PROVIDED that (i) any such Indebtedness incurred by the Company or any Domestic Subsidiary on or following the Amendment No. 3 Effective Date must be unsecured and expressly subordinated to the prior payment in full in cash of all obligations hereunder and under the Loan Documents and (ii) any such Indebtedness owed to the Company or any Domestic Subsidiary, unless incurred by the Company or any Domestic Subsidiary, and incurred on or following the Amendment No. 3 Effective Date must be evidenced by an unsubordinated promissory note that has been pledged and assigned as required by the Security Agreement;".

(f) SECTION 8.8 is amended by deleting SUBSECTION (d) thereof and inserting the following in replacement therefor:

"(d) Guaranty Obligations by the Company relating to Indebtedness of Wholly-Owned Subsidiaries or 80% Subsidiaries which is permitted hereunder;".

(g) SECTION 8.10(c) is amended by (i) deleting the word "and" at the end of SUBSECTION (c) thereof, (ii) deleting the punctuation mark "." at the end of SUBSECTION (d) thereof and inserting "; and" in replacement therefor and (iii) adding the following new SUBSECTION (e):

"(e) capital leases entered into by any Subsidiary; PROVIDED that (i) no Event of Default or Unmatured Event of Default has occurred and is continuing or will result from the incurrence of the obligations contemplated thereby and (ii) such capital leases are otherwise permitted under the provisions of SECTION 8.5."

(h) SECTION 8.14 is amended by:

(i) Deleting SUBSECTION (a) thereof and inserting the following in replacement therefor:

"(a) any Subsidiary may declare and pay dividends to the Company or a Subsidiary;";

(ii) Deleting the word "and" at the end of SUBSECTION (g) thereof;

(iii) Deleting the punctuation mark "." at the end of SUBSECTION (h) thereof and inserting "; and" in replacement therefor; and

(iv) Adding the following new SUBSECTION (i):

"(i) any 80% Subsidiary may declare and pay dividends for any fiscal year in an aggregate amount not to exceed the amount of such 80% Subsidiary's earnings during such fiscal year to its shareholders on a pro rata basis.".

(i) SECTION 8.17 is amended in its entirety to read as follows:

"8.17 CAPITAL EXPENDITURES. The Company shall not permit the aggregate amount of all Capital Expenditures made by the Company and its Subsidiaries in any fiscal year to exceed an amount equal to:

(a) For the fiscal years ending September 30, 2002 and September 30, 2003, $35,000,000;

(b) For the fiscal year ending September 30, 2004, the sum of (i) $35,000,000 and (ii) an amount equal to the greater of (x) $35,000,000

MINUS the actual amount of Capital Expenditures in the fiscal year ending September 30, 2003 and (y) $0;

(c) For the fiscal year ending September 30, 2005, $50,000,000;

(d) For the fiscal year ending September 30, 2006 and each fiscal year thereafter, the sum of (i) $50,000,000 and (ii) an amount equal to the greater of (x) $50,000,000 MINUS the actual amount of Capital Expenditures in the immediately preceding fiscal year and (y) $0;

PROVIDED that in no event shall Indebtedness incurred in connection with the Rosata/Paula Acquisitions be considered Capital Expenditures for purposes of this SECTION 8.17."

SECTION 2. CONDITIONS OF EFFECTIVENESS. This Amendment shall become effective when, and only when, and as of the date (the "AMENDMENT NO. 5 EFFECTIVE DATE") on which, (a) the Administrative Agent shall have received (x) counterparts of this Amendment executed by the Company and Lenders with aggregate Percentages of 66 2/3% or more or, as to any of the Lenders, advice satisfactory to the Administrative Agent that such Lender has executed this Amendment, and (y) counterparts of the Consent appended hereto (the "CONSENT"), executed by each Guarantor (other than the Company), 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, and (b) the Administrative Agent shall have received all fees due and payable in connection with this Amendment No. 5 and 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).

SECTION 3. 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 4. 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 5. 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 6. 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 7. 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: EVP and CFO

VARTA CONSUMER BATTERIES GMBH &
CO. KGAA

By /s/ Remy Burel

Title: CEO

By /s/ Andreas Rouve

Title:

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

By

Title:

Agreed as of the date first above written

[Please type or print name of Lender Party]

By

Title:

CONSENT

Dated as of June 25, 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 /s/ Randall J. Steward
Title: Vice President

ROV INTERNATIONAL FINANCE COMPANY

By /s/ Randall J. Steward
Title: Vice President

RAYOVAC EUROPE GMBH

By /s Remy Burel
Title: Managing Director

By /s/ Andreas Rouve
Title: Managing Director

ROV GERMAN GENERAL PARTNER GMBH

By /s/ Remy Burel
Title: Managing Director

By /s/ Andreas Rouve
Title: Managing Director

ROV GERMAN LIMITED GMBH

By /s/ Remy Burel
Title: Managing Director

By /s/ Andreas Rouve
Title: Managing Director

RAYOVAC (UK) LTD.

By /s/ Remy Burel
Title: Director

ROVCAL, INC.

By /s/ Randall J. Steward

Title: Vice President & Treasurer

Exhibit 10.24

THE 2004 RAYOVAC INCENTIVE PLAN

SECTION 1. PURPOSE; DEFINITIONS.

The purpose of the Plan is to support the Company's ongoing efforts to attract and retain leaders of exceptional talent and to provide the Company with the ability to provide incentives directly linked to the profitability of the Company's businesses and to increases in shareholder value.

For purposes of the Plan, the following terms are defined as set forth below:

a. "Annual Incentive Award" means an Incentive Award made pursuant to Section 5(a)(v) with a Performance Cycle of one year or less.

b. "Awards" mean grants under this Plan of Incentive Awards, Stock Options, Stock Appreciation Rights, Restricted Stock or Other Stock-Based Awards.

c. "Board" means the Board of Directors of the Company.

d. "Code" means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto.

e. "Commission" means the Securities and Exchange Commission or any successor agency.

f. "Committee" means the Compensation Committee of the Board or a subcommittee thereof, any successor thereto or such other committee or subcommittee as may be designated by the Board to administer the Plan.

g. "Common Stock" or "Stock" means the Common Stock of the Company.

h. "Company" means Rayovac Corporation, a corporation organized under the laws of the State of Wisconsin, or any successor thereto.

i. "Economic Value Added" means net after-tax operating profit less the cost of capital.

j. "Exchange Act" means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto.

k. "Exercise Period" means the 60-day period from and after a Change in Control.

l. "Fair Market Value" means, as of any given date, the mean between the highest and lowest reported sales prices of the Common Stock on the New York Stock Exchange--Composite Transactions or, if no such sale of Common Stock is reported on such date, the fair market value of the Stock as determined by the Committee in good faith; provided, however, that the Committee may in its discretion designate the actual sales price as Fair Market Value in the case of dispositions of Common Stock under the Plan.

m. "Incentive Award" means any Award that is either an Annual Incentive Award or a Long-Term Incentive Award.

n. "Incentive Stock Option" means any Stock Option that complies with Section 422 (or any amended or successor provision) of the Code.

o. "Long-Term Incentive Award" means an Incentive Award made pursuant to Section 5(a)(v) with a Performance Cycle of more than one year.

p. "Nonqualified Stock Option" means any Stock Option that is not an Incentive Stock Option.

q. "Other Stock-Based Award" means an Award made pursuant to Section 5(a)(iv).

r. "Performance Cycle" means the period selected by the Committee during which the performance of the Company or any subsidiary, affiliate or unit thereof or any individual is measured for the purpose of determining the extent to which an Award subject to Performance Goals has been earned.

s. "Performance Goals" mean the objectives for the Company or any subsidiary or affiliate or any unit thereof or any individual that may be established by the Committee for a Performance Cycle with respect to any performance-based Awards contingently awarded under the Plan. The Performance Goals for Awards that are intended to constitute "performance-based" compensation within the meaning of Section 162(m) (or any amended or successor provision) of the Code shall be based on one or more of the following criteria: earnings per share, total shareholder return, operating income, net income, cash flow, return on equity, return on capital, earnings before interest and taxes ("EBIT"), earnings before interest, taxes, depreciation and amortization ("EBITDA"), and Economic Value Added.

t. "Plan" means this 2004 Rayovac Incentive Plan, as amended from time to time.

u. "Restricted Period" means the period during which an Award may not be sold, assigned, transferred, pledged or otherwise encumbered.

v. "Restricted Stock" means an Award of shares of Common Stock pursuant to Section 5(a)(iii).

w. "Spread Value" means, with respect to a share of Common Stock subject to an Award, an amount equal to the excess of the Fair Market Value, on the date such value is determined, over the Award's exercise or grant price, if any.

x. "Stock Appreciation Right" or "SAR" means a right granted pursuant to Section 5(a)(ii).

y. "Stock Option" means an Incentive Stock Option or a Nonqualified Stock Option granted pursuant to Section 5(a)(i).

In addition, the terms "Business Combination," "Change in Control," "Change in Control Price," "Incumbent Board," "Outstanding Company Common Stock," "Outstanding Company Voting Securities" and "Person" have the meanings set forth in Section 6.

SECTION 2. ADMINISTRATION.

The Plan shall be administered by the Committee, which shall have the power to interpret the Plan and to adopt such rules and guidelines for carrying out the Plan as it may deem appropriate. The Committee shall have the authority to adopt such modifications, procedures and subplans as may be necessary or desirable to comply with the laws, regulations, compensation practices and tax and accounting principles of the countries in which the Company, a subsidiary or an affiliate may operate to assure the viability of the benefits of Awards made to individuals employed in such countries and to meet the objectives of the Plan.

Subject to the terms of the Plan, the Committee shall have the authority to determine those individuals eligible to receive Awards and the amount, type and terms of each Award and to establish and administer any Performance Goals applicable to such Awards, but, at the discretion of the Board, such determinations may be made subject to ratification by the Board.

The Committee may delegate its authority and power under the Plan to one or more officers of the Company, subject to guidelines prescribed by the Committee and approved by the Board, with respect to participants who are not subject to either Section 16 (or any amended or successor provision) of the Exchange Act or Section 162(m) (or any amended or successor provision) of the Code.

Any determination made by the Committee or pursuant to delegated authority in accordance with the provisions of the Plan with respect to any Award shall be made in the sole discretion of the Committee or such delegate, and all

decisions made by the Committee or any appropriately designated officer pursuant to the provisions of the Plan shall be final and binding on all persons, including the Company and Plan participants, but subject to ratification by the Board if the Board so provides.

SECTION 3. ELIGIBILITY.

All employees of the Company, its subsidiaries and affiliates, as well as non-employee members of the Board of Directors of the Company, its subsidiaries or affiliates are eligible to be granted Awards under the Plan.

SECTION 4. COMMON STOCK SUBJECT TO PLAN.

The total number of shares of Common Stock reserved and available for distribution pursuant to the Plan shall be 3,500,000 shares, all of which may be issued pursuant to the exercise of Stock Options awarded under the Plan. If any Award is exercised or cashed out or terminates or expires or is forfeited without a payment being made to the participant in the form of Common Stock, the shares subject to such Award, if any, shall again be available for distribution in connection with Awards under the Plan; provided, however, that any shares that are available again for Awards under the Plan also shall count against the limit described in Section 5(b). Any shares of Common Stock that are used by a participant as full or partial payment of withholding or other taxes or as payment for the exercise or conversion price of an Award shall be available for distribution in connection with Awards under the Plan.

In the event of any merger, share exchange, reorganization, consolidation, recapitalization, stock dividend, stock split, reverse stock split, split-up, spin-off, issuance of rights or warrants or other similar transaction or event affecting the Common Stock after adoption of the Plan by the Board, the Board is authorized to make appropriate substitutions or adjustments in the aggregate number and kind of shares reserved for issuance under the Plan, in the number, kind and price of shares subject to outstanding Awards and in the Award limits set forth in Section 5; provided, however, that any such substitutions or adjustments shall be, to the extent deemed appropriate by the Board, consistent with the treatment of shares of Common Stock not subject to the Plan, and that the number of shares subject to any Award shall always be a whole number. The Committee may make an Award in substitution for incentive awards, stock awards, stock options or similar awards held by an individual who becomes an employee of the Company, a subsidiary or an affiliate in connection with a transaction described in the second paragraph of this Section 4. Notwithstanding any provision of the Plan (other than the limitation set forth in the first paragraph of this Section 4), the terms of such substituted Awards shall be as the Committee, in its discretion, determines is appropriate.

SECTION 5. AWARDS.

(a) General. The types of Awards that may be granted under the Plan are set forth below. Awards may be granted singly, in combination or in tandem with other Awards.

(i) STOCK OPTIONS. A Stock Option represents the right to purchase a share of Stock at a predetermined grant price. Stock Options granted under this Plan may be in the form of Incentive Stock Options or Nonqualified Stock Options, as specified in the Award agreement, but no Stock Option designated as an Incentive Stock Option shall be invalid in the event that it fails to qualify as an Incentive Stock Option. The term of each Stock Option shall be set forth in the Award agreement, but no Incentive Stock Option shall be exercisable more than ten years after the grant date. The grant price per share of Common Stock purchasable under an Incentive Stock Option shall not be less than 100% of the Fair Market Value on the date of grant. Subject to the applicable Award agreement, Stock Options may be exercised, in whole or in part, by giving written notice of exercise to the Company specifying the number of shares to be purchased. Such notice shall be accompanied by payment in full of the purchase price by certified or bank check or such other instrument as the Company may accept (including a copy of instructions to a broker or bank acceptable to the Company to deliver promptly to the Company an amount of sale or loan proceeds sufficient to pay the purchase price). As determined by the Committee, payment in full or in part may also be made in the form of Common Stock already owned by the optionee valued at the Fair Market Value on the date the Stock Option is exercised; provided, however, that such Common Stock acquired within the preceding six months upon the exercise of a Stock Option or stock unit or similar Award granted under the Plan or any other plan maintained at any time by the Company or any subsidiary shall not be used for such payment unless expressly authorized by the Committee.

(ii) STOCK APPRECIATION RIGHTS. An SAR represents the right to receive a payment, in cash, shares of Common Stock or both (as determined by the Committee), with a value equal to the Spread Value on the date the SAR is exercised. The grant price of an SAR shall be set forth in the applicable Award agreement. Subject to the terms of the applicable Award agreement, an SAR shall be exercisable, in whole or in part, by giving written notice of exercise to the Company.

(iii) RESTRICTED STOCK. Shares of Restricted Stock are shares of Common Stock that are awarded to a participant and that during the Restricted Period may be forfeitable to the Company upon such conditions as may be set forth in the applicable Award agreement. Restricted Stock may not be sold, assigned, transferred, pledged or otherwise encumbered during the Restricted Period. Except as provided in this subsection (iii) and in the applicable Award agreement, a participant shall have all the rights of a holder of Common

Stock, including the rights to receive dividends and to vote during the Restricted Period. Dividends with respect to Restricted Stock that are payable in Common Stock shall be paid in the form of Restricted Stock.

(iv) OTHER STOCK-BASED AWARDS. Other Stock-Based Awards are Awards, other than Stock Options, SARs or Restricted Stock, that are denominated in, valued in whole or in part by reference to, or otherwise based on or related to, Common Stock. The grant, purchase, exercise, exchange or conversion of Other Stock-Based Awards granted under this subsection (iv) shall be on such terms and conditions and by such methods as shall be specified by the Committee.

(v) INCENTIVE AWARDS. Incentive Awards are performance-based Awards that are expressed in U.S. currency or Common Stock or any combination thereof. Incentive Awards shall be either Annual Incentive Awards or Long-Term Incentive Awards.

(b) Maximum Awards. The total number of shares of Restricted Stock and other shares of Common Stock subject to or underlying Stock Options, SARs and Other Stock-Based Awards awarded to any participant during the term of this Plan shall not exceed 25% of the shares of Common Stock originally reserved for distribution pursuant to the Plan. An Annual Incentive Award paid to a participant with respect to any Performance Cycle shall not exceed $1,000,000. A Long-Term Incentive Award paid to a participant with respect to any Performance Cycle shall not exceed $1,000,000 times the number of years in the Performance Cycle.

(c) Performance-Based Awards. Any Awards granted pursuant to the Plan may be in the form of performance-based Awards through the application of Performance Goals and Performance Cycles.

SECTION. 6. CHANGE IN CONTROL PROVISIONS.

(a) Impact of Event. Notwithstanding any other provision of the Plan to the contrary, in the event of a Change in Control:

(i) All Stock Options and Stock Appreciation Rights outstanding as of the date such Change in Control occurs shall become fully vested and exercisable.

(ii) The restrictions and other conditions applicable to any Restricted Stock or Other Stock-Based Awards, including vesting requirements, shall lapse, and such Awards shall become free of all restrictions and fully vested.

(iii) The value of all outstanding Stock Options, Stock Appreciation Rights, Restricted Stock and Other Stock-Based Awards shall, unless otherwise determined by the Committee at or after grant, be cashed out on the basis of the "Change in Control Price," as defined in Section 6(c), as of the date such Change in Control occurs or such other date as the Committee may determine prior to the Change in Control.

(iv) Any Incentive Awards relating to Performance Cycles prior to the Performance Cycle in which the Change in Control occurs that have been earned but not paid shall become immediately payable in cash. In addition, each participant who has been awarded an Incentive Award shall be deemed to have earned a pro rata Incentive Award equal to the product of (y) such participant's maximum award opportunity for such Performance Cycle, and (z) a fraction, the numerator of which is the number of full or partial months that have elapsed since the beginning of such Performance Cycle to the date on which the Change in Control occurs, and the denominator of which is the total number of months in such Performance Cycle.

(b) Definition of Change in Control. A "Change in Control" means the happening of any of the following events:

(i) The acquisition, other than in a transaction approved by the Incumbent Board, by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act (a "Person")) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of 20% or more of either (A) the then outstanding shares of Common Stock (the "Outstanding Company Common Stock") or (B) the combined voting power of the then outstanding voting securities of the Company entitled to vote generally in the election of directors (the "Outstanding Company Voting Securities"); provided, however, that the following acquisitions shall not constitute a Change in Control: (1) any acquisition directly from the Company, (2) any acquisition by the Company, (3) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company or (4) any acquisition by any corporation pursuant to a transaction described in clauses (A), (B) and (C) of paragraph (iii) of this Section 6(b); or

(ii) Individuals who, as of the effective date of the Plan, constitute the Board (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board; provided, however, that any individual becoming a director subsequent to such effective date whose election, or nomination for election by the stockholders of the Company, was approved by a vote of at least a majority of the directors then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for this purpose, any such individual whose initial assumption of office occurs as a result of an actual or threatened election contest with respect

to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board; or

(iii) Approval by the stockholders of the Company of a reorganization, merger, share exchange or consolidation (a "Business Combination"), unless, in each case following such Business Combination, (A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the corporation resulting from such Business Combination (including, without limitation, a corporation that as a result of such transaction owns the Company through one or more subsidiaries) in substantially the same proportions as their ownership, immediately prior to such Business Combination of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (B) no Person (excluding any employee benefit plan (or related trust) of the Company or such corporation resulting from such Business Combination) beneficially owns, directly or indirectly, 25% or more of, respectively, the then outstanding shares of common stock of the corporation resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation except to the extent that such Person owned 25% or more of the Outstanding Company Common Stock or Outstanding Company Voting Securities prior to the Business Combination and (C) at least a majority of the members of the board of directors of the corporation resulting from such Business Combination were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such Business Combination; or

(iv) Approval by the stockholders of the Company of (A) a complete liquidation or dissolution of the Company or (B) the sale or other disposition of all or substantially all of the assets of the Company, other than to a corporation with respect to which, following such sale or other disposition, (1) more than 50% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the Outstanding Company Common Stock and Outstanding Company Voting Securities immediately prior to such sale or other disposition in substantially the same proportion as their ownership, immediately prior to such sale or other disposition, of the Outstanding Company Common Stock and Outstanding Company Voting Securities, as the case may be, (2) less than 25% of, respectively, the then outstanding shares of common stock of such corporation and the combined voting power of the then outstanding voting securities of such

corporation entitled to vote generally in the election of directors is then beneficially owned, directly or indirectly, by any Person (excluding any employee benefit plan (or related trust) of the Company or such corporation), except to the extent that such Person owned 25% or more of the Outstanding Company Common Stock or Outstanding Company Voting Securities prior to the sale or disposition and (3) at least a majority of the members of the board of directors of such corporation were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board, providing for such sale or other disposition of assets of the Company or were elected, appointed or nominated by the Board.

(c) Change in Control Price. "Change in Control Price" means the highest price per share paid in any transaction reported on the New York Stock Exchange-Composite Transactions or paid or offered in any bona fide transaction related to a potential or actual change in control of the Company at any time during the preceding 60-day period as determined by the Committee, except that, in the case of Incentive Stock Options, unless the Committee otherwise provides, such price shall be based only on transactions reported for the date on which such Incentive Stock Options are cashed out.

(d) Notwithstanding any other provision of this Plan, upon a Change in Control, unless the Committee shall determine otherwise at grant, or after grant but before the Change in Control, an Award recipient shall have the right, by giving notice to the Company within the Exercise Period, to elect to surrender all or part of the Stock Option, SAR, Restricted Stock or Other Stock-Based Award to the Company and to receive in cash, within 30 days of such notice, an amount equal to the amount by which the "Change in Control Price" on the date of such notice shall exceed the exercise or grant price under such Award, multiplied by the number of shares of Stock as to which the right granted under this Section 6 shall have been exercised.

(e) Notwithstanding the foregoing, if any right granted pursuant to this Section 6 would make a Change in Control transaction ineligible for pooling of interests accounting under generally accepted accounting principles that but for this Section 6 would otherwise be eligible for such accounting treatment, the Committee shall have the ability to substitute the cash payable pursuant to this Section 6 with Common Stock with a Fair Market Value equal to the cash that would otherwise be payable hereunder.

SECTION 7. PLAN AMENDMENT AND TERMINATION.

The Board may amend or terminate the Plan at any time, provided that no such amendment shall be made without stockholder approval if such approval is required under applicable law, or if such amendment would increase the total number of shares of Common Stock that may be distributed under the Plan.

Except as set forth in any Award agreement, no amendment or termination of the Plan or an Award agreement may materially and adversely affect any outstanding Award under the Plan without the Award recipient's consent. No Stock Option or SAR may be repriced or modified without stockholder approval (except in connection with a change in the Company's capitalization), if the effect would be to reduce the exercise or grant price for the shares underlying such Stock Option or SAR.

SECTION 8. PAYMENTS AND PAYMENT DEFERRALS.

Payment of Awards may be in the form of cash, Stock, other Awards or combinations thereof as the Committee shall determine, and with such restrictions as it may impose. The Committee, either at the time of grant or by subsequent amendment, may require or permit deferral of the payment of Awards under such rules and procedures as it may establish. It also may provide that deferred settlements include the payment or crediting of interest or other earnings on the deferred amounts, or the payment or crediting of dividend equivalents where the deferred amounts are denominated in Common Stock equivalents.

SECTION 9. DIVIDENDS AND DIVIDEND EQUIVALENTS.

The Committee may provide that any Awards under the Plan earn dividends or dividend equivalents. Such dividends or dividend equivalents may be paid currently or may be credited to a participant's Plan account. Any crediting of dividends or dividend equivalents may be subject to such restrictions and conditions as the Committee may establish, including reinvestment in additional shares of Common Stock or Common Stock equivalents.

SECTION 10. TRANSFERABILITY.

Except to the extent permitted by the Award agreement, either initially or by subsequent amendment, Awards shall not be transferable or assignable other than by will or the laws of descent and distribution, and shall be exercisable during the lifetime of the recipient only by him.

SECTION 11. AWARD AGREEMENTS.

Each Award under the Plan shall be evidenced by a written agreement (which need not be signed by the recipient unless otherwise specified by the Committee) that sets forth the terms, conditions and limitations for each Award. Such terms may include, but are not limited to, the term of the Award, vesting and forfeiture provisions, and the provisions applicable in the event the recipient's employment terminates. The Committee may amend an Award agreement, provided that no such amendment may materially and adversely affect an Award without the Award recipient's consent.

SECTION 12. UNFUNDED STATUS OF PLAN.

It is presently intended that the Plan constitute an "unfunded" plan for incentive and deferred compensation. The Committee may authorize the creation of trusts or other arrangements to meet the obligations created under the Plan to deliver Common Stock or make payments; provided, however, that, unless the Committee otherwise determines, the existence of such trusts or other arrangements is consistent with the "unfunded" status of the Plan.

SECTION 13. GENERAL PROVISIONS.

(a) The Committee may require each person acquiring shares of Common Stock pursuant to an Award to represent to and agree with the Company in writing that such person is acquiring the shares without a view to the distribution thereof. The certificates for such shares may include any legend that the Committee deems appropriate to reflect any restrictions on transfer.

All certificates for shares of Common Stock or other securities delivered under the Plan shall be subject to such stock transfer orders and other restrictions as the Committee may deem advisable under the rules, regulations and other requirements of the Commission, any stock exchange upon which the Common Stock is then listed and any applicable Federal, state or foreign securities law, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(b) Nothing contained in this Plan shall prevent the Company, a subsidiary or an affiliate from adopting other or additional compensation arrangements for its employees or directors.

(c) Neither the adoption of the Plan nor the granting of Awards under the Plan shall confer upon any employee any right to continued employment nor shall they interfere in any way with the right of the Company, a subsidiary or an affiliate to terminate the employment of any employee at any time.

(d) No later than the date as of which an amount first becomes includible in the gross income of the participant for income tax purposes with respect to any Award under the Plan, the participant shall pay to the Company, or make arrangements satisfactory to the Company regarding the payment of, any Federal, state, local or foreign taxes of any kind required by law or applicable regulation to be withheld with respect to such amount. Unless otherwise determined by the Committee, withholding obligations arising from an Award may be settled with Common Stock, including Common Stock that is part of, or is received upon exercise or conversion of, the Award that gives rise to the withholding requirement. The obligations of the Company under the Plan shall be conditional on such payment or arrangements, and the Company, its subsidiaries and its affiliates shall, to the extent permitted by law, have the right to deduct any

such taxes from any payment otherwise due to the participant. The Committee may establish such procedures as it deems appropriate, including the making of irrevocable elections, for the settling of withholding obligations with Common Stock.

(e) On receipt of written notice of exercise, the Committee may elect to cash out all or a portion of the shares of Common Stock for which a Stock Option is being exercised by paying the optionee an amount, in cash or Common Stock, equal to the Spread Value of such shares on the date such notice of exercise is received.

(f) The Plan and all Awards made and actions taken thereunder shall be governed by and construed in accordance with the laws of the State of Wisconsin.

(g) If any provision of the Plan is held invalid or unenforceable, the invalidity or unenforceability shall not affect the remaining parts of the Plan, and the Plan shall be enforced and construed as if such provision had not been included.

(h) The Plan shall be effective on August 1, 2004. Except as otherwise provided by the Board, no Awards shall be granted after July 31, 2014, but any Awards granted theretofore may extend beyond that date.

Exhibit 10.26

AMENDMENT TO THE

RAYOVAC 401(k) RETIREMENT SAVINGS PLAN

WHEREAS, Rayovac Corporation (the "Employer") heretofore adopted the Rayovac 401(k) Retirement Savings Plan (the "Plan"); and

WHEREAS, the Employer reserved the right to amend the Plan; and

WHEREAS, the Employer desires to amend the Plan;

NOW, THEREFORE, the Plan is hereby amended, effective as of July 31,2003, as follows:

1. Section 2.1 of the Plan shall be amended by adding the following paragraph to the conclusion of said Section:

   Notwithstanding the foregoing provisions, any Employee of the Employer's Dixon Division who:

   (i) is employed in a contingent job classification, and

   (ii) is not in an excluded class of Employees described in the preceding paragraph

   shall become a Participant in the Plan effective as of the first day of the month coincident with or next following the Employee's completion of a twelve (12)-month period of employment with the Employer, measured from the Employee's Employment Date.

2. Article Two of the Plan shall be amended by the addition of the following Section 2.1A:

   2.1A SERVICE IN EXCLUDED JOB CLASSIFICATIONS OR WITH RELATED COMPANIES

   (a) SERVICE WHILE A MEMBER OF AN INELIGIBLE CLASSIFICATION OF EMPLOYEES. An Employee who is a member of an ineligible classification of Employees shall not be eligible to participate in the Plan while a member of such ineligible classification. However, if any such Employee is transferred to an eligible classification, such Employee shall be credited with any prior periods of Service completed while a member of such an ineligible classification. For this purpose, an Employee shall be considered a member of an ineligible classification of Employees for any period during which he is employed in a job classification which is excluded from participating in the Plan under Section 2.1.

   (b) SERVICE WITH RELATED GROUP MEMBERS. For each Plan Year in which the Employer is a member of a "related group", as hereinafter defined, all Service of an Employee or Leased Employee (hereinafter collectively referred to as "Employee" solely for purposes of this Section 2.1A(b)) with anyone or more members of such related group shall be treated as employment by the Employer. The transfer of employment by any such Employee to another member of the related group shall not be deemed to constitute a retirement or other termination of employment by the Employee, but the Employee shall be deemed to have continued in employment with the Employer. For purposes of this subsection (b), "related group" shall mean the Employer and all corporations, trades or businesses (whether or not incorporated) which constitute a controlled group of corporations with the Employer, a group of trades or businesses under common control with the Employer, or an affiliated service group which includes the Employer, within the meaning of Section 414(b), Section 414(c), or Section 414(m), respectively, of the Code or any other entity required to be aggregated under Code Section 414(o).

   (c) CONSTRUCTION. This Section is included in the Plan to comply with the Code provisions regarding the crediting of Service, and not to extend any additional rights to Employees in ineligible classifications other than as required by the Code and regulations thereunder.

3. Section 3.2(e) of the Plan shall be amended by adding the following

paragraph to the conclusion of said Section:

Notwithstanding the foregoing, for the Plan Year beginning January 1, 2003, at the discretion of the Employer's board of directors, all or a portion of the contribution under Section 3.2(c) for the Plan Year may provide an allocation to "qualifying Participants" (within the meaning of Section 3.2(b)) equal to the difference between (i) the amount which would have been allocated under said Section 3.2(b) had the Participant's actual age been utilized during a Plan Year and (ii) the amount allocated under such Section.

IN WITNESS WHEREOF, the Employer, by its duly authorized officer, has caused this Amendment to be executed on the 23 day of July, 2003.

RAYOVAC CORPORATION

By: /s/ Kent J. Hussey

Exhibit 10.28

THIRD AMENDMENT TO THE RAYOVAC CORPORATION SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

THIS IS AN AMENDMENT to the Rayovac Corporation Supplemental Executive Retirement Plan (the "Plan") made this 17 day of February, 2004, by Rayovac Corporation (the "Company"), such amendment to be effective January 1, 2004:

1.

Section 5.1(b) of the Plan is amended by deleting the existing provision and by substituting the following:

> "(b) Except as otherwise provided in Section 5.2, payment of a Participant's vested Account Balance shall be made or shall commence as soon as practicable after the January 1 on or next following the date determined pursuant to Section 5.1(c). Such payment shall be net of any amounts required to be withheld pursuant to federal, state or local tax laws.
>
> Except as provided below, distributions commencing on or after January 1, 2004 shall be made in a lump-sum payment, unless the Participant elects to have his vested Account Balance paid in five annual installments in the manner described in this paragraph. Any installment distribution election in effect on December 31, 2003 shall remain in effect and shall be irrevocable. An election to receive installment payments made on or after January 1, 2004 must be made on a date that is more than 180 days before the beginning of the Plan Year in which such payment is scheduled to be made, and such election shall be irrevocable. If payment is made in installments, each of the first four installment payments shall be equal to 20% of the Participant's Account Balance as of the date the first annual installment payment commences, and the fifth annual installment payment shall be equal to the Participant's remaining Account Balance as of the date on which the fifth annual installment payment is made. Earnings shall be credited as provided under Section 3.3 with respect to amounts remaining in a Participant's Account while installment payments are being made."

2.

Section 5.1(c) of the Plan is amended by deleting the existing provision and by substituting the following:

> "In the case of any benefit payable to David A. Jones, Mr. Jones will not be considered to have terminated employment for purposes of the foregoing sentence until he has both terminated employment with the Company and ceased to be a member of the Board."

IN WITNESS WHEREOF, the Company has caused this amendment to be executed by its duly authorized representative and its corporate seal to be hereto affixed the day and year first written above.

THE COMPANY	RAYOVAC CORPORATION
(Corporate Seal)	By: /s/ Kent Hussey
	Title: President & COO

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 condensed consolidated 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: August 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 condensed consolidated 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: August 11, 2004

/s/ RANDALL J. STEWARD

Randall J. Steward
Chief Financial Officer

QuickLinks

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 June 27, 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: August 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.

QuickLinks

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 June 27, 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: August 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