

UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 10Q

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

For the quarterly period ended June 30, 2002

OR

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

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Rayovac Corporation

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(Exact name of registrant as specified in its charter)

Wisconsin

22-2423556

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(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification Number)

601 Rayovac Drive, Madison, Wisconsin 53711

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(Address of principal executive offices) (Zip Code)

(608) 275-3340

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(Registrant's telephone number, including area code)

Not Applicable

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(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 ( X ) No ( )

The number of shares outstanding of the Registrant's common stock, \$.01 par value, as of August 9, 2002, was 32,033,509.

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

RAYOVAC CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEETS  
June 30, 2002 and September 30, 2001  
(Unaudited)  
(In thousands)

	JUNE 30, 2002	SEPTEMBER 30, 2001
	-----	-----
-ASSETS-		
Current assets:		
Cash and cash equivalents	\$ 9,109	\$ 11,358
Receivables	121,269	168,745
Inventories	78,294	91,311
Prepaid expenses and other	26,378	31,674
	-----	-----
Total current assets	235,050	303,088
Property, plant and equipment, net	103,480	107,257
Deferred charges and other, net	44,902	37,080
Intangible assets, net	119,034	119,074
	-----	-----
Total assets	\$ 502,466	\$ 566,499
	=====	=====
-LIABILITIES AND SHAREHOLDERS' EQUITY-		
Current liabilities:		
Current maturities of long-term debt	\$ 19,740	\$ 24,436
Accounts payable	52,401	81,990
Accrued liabilities:		
Wages and benefits and other	28,437	32,232
Other special charges	3,954	5,883
	-----	-----
Total current liabilities	104,532	144,541
Long-term debt, net of current maturities	193,779	233,541
Employee benefit obligations, net of current portion	20,936	19,648
Other	15,720	11,184
	-----	-----
Total liabilities	334,967	408,914
Shareholders' equity:		
Common stock, \$.01 par value, authorized 150,000 shares; issued 61,570 and 61,579 shares, respectively; outstanding 32,034 and 32,043 shares, respectively	616	616
Additional paid-in capital	180,510	180,752
Retained earnings	136,080	119,984
Accumulated other comprehensive loss	(13,651)	(6,868)
Notes receivable from officers/shareholders	(4,180)	(3,665)
	-----	-----
Total shareholders' equity	299,375	290,819
Less: Treasury stock, at cost, 29,536 shares	(130,070)	(130,070)
Less: Unearned restricted stock compensation	(1,806)	(3,164)
	-----	-----
Total shareholders' equity	167,499	157,585
	-----	-----
Total liabilities and shareholders' equity	\$ 502,466	\$ 566,499
	=====	=====

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THESE STATEMENTS.

RAYOVAC CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
For the three and nine month periods ended June 30, 2002 and July 1, 2001  
(Unaudited)  
(In thousands)

	THREE MONTHS		NINE MONTHS	
	2002	2001	2002	2001
Net sales	\$ 135,412	\$ 146,969	\$ 418,448	\$ 445,955
Cost of goods sold	78,392	85,586	248,746	260,379
Special charges	2,619	2,279	2,635	18,539
	-----		-----	
Gross profit	54,401	59,104	167,067	167,037
Selling	24,759	27,473	76,778	85,839
General and administrative	5,351	9,379	42,985	32,489
Research and development	3,206	2,990	9,836	9,010
Special charges	--	300	--	300
	-----		-----	
Total operating expenses	33,316	40,142	129,599	127,638
Income from operations	21,085	18,962	37,468	39,399
Interest expense	3,974	7,017	12,200	22,391
Other expense (income), net	503	(180)	118	953
	-----		-----	
Income before income taxes	16,608	12,125	25,150	16,055
Income tax expense	6,294	4,053	9,054	5,624
	-----		-----	
Income before extraordinary item	10,314	8,072	16,096	10,431
Extraordinary item, loss on early extinguishment of debt, net of income tax benefit of \$3,279	--	5,350	--	5,350
	-----		-----	
Net income	\$ 10,314	\$ 2,722	\$ 16,096	\$ 5,081
	=====		=====	
<b>BASIC EARNINGS PER SHARE</b>				
Weighted average shares and equivalents outstanding	31,776	28,080	31,774	27,743
Income before extraordinary item	\$ 0.32	\$ 0.29	\$ 0.51	\$ 0.38
Extraordinary item	--	(0.19)	--	(0.20)
	-----		-----	
Net income	\$ 0.32	\$ 0.10	\$ 0.51	\$ 0.18
	=====		=====	
<b>DILUTED EARNINGS PER SHARE</b>				
Weighted average shares and equivalents outstanding	32,554	29,128	32,437	28,776
Income before extraordinary item	\$ 0.32	\$ 0.28	\$ 0.50	\$ 0.36
Extraordinary item	--	(0.19)	--	(0.18)
	-----		-----	
Net income	\$ 0.32	\$ 0.09	\$ 0.50	\$ 0.18
	=====		=====	

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THESE STATEMENTS.

RAYOVAC CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
For the nine month periods ended June 30, 2002 and July 1, 2001  
(Unaudited)  
(In thousands)

	NINE MONTHS	
	2002	2001
Cash flows from operating activities:		
Net income	\$ 16,096	\$ 5,081
Non-cash adjustments to net income:		
Extraordinary item, loss on early retirement of debt	--	8,628
Amortization	1,412	4,329
Depreciation	14,325	12,849
Other non-cash adjustments	1,723	4,685
Net changes in assets and liabilities	19,991	(7,956)
Net cash provided by operating activities	53,547	27,616
Cash flows from investing activities:		
Purchases of property, plant and equipment	(11,922)	(15,215)
Proceeds from sale of property, plant and equipment	21	509
Purchases of and proceeds from sale of investments	--	562
Net cash used by investing activities	(11,901)	(14,144)
Cash flows from financing activities:		
Reduction of debt	(168,589)	(320,619)
Early retirement of debt	--	(69,693)
Proceeds from debt financing	124,500	310,601
Issuance of common stock	171	67,781
Other	(1,246)	(1,246)
Net cash used by financing activities	(45,164)	(13,176)
Effect of exchange rate changes on cash and cash equivalents	1,269	207
Net (decrease) increase in cash and cash equivalents	(2,249)	503
Cash and cash equivalents, beginning of period	11,358	9,757
Cash and cash equivalents, end of period	\$ 9,109	\$ 10,260

SEE ACCOMPANYING NOTES WHICH ARE AN INTEGRAL PART OF THESE STATEMENTS.

1 SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF PRESENTATION:** These financial statements have been prepared by Rayovac Corporation (the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") and, in the opinion of the Company, include all adjustments (which are normal and recurring in nature) necessary to present fairly the financial position of the Company at June 30, 2002, results of operations and cash flows for the three and nine month periods ended June 30, 2002, and July 1, 2001. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such SEC rules and regulations. These condensed consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto as of September 30, 2001. Certain prior year amounts have been reclassified to conform with the current year presentation.

**SHIPPING AND HANDLING COSTS:** The Company incurred shipping and handling costs of \$5,419 and \$6,934 and \$17,809 and \$20,865 for the three and nine months ended June 30, 2002 and July 1, 2001, respectively, which are included in selling expense.

**CONCENTRATION OF CREDIT RISK:** Trade receivables potentially 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 customer's credit and financial conditions based on changing economic conditions and will make adjustments to credit policies as required. The Company has historically incurred minimal credit losses but in the nine months ending June 30, 2002 experienced a significant loss resulting from the bankruptcy filing of a major retailer in the United States.

The Company has a broad range of customers including many large retail outlet chains, one of which accounts for a significant percentage of our sales volume. This major customer represented approximately 23% and 20%, respectively, of receivables as of June 30, 2002 and September 30, 2001.

Approximately 25% of the Company's sales occur outside of North America, and these sales and related receivables are subject to varying degrees of credit, currency, political and economic risk. The Company monitors these risks and makes appropriate provisions for collectability based on an assessment of the risks present. The Argentine Peso and Venezuelan Bolivars devaluation did not have a significant impact on the Company's estimate of collectability.

**ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS:** In May 2000, the Emerging Issues Task Force (EITF) reached a consensus on Issue No. 00-14, "Accounting for Certain Sales Incentives". This Issue addresses the recognition, measurement, and income statement classification for various types of sales incentives including discounts, coupons, rebates and free products. In April 2001, the EITF reached a consensus on Issue No. 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products or Services". This Issue addresses when consideration from a vendor to a retailer or distributor in connection with the purchase of the vendor's products to promote sales of the vendor's products should be classified in the vendor's income statement as a reduction of revenue or expense. The Company adopted EITF 00-14 and EITF 00-25 in the second fiscal quarter of 2002.

The adoption resulted in the following reclassifications for the three and nine month periods ended June 30, 2002 and July 1, 2001 in the Company's results of operations. For the three months ended June 30, 2002 and July 1, 2001, net sales were reduced by \$9,215 and \$12,163, respectively; cost of sales were increased by \$3,849 and \$3,259, respectively; and selling expenses were reduced by \$13,064 and \$15,422, respectively. For the nine months ended June 30, 2002 and July 1, 2001, net sales were reduced by \$38,505 and \$41,928, respectively; cost

of sales were increased by \$11,796 and \$10,228, respectively; and selling expenses were reduced by \$50,301 and \$52,156, respectively.

Concurrent with the adoption of EITF 00-25, the Company reclassified certain accrued trade incentives as a contra receivable versus the Company's previous presentation as a component of accounts payable. Historically, customers offset earned trade incentives when making payments on account. Therefore, the Company believes the reclassification of these accrued trade incentives as a contra receivable better reflects the underlying economics of the Company's net receivable due from trade customers.

The reclassification results in a reduction in accounts receivable and accounts payable in our Consolidated Balance Sheets of \$20,793 and \$21,383 at June 30, 2002 and September 30, 2001, respectively.

Effective October 1, 2001, the Company adopted Statement of Financial Accounting Standards (SFAS) 141, BUSINESS COMBINATIONS, and SFAS 142, GOODWILL AND OTHER INTANGIBLE ASSETS.

Statement 141 requires that the purchase method of accounting be used for all business combinations initiated or completed after June 30, 2001. Statement 141 also specifies criteria that intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill. Statement 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead tested for impairment at least annually in accordance with the provisions of Statement 142. Statement 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with Statement 121, ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF. Upon the transition to Statement 142, no goodwill was deemed to be impaired.

The impacts to date of adopting Statement 142 for the three and nine months ended June 30, 2002 and July 1, 2001 are as follows:

	THREE MONTHS		NINE MONTHS	
	2002	2001	2002	2001
	----	----	----	----
Reported net income.....	\$10,314	\$2,722	\$16,096	\$5,081
Add back: Goodwill amortization, net of tax of \$0.....	--	254	--	790
Add back: Trade name amortization, net of tax of \$214 and \$641, respectively.....	--	349	--	1,047
Adjusted net income.....	\$10,314	\$3,325	\$16,096	\$6,918
	=====	=====	=====	=====
<b>BASIC EARNINGS PER SHARE:</b>				
Reported net income.....	\$0.32	\$0.10	\$0.51	\$0.18
Goodwill amortization.....	--	0.01	--	0.03
Trade name amortization.....	--	0.01	--	0.04
Adjusted net income.....	\$0.32	\$0.12	\$0.51	\$0.25
	=====	=====	=====	=====
<b>DILUTED EARNINGS PER SHARE:</b>				
Reported net income.....	\$0.32	\$0.09	\$0.50	\$0.18
Goodwill amortization.....	--	0.01	--	0.03
Trade name amortization.....	--	0.01	--	0.03
Adjusted net income.....	\$0.32	\$0.11	\$0.50	\$0.24
	=====	=====	=====	=====

#### DERIVATIVE FINANCIAL INSTRUMENTS:

Derivative financial instruments are used by the Company principally in the management of its interest rate, foreign currency and raw material price exposures. The Company does not hold or issue derivative financial instruments for trading purposes.

The Company uses interest rate swaps to manage its interest rate risk. The swaps are designated as cash flow hedges with the fair value recorded in Other Comprehensive Income ("OCI") and as a hedge asset or liability, as applicable. The swaps settle periodically in arrears with the related amounts for the current settlement period payable to, or receivable from, the counter-parties included in accrued liabilities or accounts receivable and recognized in earnings as an adjustment to interest expense from the underlying debt to which the swap is designated. During the three and nine month periods ended June 30, 2002, \$1,319 and \$3,667, respectively, of pretax derivative losses from such hedges were recorded as an adjustment to interest expense. At June 30, 2002, the Company had a portfolio of interest rate swaps outstanding which effectively fixes the interest rates on floating rate debt at rates as follows: 6.404% for a notional principal amount of \$75,000 through October 2002, 4.458% for a notional principal amount of \$70,000 from October 2002 through July 2004 and 3.769% for a notional principal amount of \$100,000 through August 2004. The derivative net losses on these contracts recorded in OCI at June 30, 2002 was an after-tax loss of \$1,992.

The Company 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 or Pounds Sterling. These contracts are designated as cash flow hedges with the fair value recorded in OCI and as a hedge asset or liability, as applicable. Once the forecasted transaction has been recognized as a purchase or sale and a related liability or asset recorded in the balance sheet, the gain or loss on the related derivative hedge contract is reclassified from OCI into earnings as an offset to the change in value of the liability or asset. During the three and nine month periods ended June 30, 2002, \$0 and \$17, respectively, of pretax derivative losses were recorded as an adjustment to earnings for cash flow hedges related to an asset or liability. During the three and nine month periods ended June 30, 2002, \$0 and \$66, respectively, of pretax derivative gains were recorded as an adjustment to earnings for forward and swap contracts settled at maturity. At June 30, 2002, the Company had a series of swap contracts outstanding with a contract value of \$493. The derivative net loss on these contracts at June 30, 2002 was immaterial.

The Company periodically enters into forward foreign exchange contracts, to hedge the risk from changes in fair value from unrecognized firm purchase commitments. These firm purchase commitments generally require the Company to exchange U.S. dollars for foreign currencies. These hedge contracts are designated as fair value hedges with the fair value recorded in earnings on a pretax basis and as a hedge asset or liability, as applicable. To the extent effective, changes in the value of the forward contracts recorded in earnings will be offset by changes in the value of the hedged item, also recorded in earnings on a pretax basis and as an asset or liability, as applicable. Once the firm purchase commitment has been consummated, the firm commitment asset or liability balance will be reclassified as an addition to or subtraction from, the carrying value of the purchased asset. The Company previously entered into a series of forward contracts through October 2001 to hedge the exposure from a firm commitment to purchase certain battery manufacturing equipment denominated in Japanese Yen. During the three and nine month periods ended June 30, 2002, \$0 and \$63, respectively, of pretax derivative gains were recorded as an adjustment to earnings for fair value hedges of this firm purchase commitment and \$0 and \$63, respectively, of pretax losses were recorded as an adjustment to earnings for changes in fair value of this firm purchase commitment. During the three and nine month periods ended June 30, 2002, \$0 and \$78, respectively, of pretax derivative losses were recorded as an adjustment to earnings for fair value hedges of this firm purchase commitment that were settled at maturity and \$0 and \$78, respectively, of pretax gains were recorded as an adjustment to earnings for payments made against this firm purchase commitment.

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.

During the three and nine month periods ended June 30, 2002, \$498 and \$2,074, respectively, of pretax derivative losses were recorded as an adjustment to cost of sales for swap contracts settled at maturity. At June 30, 2002, the Company had a series of swap contracts outstanding through August 2003 with a contract value of \$8,826. The derivative net losses on these contracts recorded in OCI at June 30, 2002 was an after-tax loss of \$259.

2 INVENTORIES

Inventories consist of the following:

	JUNE 30, 2002	SEPTEMBER 30, 2001
	-----	-----
Raw material.....	\$19,153	\$24,271
Work-in-process.....	20,061	14,015
Finished goods.....	39,080	53,025
	-----	-----
	\$78,294	\$91,311
	=====	=====

3 ACQUIRED INTANGIBLE ASSETS AND GOODWILL

	JUNE 30, 2002			SEPTEMBER 30, 2001		
	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION	NET INTANGIBLE	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION	NET INTANGIBLE
	-----	-----	-----	-----	-----	-----
<b>AMORTIZED INTANGIBLE ASSETS</b>						
Non-compete agreement.....	\$ 700	\$ 595	\$ 105	\$ 700	\$ 490	\$ 210
Proprietary technology.....	525	300	225	525	275	250
	-----	-----	-----	-----	-----	-----
	\$ 1,225	\$ 895	\$ 330	\$ 1,225	\$ 765	\$ 460
	=====	=====	=====	=====	=====	=====
<b>PENSION INTANGIBLES</b>						
Under-funded pension.....	\$ 3,081	\$ --	\$ 3,081	\$ 3,081	\$ --	\$ 3,081
	=====	=====	=====	=====	=====	=====
<b>UNAMORTIZED INTANGIBLE ASSETS</b>						
Trade name.....	\$90,000	\$4,875	\$85,125	\$90,000	\$4,875	\$85,125
	=====	=====	=====	=====	=====	=====

	NORTH AMERICA	LATIN AMERICA	EUROPE/ROW	TOTAL
	-----	-----	-----	-----
<b>GOODWILL</b>				
Balance as of October 1, 2001, net.....	\$1,035	\$26,884	\$2,489	\$30,408
Effect of translation.....	--	--	89	89
	-----	-----	-----	-----
Balance as of June 30, 2002, net.....	\$1,035	\$26,884	\$2,578	\$30,497
	=====	=====	=====	=====

The non-compete agreement is being amortized on a straight-line basis over 5 years. The proprietary technology assets are being amortized on a straight-line basis over 15 to 17 years.

The trade name and Latin America segment goodwill are associated with the 1999 acquisition of ROV Limited and were being amortized on a straight-line basis over 40 years. The North America segment goodwill is associated with the 1998 acquisition of Best Labs and was being amortized on a straight-line basis over 15 years. The Europe/ROW segment goodwill is associated with the 1998 acquisition of Brisco GmbH in Germany and was being amortized on a straight-line basis over 15 years.

Pursuant to Statement 142, the Company ceased amortizing goodwill on October 1, 2001. Upon initial application of Statement 142, the Company reassessed the useful lives of its intangible assets and deemed only the trade name asset to have an indefinite useful life because it is expected to generate cash flows indefinitely. Based on this, the Company ceased amortizing the trade name on October 1, 2001.



The amortization expense for the three and nine months ended June 30, 2002 and July 1, 2001 are as follows:

	THREE MONTHS		NINE MONTHS	
	2002	2001	2002	2001
AMORTIZATION EXPENSE				
Goodwill amortization.....	\$ --	\$ 254	\$ --	\$ 790
Trade name amortization.....	--	563	--	1,688
Non-compete and proprietary technology.....	43	43	130	130
	====	====	====	====
	\$ 43	\$ 860	\$ 130	\$2,608

4 OTHER COMPREHENSIVE INCOME

Comprehensive income and the components of other comprehensive income for the three and nine months ended June 30, 2002 and July 1, 2001 are as follows:

	THREE MONTHS		NINE MONTHS	
	2002	2001	2002	2001
Net income.....	\$10,314	\$2,722	\$16,096	\$ 5,081
Other comprehensive income (loss):				
Foreign currency translation.....	(3,302)	44	(7,511)	(312)
Net unrealized (loss) gain on available for-sale securities.....	(7)	105	(112)	105
Cumulative effect of change in accounting principle.....	--	--	--	(150)
Net unrealized (loss) gain on derivative instruments.....	(2,031)	(490)	840	(2,182)
	====	====	====	====
Comprehensive income.....	\$ 4,974	\$2,381	\$ 9,313	\$ 2,542

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 30, 2002 were primarily attributable to currency devaluation in Argentina, \$247 and \$2,630, respectively, and in Venezuela, \$2,357 and \$4,075, respectively and the weakening currency in Mexico, \$376 and \$644, respectively.

5 NET INCOME PER COMMON SHARE

Net income per common share for the three and nine months ended June 30, 2002 and July 1, 2001 is calculated based upon the following shares:

	THREE MONTHS		NINE MONTHS	
	2002	2001	2002	2001
Basic.....	31,776	28,080	31,774	27,743
Effect of restricted stock and assumed conversion of options.....	778	1,048	663	1,033
	====	====	====	====
Diluted.....	32,554	29,128	32,437	28,776

In March 1998, the Company entered into an agreement to purchase certain equipment and to pay annual royalties. In connection with this 1998 agreement, which supersedes previous agreements dated December 1991, and March 1994, the Company committed to pay royalties of \$2,000 in 1998 and 1999, \$3,000 in 2000 through 2002, and \$500 in each year thereafter, as long as the related equipment patents are enforceable (2022). The Company incurred royalty expenses of \$2,000 for 1999, \$2,250 for 2000 and \$3,000 for 2001. At June 30, 2002, the Company had commitments of approximately \$400 for the acquisition of manufacturing equipment and inventory, all of which are expected to be incurred in calendar 2002.

The Company has provided for the estimated costs associated with environmental remediation activities at some of its current and former manufacturing sites. In addition, the Company, together with other parties, has been designated a potentially responsible party of various third-party sites on the United States EPA National Priorities List (Superfund). The Company provides for the estimated costs of investigation and remediation of these sites when such losses are probable and the amounts can be reasonably estimated. The actual cost incurred may vary from these estimates due to the inherent uncertainties involved. The Company believes that any additional liability in excess of the amounts provided of \$1,629, which may result from resolution of these matters, will not have a material adverse effect on the financial condition, 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. In the opinion of management, it is either not likely or premature to determine whether such contingent liabilities will have a material adverse effect on the financial condition, liquidity or cash flow of the Company.

## 7 OTHER

During Fiscal 2001, the Company recorded special charges related to: (i) an organizational restructuring in the U.S, (ii) manufacturing and distribution cost rationalization initiatives in the Company's Tegucigalpa, Honduras and Mexico City, Mexico manufacturing facilities and in the Company's European operations, (iii) the closure of the Company's Wonewoc, Wisconsin, manufacturing facility, (iv) the rationalization of uneconomic manufacturing processes at the Company's Fennimore, Wisconsin, manufacturing facility, and rationalization of packaging operations and product lines, and (v) costs associated with the Company's June 2001 secondary offering. The amount recorded includes \$10,100 of employee termination benefits for approximately 570 notified employees, \$10,200 of equipment, inventory, and other asset write-offs, and \$2,000 of other expenses. A summary of the 2001 restructuring activities follows:

## 2001 RESTRUCTURING SUMMARY

	TERMINATION BENEFITS	OTHER COSTS	TOTAL
	-----	-----	-----
Expense accrued.....	\$ 5,000	\$11,000	\$16,000
Change in estimate.....	4,400	100	4,500
Expense as incurred.....	700	1,100	1,800
Cash expenditures.....	(5,800)	(1,300)	(7,100)
Non-cash charges.....	--	(9,300)	(9,300)
	-----	-----	-----
Balance September 30, 2001.....	\$4,300	\$ 1,600	\$ 5,900
Cash expenditures.....	(1,300)	(100)	(1,400)
Non-cash charges.....	--	(100)	(100)
	-----	-----	-----
Balance December 30, 2001.....	\$3,000	\$ 1,400	\$ 4,400
Cash expenditures.....	(1,500)	(100)	(1,600)
Non-cash charges.....	--	(200)	(200)
	-----	-----	-----
Balance March 31, 2002.....	\$1,500	\$ 1,100	\$ 2,600
Cash expenditures.....	(100)	--	(100)
Non-cash charges.....	--	(100)	(100)
	-----	-----	-----
Balance June 30, 2002.....	\$ 1,400	\$ 1,000	\$ 2,400
	=====	=====	=====

During the three months ended June 30, 2002, the Company recorded special charges related to: (i) the closure of the Company's Santo Domingo, Dominican Republic plant, and (ii) manufacturing cost rationalization initiatives in the Company's Mexico City, Mexico facility. The amount recorded includes approximately \$1,200 of employee termination benefits for approximately 110 notified employees, and approximately \$1,400 of equipment, inventory and other asset write-offs. A summary of the 2002 restructuring activities follows:

2002 RESTRUCTURING SUMMARY

	TERMINATION BENEFITS -----	OTHER COSTS -----	TOTAL -----
Expense accrued.....	\$1,200	\$1,400	\$2,600
Balance June 30, 2002.....	\$1,200 =====	\$1,400 =====	\$2,600 =====

8 SEGMENT INFORMATION

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, and South America; Europe/Rest of World ("Europe/ROW") includes the United Kingdom, Europe and all other countries in which the Company does business.

The Company manufactures and markets dry cell batteries including alkaline, zinc carbon, alkaline rechargeable, hearing aid, and other specialty batteries and lighting products throughout the world.

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 revenues are based upon the geographic area in which the product is sold.

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

The reportable segment assets do not include cash, deferred tax benefits, investments, long-term intercompany receivables, most deferred charges, and miscellaneous assets. Capital expenditures are related to reportable segments or corporate. Variable allocations of assets are not made for segment reporting.

Segment information for the three and nine months ended June 30, 2002 and July 1, 2001 is as follows:

REVENUES FROM EXTERNAL CUSTOMERS	THREE MONTHS		NINE MONTHS	
	-----		-----	
	2002	2001	2002	2001
	----	----	----	----
North America.....	\$100,867	\$106,396	\$312,984	\$322,151
Latin America.....	22,710	28,869	67,077	88,886
Europe/ROW.....	11,835	11,704	38,387	34,918
	-----	-----	-----	-----
Total segments.....	\$135,412	\$146,969	\$418,448	\$445,955
	=====	=====	=====	=====

INTER SEGMENT REVENUES	THREE MONTHS		NINE MONTHS	
	-----		-----	
	2002	2001	2002	2001
	----	----	----	----
North America.....	\$7,352	\$6,724	\$25,224	\$23,664
Latin America.....	1,481	2,711	5,230	7,167
Europe/ROW.....	534	574	1,706	1,755
	-----	-----	-----	-----
Total segments.....	\$9,367	\$10,009	\$32,160	\$32,586
	=====	=====	=====	=====

SEGMENT PROFIT	THREE MONTHS		NINE MONTHS	
	-----		-----	
	2002	2001	2002	2001
	----	----	----	----
North America.....	\$27,375	\$21,771	\$52,481	\$59,390
Latin America.....	2,353	3,532	6,500	14,951
Europe/ROW.....	845	1,582	3,097	2,875
	-----	-----	-----	-----
Total segments.....	30,573	26,885	62,078	77,216
Corporate.....	6,869	5,344	21,975	18,978
Special charges.....	2,619	2,579	2,635	18,839
Interest expense.....	3,974	7,017	12,200	22,391
Other expense (income), net.....	503	(180)	118	953
	-----	-----	-----	-----
Income before income taxes.....	\$16,608	\$12,125	\$25,150	\$16,055
	=====	=====	=====	=====

SEGMENT ASSETS	JUNE 30, 2002	JULY 1, 2001
	-----	-----
North America.....	\$234,184	\$266,280
Latin America.....	194,566	207,287
Europe/ROW.....	30,947	26,640
	-----	-----
Total segments.....	\$459,697	\$500,207
Corporate.....	42,769	43,131
	-----	-----
Total assets at period end.....	\$502,466	\$543,338
	=====	=====

**ACQUISITION AGREEMENT:** In July 2002, the Company entered into agreements to acquire the consumer business of Varta Geratebatterie GmbH (Varta) for approximately \$262 million Euros (\$262 million U.S. dollars at current exchange rates). The Company will acquire all of the Varta consumer subsidiaries located outside of Germany and will become the majority owner of a new joint venture entity that will conduct all consumer battery business within Germany. The transaction does not include Varta's Brazilian joint venture, its automotive or micro-power business.

Varta is a leading global battery manufacturer and marketer in consumer battery markets with calendar 2001 sales of approximately \$398 million Euros (\$398 million U.S. dollars at current exchange rates). On closing of acquisition, Rayovac will control the Varta consumer battery products brand rights worldwide. The acquisition is expected to be completed during early fiscal 2003.

The Company currently expects to finance this acquisition entirely with new senior credit facilities. The Company currently intends to replace its existing senior credit facilities with a \$200 million six-year multicurrency revolving credit facility, a \$100 million six-year amortizing term loan facility denominated in Euros and a \$375 million seven-year amortizing term loan facility. In addition to financing the acquisition of the consumer business of Varta, the Company plans to use the proceeds of these new senior credit facilities to refinance the Company's outstanding senior indebtedness, to finance future acquisitions and for working capital and general corporate purposes. Indebtedness under these amended senior credit facilities will be secured.

**SERVICE PROVIDER BANKRUPTCY:** On July 19, 2002, the Company's freight payment service provider (the provider) filed for bankruptcy protection under Chapter 11. Subsequent to the Chapter 11 bankruptcy filing, on July 31, 2002, the provider filed for bankruptcy protection under Chapter 7. At this time, the Company estimates the amount of loss resulting from payments made to the provider not subsequently paid, per binding contract, to the Company's freight carriers is at least \$900. This amount has been recognized as a loss in the results of operations for the three and nine month periods ended June 30, 2002, and is reflected in General and administrative expenses. The resulting liability is classified as a current other accrued liability on the consolidated balance sheets as of June 30, 2002.

10 **GUARANTOR SUBSIDIARIES (ROV HOLDING, INC. AND ROVCAL, INC.)**

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

RAYOVAC CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATING BALANCE SHEET  
As of June 30, 2002  
(Unaudited)  
(In thousands)

	PARENT	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
-ASSETS-					
Current assets:					
Cash and cash equivalents	\$ 2,462	\$ 43	\$ 6,604	\$ --	\$ 9,109
Receivables	26,052	57,709	57,587	(20,079)	121,269
Inventories	53,781	--	25,912	(1,399)	78,294
Prepaid expenses and other	18,052	342	7,984	--	26,378
	-----	-----	-----	-----	-----
Total current assets	100,347	58,094	98,087	(21,478)	235,050
Property, plant and equipment, net	76,471	22	26,987	--	103,480
Deferred charges and other, net	68,203	631	6,278	(30,210)	44,902
Intangible assets, net	89,759	--	29,463	(188)	119,034
Investments in subsidiaries	147,846	89,723	--	(237,569)	--
	-----	-----	-----	-----	-----
Total assets	\$ 482,626	\$ 148,470	\$ 160,815	\$(289,445)	\$ 502,466
	=====	=====	=====	=====	=====
-LIABILITIES AND SHAREHOLDERS' EQUITY-					
Current liabilities:					
Current maturities of long-term debt	\$ 23,124	\$ --	\$ 4,055	\$ (7,439)	\$ 19,740
Accounts payable	42,507	--	21,717	(11,823)	52,401
Accrued liabilities:					
Wages and benefits and other	23,082	383	4,972	--	28,437
Other special charges	3,683	--	271	--	3,954
	-----	-----	-----	-----	-----
Total current liabilities	92,396	383	31,015	(19,262)	104,532
Long term debt, net of current maturities	193,768	--	30,241	(30,230)	193,779
Employee benefit obligations, net of current portion	20,378	--	558	--	20,936
Other	5,950	241	9,529	--	15,720
	-----	-----	-----	-----	-----
Total liabilities	312,492	624	71,343	(49,492)	334,967
Shareholders' equity:					
Common stock	615	1	12,072	(12,072)	616
Additional paid-in capital	180,391	62,788	54,157	(116,826)	180,510
Retained earnings	138,869	93,539	31,422	(127,750)	136,080
Accumulated other comprehensive loss	(13,685)	(8,482)	(8,179)	16,695	(13,651)
Notes receivable from officers/shareholders	(4,180)	--	--	--	(4,180)
	-----	-----	-----	-----	-----
Total shareholders' equity	302,010	147,846	89,472	(239,953)	299,375
Less: Treasury stock, at cost	(130,070)	--	--	--	(130,070)
Less: Unearned restricted stock compensation	(1,806)	--	--	--	(1,806)
	-----	-----	-----	-----	-----
Total shareholders' equity	170,134	147,846	89,472	(239,953)	167,499
	-----	-----	-----	-----	-----
Total liabilities & shareholders' equity	\$ 482,626	\$ 148,470	\$ 160,815	\$(289,445)	\$ 502,466
	=====	=====	=====	=====	=====

RAYOVAC CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS  
For the three month period ended June 30, 2002  
(Unaudited)  
(In thousands)

	PARENT	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
	-----	-----	-----	-----	-----
Net sales	\$ 97,715	\$ 10,141	\$ 40,343	\$(12,787)	\$135,412
Cost of goods sold	54,149	9,837	27,528	(13,122)	78,392
Special charges	2,625	--	(6)	--	2,619
	-----	-----	-----	-----	-----
Gross profit	40,941	304	12,821	335	54,401
Selling expense	16,528	187	8,131	(87)	24,759
General and administrative	4,383	(2,586)	3,554	--	5,351
Research and development	3,206	--	--	--	3,206
	-----	-----	-----	-----	-----
Total operating expenses	24,117	(2,399)	11,685	(87)	33,316
Income from operations	16,824	2,703	1,136	422	21,085
Interest expense	3,799	--	445	(270)	3,974
Equity (income) loss	(2,684)	17	--	2,667	--
Other (income) expense, net	(397)	(130)	760	270	503
	-----	-----	-----	-----	-----
Income (loss) before income taxes	16,106	2,816	(69)	(2,245)	16,608
Income tax expense (benefit)	6,214	132	(52)	--	6,294
	-----	-----	-----	-----	-----
Net income (loss)	\$ 9,892	\$ 2,684	\$ (17)	\$ (2,245)	\$ 10,314
	=====	=====	=====	=====	=====

RAYOVAC CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS  
For the nine month period ended June 30, 2002  
(Unaudited)  
(In thousands)

	PARENT	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
	-----	-----	-----	-----	-----
Net sales	\$ 306,442	\$ 29,681	\$ 123,588	\$ (41,263)	\$ 418,448
Cost of goods sold	176,640	28,790	83,788	(40,472)	248,746
Special charges	2,556	--	79	--	2,635
	-----	-----	-----	-----	-----
Gross profit	127,246	891	39,721	(791)	167,067
Selling expense	52,114	544	24,410	(290)	76,778
General and administrative	40,346	(8,241)	10,880	--	42,985
Research and development	9,836	--	--	--	9,836
	-----	-----	-----	-----	-----
Total operating expenses	102,296	(7,697)	35,290	(290)	129,599
Income from operations	24,950	8,588	4,431	(501)	37,468
Interest expense	11,639	--	1,754	(1,193)	12,200
Equity (income)	(9,386)	(583)	--	9,969	--
Other (income) expense, net	(1,700)	(598)	973	1,443	118
	-----	-----	-----	-----	-----
Income before income taxes	24,397	9,769	1,704	(10,720)	25,150
Income tax expense	7,550	383	1,121	--	9,054
	-----	-----	-----	-----	-----
Net income	\$ 16,847	\$ 9,386	\$ 583	\$ (10,720)	\$ 16,096
	=====	=====	=====	=====	=====



RAYOVAC CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS  
For the nine month period ended June 30, 2002  
(Unaudited)  
(In thousands)

	PARENT	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
	-----	-----	-----	-----	-----
Net cash provided by operating activities...	\$ 50,030	\$ 1	\$ 5,808	\$ (2,292)	\$ 53,547
Cash flows from investing activities:					
Purchases of property, plant and equipment.....	(10,612)	--	(1,310)	--	(11,922)
Proceeds from sale of property, plant, and equipment.....	20	--	1	--	21
Net cash used by investing activities.....	(10,592)	--	(1,309)	--	(11,901)
Cash flows from financing activities:					
Reduction of debt.....	(163,407)	--	(5,182)	--	(168,589)
Proceeds from debt financing.....	124,500	--	--	--	124,500
Issuance of stock.....	171	--	--	--	171
Other.....	(1,089)	--	(408)	251	(1,246)
Net cash used by financing activities.....	(39,825)	--	(5,590)	251	(45,164)
Effect of exchange rate changes on cash and cash equivalents.....	--	--	(772)	2,041	1,269
Net (decrease) increase in cash and cash equivalents.....	(387)	1	(1,863)	--	(2,249)
Cash and cash equivalents, beginning of period.....	2,849	46	8,463	--	11,358
Cash and cash equivalents, end of period....	\$ 2,462	\$ 47	\$ 6,600	\$ --	\$ 9,109
	=====	=====	=====	=====	=====

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FISCAL QUARTER AND NINE MONTHS ENDED JUNE 30, 2002 COMPARED TO FISCAL QUARTER AND NINE MONTHS ENDED JULY 1, 2001

**NET SALES.** Net sales for the three months ended June 30, 2002 (the "Fiscal 2002 Quarter") decreased \$11.6 million, or 7.9%, to \$135.4 million from \$147.0 million in the three months ended July 1, 2001 (the "Fiscal 2001 Quarter"). The sales decline reflects continued economic weakness in Latin America, and continued category promotional activity and a cautious retail inventory environment in North America compounded by lower sales to a major customer in bankruptcy.

Net sales for the nine months ended June 30, 2002 (the "Fiscal 2002 Nine Months") decreased \$27.6 million, or 6.2%, to \$418.4 million from \$446.0 million in the nine months ended July 1, 2001 (the "Fiscal 2001 Nine Months"). The sales decline primarily reflects continued economic weakness in the Latin America region and continued category promotional activity and a cautious retail inventory environment in North America partially offset by increased volume in Europe/ROW.

**NET INCOME.** Net income for the Fiscal 2002 Quarter increased \$7.6 million to \$10.3 million from \$2.7 million in the Fiscal 2001 Quarter. The Fiscal 2002 Quarter includes a \$4.1 million bad debt recovery resulting from the sale of a majority portion of the receivable written-off in the quarter ended December 30, 2001, a \$3.0 million reduction in interest expense versus the prior year, offset by a decline in operating income in Latin America and Europe/ROW. Additionally, the Fiscal 2001 quarter included \$5.4 million extraordinary loss, net of tax, related to the early retirement of debt.

Net income for the Fiscal 2002 Nine Months increased \$11.0 million to \$16.1 million from \$5.1 million in the Fiscal 2001 Nine Months. The increase reflects a \$10.2 reduction in interest expense, a \$16.2 reduction in special charges, and improved profitability in North America compared to the Fiscal 2001 Nine Months, excluding bad debt impacts. These improvements were offset by a bad debt reserve, net of recovery, of \$12.0 million related to the bankruptcy filing of a major customer, and declines in profitability in the Latin America segment. The Fiscal 2001 Nine Months included a \$5.4 million extraordinary loss, net of tax, attributable to the early retirement of debt.

**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, and South America; Europe/ROW includes the United Kingdom, Europe and all other countries in which the company does business. We evaluate segment profitability based on income from operations before corporate expense. Corporate expense includes corporate purchasing expense, general and administrative expense, and research and development expense.

	FISCAL QUARTER		NINE MONTHS	
	2002	2001	2002	2001
NORTH AMERICA				
Revenue from external customers.....	\$100.9	\$106.4	\$312.9	\$322.2
Profitability.....	27.4	21.8	52.5	59.4
Profitability as a % of net sales.....	27.2%	20.5%	16.8%	18.4%
Assets.....	\$234.2	\$266.3	\$234.2	\$266.3

Our sales to external customers decreased \$5.5 million, or 5.2%, to \$100.9 million in the Fiscal 2002 Quarter from \$106.4 million the previous year due primarily to weakness in alkaline and heavy duty batteries partially offset by strong sales in rechargeable and specialty batteries and lighting products. Alkaline sales decreases were primarily attributable to the decline in sales to a major customer in bankruptcy, a cautious retail inventory environment and continued promotional activity, and our inability to anniversary sales to an OEM customer in the prior year. Heavy duty sales decreases reflect reduced distribution and general industry trends. Rechargeable battery and lighting

product sales growth was primarily attributable to the success of new products. Specialty battery sales growth resulted from higher sales of lithium batteries to the OEM channel.

In the Fiscal 2002 Nine Months, our sales to external customers decreased \$9.3 million, or 2.9%, to \$312.9 million in the Fiscal 2002 Nine Months from \$322.2 million the previous year as a result of growth in overall sales of alkaline batteries, rechargeable batteries and lighting products offset by weakness in heavy duty and specialty batteries. Alkaline sales increases were primarily attributable to new distribution offset by the decline in sales to a major customer in bankruptcy, and a cautious retail inventory environment and continued promotional activity. Rechargeable batteries and lighting products increases were primarily attributable to product line extension and the introduction of new products. Heavy duty sales decreases reflect the industry trend toward alkaline in place of heavy duty and reduced distribution. Specialty batteries sales decreases versus last year primarily reflect a decline in camcorder battery sales due to the transition to a product licensing agreement.

Our profitability increased \$5.6 million, or 25.7%, to \$27.4 million in the Fiscal 2002 Quarter from \$21.8 million in the Fiscal 2001 Quarter. The increase in profitability in the Fiscal 2002 Quarter was primarily attributable to a \$4.1 million recovery of bad debt resulting from the sale of a majority portion of the receivables of a bankrupt customer in addition to lower operating expenses, partially offset by a reduction in gross profit due to the sales decrease. Excluding the impacts of the bad debt recovery, our profitability margins increased 260 basis points to 23.1% from 20.5% in the same quarter last year.

In the Fiscal 2002 Nine Months, our profitability decreased \$6.9 million, or 11.6%, to \$52.5 million in the Fiscal 2002 Nine Months from \$59.4 million in the Fiscal 2001 Nine Months. The decrease in profitability in the Fiscal 2002 Nine Months was primarily attributable to a \$12.0 million bad debt reserve, net of recovery, attributable to the bankruptcy filing of a major customer. Excluding the impact of this reserve, profitability increased \$5.1 million, or 8.6%, versus the same period last year due to lower operating expenses. Our profitability margins, excluding the net bad debt reserve impacts, increased 220 basis points to 20.6% from 18.4% in the previous year. The increase primarily reflects lower operating expenses as a percentage of sales partially offset by a reduction in gross profit margins reflecting a shift in customer mix and increased promotional activity.

Our assets decreased \$32.1 million, or 12.1%, to \$234.2 million in the Fiscal 2002 Quarter from \$266.3 million the previous year. The decrease was primarily attributable to a decrease in receivables and inventory.

LATIN AMERICA	FISCAL QUARTER		NINE MONTHS	
	2002	2001	2002	2001
Revenue from external customers.....	\$ 22.7	\$ 28.9	\$ 67.1	\$ 88.9
Profitability.....	2.4	3.5	6.5	14.9
Profitability as a % of net sales.....	10.6%	12.1%	9.7%	16.8%
Assets.....	\$194.6	\$207.3	\$194.6	\$207.3

Our sales to external customers decreased \$6.2 million, or 21.5% to \$22.7 million in the Fiscal 2002 Quarter from \$28.9 million in the same period last year, and decreased \$21.8 million, or 24.5%, to \$67.1 million in the Fiscal 2002 Nine Months from \$88.9 million the same period last year due primarily to decreased sales of zinc carbon and alkaline batteries. Net sales were impacted by unfavorable economic conditions, continued curtailment of shipments to certain distributors and wholesalers who were delinquent in payments, political uncertainties in Argentina and Venezuela, and the unfavorable impact of currency devaluation which contributed approximately 10.7% and 6.4%, respectively, to the sales decline versus the prior year periods.

Profitability in the Latin America segment was \$2.4 million and \$6.5 million in the Fiscal 2002 Quarter and Nine Months, respectively. The decrease in profitability versus the same period last year was primarily attributable to the sales and gross profit margin decline and the unfavorable impact of currency devaluation, partially offset by a reduction in operating expenses primarily reflecting a reduction in advertising expense and the adoption of SFAS 142 which resulted in a reduction of amortization expense. Profitability margins in the Fiscal 2002 Quarter and Fiscal

2002 Nine Months decreased primarily due to our relatively fixed operating expenses spread over lower sales compounded by an unfavorable product line mix.

Our assets decreased \$12.7 million, or 6.1%, to \$194.6 million in the Fiscal 2002 Quarter from \$207.3 million the previous year due to decreases in accounts receivable, inventory, and prepaid advertising and other assets.

EUROPE/ROW	FISCAL QUARTER		NINE MONTHS	
	2002	2001	2002	2001
Revenue from external customers.....	\$11.8	\$11.7	\$38.4	\$34.9
Profitability.....	0.8	1.6	3.1	2.9
Profitability as a % of net sales.....	6.8%	13.7%	8.1%	8.3%
Assets.....	\$30.9	\$26.6	\$30.9	\$26.6

Our sales to external customers increased \$0.1 million, or 0.9%, to \$11.8 million in the Fiscal 2002 Quarter from \$11.7 million the same period last year and increased \$3.5 million, or 10.0%, to \$38.4 million in the Fiscal 2002 Nine Months from \$34.9 million the same period last year primarily reflecting strong sales of alkaline and hearing aid batteries attributable to distribution gains and the favorable impact of foreign exchange rates.

Our profitability decreased \$0.8 million in the Fiscal 2002 Quarter and increased \$0.2 million in the Fiscal 2002 Nine Months. Profitability in the Fiscal 2002 Quarter was impacted by increased operating expenses and unfavorable gross profit margins due to an unfavorable product line mix. The increase in profitability in the Fiscal 2002 Nine Months primarily reflects the benefits of volume gains and favorable foreign exchange rates partially offset by increased operating expenses. Our profitability margin decreased, as a percentage of sales, in the Fiscal 2002 Quarter, primarily due to higher operating expenses.

Our assets increased \$4.3 million, or 16.2%, to \$30.9 million from \$26.6 million the previous year due to an increase in inventory and receivables reflecting the sales growth and due to foreign exchange rate impacts.

**CORPORATE EXPENSE.** Our corporate expense increased \$1.6 million, or 30.2%, to \$6.9 million in the Fiscal 2002 Quarter from \$5.3 million in the Fiscal 2001 Quarter and increased \$3.1 million, or 16.4%, to \$22.0 million in the Fiscal 2002 Nine Months from \$18.9 million the same period last year. The increase in the Fiscal 2002 Quarter primarily reflects higher technology spending, legal expenses, and the loss recorded related to the bankruptcy of the Company's freight payment service provider, offset by lower management incentives compared to the prior year.

The increased expense in the Fiscal 2002 Nine Months was attributable to increased technology spending, and the loss recorded relating to the bankruptcy of the Company's freight payment service provider. The Fiscal 2001 Quarter and Nine Months reflected a gain on the sale of an investment which was not repeated in the current year periods. As a percentage of total sales, our corporate expense was 5.1% and 3.6% in the Fiscal 2002 and Fiscal 2001 Quarters, respectively, and 5.3% and 4.2% in the Fiscal 2002 and Fiscal 2001 Nine Months, respectively.

**SPECIAL CHARGES.** The Fiscal 2002 Quarter and Nine Months reflects \$2.6 million of special charges related to the closure of the Santo Domingo, Dominican Republic manufacturing facility and other cost rationalizations in our Mexico City, Mexico manufacturing facility. The Fiscal 2001 Quarter and Nine Months reflects \$2.6 million and \$18.8 million, respectively, in special charges primarily associated with the closure of our Wonewoc, Wisconsin, manufacturing facility and restructuring initiatives in Latin America and North America.

**INCOME FROM OPERATIONS.** Our income from operations increased \$2.1 million, or 11.1%, to \$21.1 million in the Fiscal 2002 Quarter from \$19.0 million the same period last year. The increase was primarily attributable to increased profitability in North America due to the bad debt recovery, improved gross margins, and lower operating expenses, partially offset by the profitability decline in Latin America and Europe/ROW, and higher corporate expenses.

In the Fiscal 2002 Nine Months, our income from operations decreased \$1.9 million, or 4.8%, to \$37.5 million from \$39.4 million the previous year. The decrease was primarily attributable to the profitability decline in Latin America. A bad debt reserve and related recovery associated with the bankruptcy filing of a major customer was recognized in the Fiscal 2002 Nine Months, while the Fiscal 2001 Nine Months reflects the special charge reserve.

INTEREST EXPENSE. Interest expense decreased \$3.0 million to \$4.0 million in the Fiscal 2002 Quarter and decreased \$10.2 million to \$12.2 million in the Fiscal 2002 Nine Months due to the retirement of \$65.0 million in Senior Subordinated Notes following the June 2001 stock offering combined with lower effective interest rates and better global working capital management.

OTHER EXPENSE (INCOME). Other expense increased \$0.7 million to a \$0.5 million net expense in the Fiscal 2002 Quarter. The increase in the Fiscal 2002 Quarter was attributable to foreign exchange losses reflecting the unfavorable impacts of currency devaluations in Argentina and Venezuela.

Other expense decreased \$0.8 million to \$0.1 million in the Fiscal 2002 Nine Months. The decrease in the Fiscal 2002 Nine Months was attributable to the unfavorable impacts of currency devaluations in Venezuela and Argentina, partially offset by foreign exchange gains versus foreign exchange losses in the same period last year, primarily in Mexico.

INCOME TAX EXPENSE. Our effective tax rate was 37.9% and 33.4% for the Fiscal 2002 Quarter and the Fiscal 2001 Quarter, respectively. Our effective tax rate was 36.0% for the Fiscal 2002 Nine Months compared to 35.0% for the Fiscal 2001 Nine Months. The effective tax rate for the prior year reflects a larger percentage of our income being derived from foreign jurisdictions.

#### ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

Effective October 1, 2001, the Company adopted Statement of Financial Accounting Standards (SFAS) 141, BUSINESS COMBINATIONS, and SFAS 142, GOODWILL AND OTHER INTANGIBLE ASSETS. Statement 141 requires that the purchase method of accounting be used for all business combinations initiated or completed after June 30, 2001. Statement 141 also specifies criteria that intangible assets acquired in a purchase method business combination must meet to be recognized and reported apart from goodwill. Statement 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized, but instead be tested for impairment at least annually in accordance with the provisions of Statement 142. Statement 142 also requires that intangible assets with estimable useful lives be amortized over their respective estimated useful lives to their estimated residual values, and reviewed for impairment in accordance with Statement 121, ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF.

The adoption of Statement 142 resulted in an increase to pre-tax income of \$0.8 million (\$0.6 million after-tax) versus the previous year's quarter and \$2.5 million (\$1.8 million after-tax) versus the Fiscal 2001 Nine Months. The increase is attributable to the discontinuation of amortization of the trade name and Latin America, North America, and Europe/ROW segment goodwill. These assets were being amortized on a straight-line basis over 15 to 40 years. Upon initial application of Statement 142, the Company reassessed the useful lives of its intangible assets and deemed only the trade name to have an indefinite useful life because it is expected to generate cash flows indefinitely. The unamortized book value of these assets is \$115.6 million. Upon the transition to Statement 142, no goodwill was deemed to be impaired.

Effective January 1, 2002, the Company adopted Emerging Issues Task Force (EITF) Issue No. 00-14, "Accounting for Certain Sales Incentives" and Issue No. 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products or Services". These Issues address the recognition, measurement, and income statement classification for various types of sales incentives including discounts, coupons, rebates and free products and when consideration from a vendor to a retailer or distributor in connection with the purchase of the vendor's products to promote sales of the vendor's products should be classified in the vendor's income statement as a reduction of revenue or expense.

The adoption of these EITF's resulted in the following reclassifications in the Company's results of operations. For the Fiscal 2002 and 2001 Quarters, net sales were reduced by \$9.2 and \$12.1 million, respectively; cost of sales were increased by \$3.8 and \$3.3 million, respectively; and selling expenses were reduced by \$13.0 and \$15.4 million, respectively. For the For the Fiscal 2002 and 2001 Nine Months, net sales were reduced by \$38.5 and \$41.9 million, respectively; cost of sales were increased by \$11.8 and \$10.2 million, respectively; and selling expenses were reduced by \$50.3 and \$52.1 million, respectively.

Concurrent with the adoption of EITF 00-25, the Company reclassified certain accrued trade incentives as a contra receivable versus the Company's previous presentation as a component of accounts payable. Historically, customers offset earned trade incentives when making payments on account. Therefore, the Company believes the reclassification of these accrued trade incentives as a contra receivable better reflects the underlying economics of the Company's net receivable due from out trade customers.

The reclassification results in a reduction in accounts receivable and accounts payable in our Consolidated Balance Sheets of \$20.8 million and \$21.4 million at June 30, 2002 and September 30, 2001, respectively.

#### LIQUIDITY AND CAPITAL RESOURCES

For the Fiscal 2002 Nine Months, operating activities provided \$53.5 million in net cash compared with \$27.6 million the previous year. Operating cash flow increases versus the previous year primarily reflect the reduction of interest payments due to the retirement of \$65.0 million in Senior Subordinated Notes as well as a lower investment in working capital reflecting lower investment in receivables.

Net cash used by investing activities decreased \$2.2 million versus the same period a year ago reflecting a decrease in capital expenditures. Expenditures in the Fiscal 2002 Nine Months were primarily for improvements to alkaline battery manufacturing. Capital expenditures for fiscal 2002 are expected to be approximately \$20.0 million which will include continued performance upgrades to our alkaline and zinc air manufacturing and packaging operations and continued investment in technology.

During the Fiscal 2002 Nine Months we granted approximately 1.0 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.

As a result of the bad debt reserve for Kmart receivables in the quarter ended December 30, 2001, the Company was out of compliance with the leverage ratio covenant of its senior bank credit agreement ("Second Amended Restated Credit Agreement"). On February 12, 2002, the Company amended the Second Amended Restated Credit Agreement ("Fourth Amendment") which placed it in compliance with an amended leverage ratio based on an amended definition of EBITDA (see Exhibit 4.11). The Company recorded \$0.3 million of fees paid as a result of the amendment as a debt issuance cost which will be amortized over the remaining life of the agreement.

The Company believes that cash flow from operating activities and periodic borrowings under its amended credit facilities will be adequate to meet the Company's short-term and long-term operating liquidity requirements prior to the maturity of those credit facilities, although no guarantee can be given in this regard. The Company's current credit facilities include a revolving credit facility of \$250.0 million and term loan of \$75.0 million. As of June 30, 2002, \$25.7 million of the term loan remained outstanding and \$183.2 million was outstanding under the revolving facility with approximately \$6.0 million of the remaining availability utilized for outstanding letters of credit.

#### 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 "Significant Accounting Policies" in Notes to our consolidated financial statements.

##### INTEREST RATE RISK

We have bank lines of credit at variable interest rates. The general level of U.S. interest rates, LIBOR, IBOR, and to a lesser extent European Base rates, 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 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 are made primarily in Pounds Sterling, Canadian Dollars, Euros, Mexican Pesos, Guatemalan Quetzals, Dominican Pesos, Venezuelan Bolivars, Argentine Pesos, Chilean Pesos and Honduran Lempira. Foreign currency purchases are made primarily in Pounds Sterling, Euros, Mexican Pesos, Dominican Pesos, and Guatemalan Quetzals. We manage our foreign exchange exposure from anticipated sales, accounts receivable, intercompany loans, firm purchase commitments and credit obligations through the use of naturally occurring offsetting positions (borrowing in local currency), forward foreign exchange contracts, foreign exchange rate swaps and foreign exchange options. The related amounts payable to, or receivable from, the contract counter parties are included in accounts payable or accounts receivable.

#### COMMODITY PRICE RISK

We are exposed to fluctuation 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 counterparties 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 30, 2002, the potential change in fair value of outstanding interest rate derivative instruments, assuming a 1% unfavorable shift in the underlying interest rates would be a loss of \$3.9 million. The net impact on reported earnings, after also including the reduction in one year's interest expense on the related debt due to the same shift in interest rates, would be a net loss of \$1.5 million.

As of June 30, 2002, the potential change in fair value of outstanding foreign exchange rate derivative instruments, assuming a 10% unfavorable change in the underlying foreign exchange rates would be immaterial. The net impact on future cash flows, after also including the gain in value on the related accounts receivable and contractual payment obligations outstanding at June 30, 2002 due to the same change in exchange rates, would be a net gain of \$0.6 million.

As of June 30, 2002, 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 \$0.8 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 immaterial.

#### IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In August 2001, the FASB issued Statement No. 143, ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS. Statement No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The Company is required to adopt no later than its fiscal year beginning October 1, 2002. Management is currently evaluating the impact of adoption on the consolidated financial statements.

In October 2001, the FASB issued Statement No. 144, ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS. This statement supersedes FASB Statement No. 121, ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF, and the accounting and reporting provisions of APB Opinion No. 30, REPORTING THE RESULTS OF OPERATIONS - REPORTING THE EFFECTS OF DISPOSAL OF A SEGMENT OF A BUSINESS, AND EXTRAORDINARY, UNUSUAL AND INFREQUENTLY OCCURRING EVENTS AND TRANSACTIONS, for the disposal of a segment of a business. The Company is required to adopt no later than its fiscal year beginning October 1, 2002. Management is currently evaluating the impact of adoption on the consolidated financial statements.

In April 2002, the FASB issued Statement No. 145, RESCISSION OF FASB STATEMENTS NO. 4, 44, AND 64, AMENDMENT OF FASB STATEMENT NO. 13, AND TECHNICAL CORRECTIONS. The Statement addresses, among other things, the income statement treatment of gains and losses related to debt extinguishments, requiring such expenses to no longer be treated as extraordinary items, unless the items meet the definition of extraordinary per APB Opinion No. 30, REPORTING THE RESULTS OF OPERATIONS - REPORTING THE EFFECTS OF DISPOSAL OF A SEGMENT OF A BUSINESS, AND EXTRAORDINARY, UNUSUAL AND INFREQUENTLY OCCURRING EVENTS AND TRANSACTIONS. The Company is required to adopt no later than its fiscal year beginning October 1, 2002. Management is currently evaluating the impact of adoption on the consolidated financial statements.

In July 2002, the FASB issued Statement No. 146, ACCOUNTING FOR COSTS ASSOCIATED WITH EXIT OR DISPOSAL ACTIVITIES. The Statement requires companies to recognize costs associated with exit or disposal activities when they are incurred rather than at the date of a commitment to an exit or disposal plan. The Statement replaces EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring)." The Company is required to apply this Statement prospectively to exit or disposal activities initiated after December 31, 2002. Management is currently evaluating the impact of adoption on the consolidated financial statements.

#### FORWARD LOOKING STATEMENTS

Certain of the information contained in this Form 10-Q, including without limitation statements made under Part I, Item 1, "Financial Statements" and Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Part I, Item 3, "Quantitative and Qualitative Disclosures about Market Risk" which are not historical facts, may include "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act, as amended. In reviewing such information, you should note that our actual results may differ materially from those set forth in such forward-looking statements.

Important factors that could cause our actual results to differ materially from those included in the forward-looking statements made herein include, without limitation, (1) significant changes in consumer demand and buying practices for household batteries, hearing aid batteries or other products we manufacture or sell in North America, Latin America or Europe/ROW; (2) the loss of, or a significant reduction in, sales through a significant retail customer; (3) the successful introduction or expansion of competitive brands into the marketplace, including private label offerings; (4) the introduction of new product features or new battery technologies by a competitor; (5) promotional campaigns and spending by a competitor; (6) difficulties or delays in the integration of operations of acquired companies; (7) our ability to successfully implement manufacturing and distribution cost efficiencies and improvements; (8) delays in manufacturing or distribution due to work stoppages, problems with suppliers, natural causes or other factors; (9) the enactment or imposition of unexpected environmental regulations negatively impacting consumer demand for certain of our battery products or increasing our cost of manufacture or distribution; (10) the costs and effects of unanticipated legal, tax or regulatory proceedings; (11) the effects of competitors' patents or other intellectual property rights; (12) interest rate, exchange rate and raw material price fluctuations; (13) impact of unusual items resulting from evaluation of business strategies, acquisitions and divestitures and organizational structure; (14) changes in accounting standards applicable to our business; and (15) the effects of changes in trade, monetary or fiscal policies and regulations by governments in countries where we do business.

Additional factors and assumptions that could generally cause our actual results to differ materially from those included in the forward-looking statements made herein include, without limitation, (1) our ability to develop and introduce new products; (2) the effects of general economic conditions in North America, Europe, Latin America or other countries where we do business, including inflation, labor costs and stock market volatility; (3) the effects of political or economic



conditions, unrest or volatility in Latin America and other international markets; (4) the sufficiency of our production and distribution capacity to meet future demand for our products; (5) our ability to keep pace with the product and manufacturing technological standards in our industry; (6) our ability to continue to penetrate and develop new distribution channels for our products; and (7) various other factors, including those discussed herein and those set forth in our most recent Annual Report on Form 10-K and the prospectus supplement for our most recent public offering of common stock. Other factors and assumptions not identified above were also involved in the derivation of the forward-looking statements contained in this Form 10-Q and the failure of such other assumptions to be realized, as well as other factors, may also cause actual results to differ materially from those projected. We assume no obligations to update these forward-looking statements to reflect actual results or changes in factors or assumptions affecting such forward-looking statements.

## 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, 2001, other than the item mentioned below.

On May 31, 2002, a plaintiff represented by the law firm of Milberg Weiss Bershad Hynes & Lerach filed a class action lawsuit in the United States District Court for the Western District of Wisconsin against defendants Rayovac Corporation and several of its current and former executive officers and directors alleging that the defendants violated Sections 11, 12(a)(2) and 15 of the Securities Act of 1933 and Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder (ELI FRIEDMAN V. RAYOVAC CORPORATION, KENNETH V. BILLER, KENT J. HUSSEY, DAVID A. JONES, SCOTT A. SCHOEN, STEPHEN P. SHANESY, THOMAS R. SHEPARD, 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 complaint alleges that defendants made various false and misleading statements which had the alleged effect of artificially inflating the price of Rayovac stock during the period from April 26, 2001 until September 19, 2001. Substantially similar lawsuits were subsequently filed on June 11, 2002 (RICHARD SLATTEN V. RAYOVAC CORPORATION, KENNETH V. BILLER, KENT J. HUSSEY, DAVID A. JONES, SCOTT A. SCHOEN, STEPHEN P. SHANESY, THOMAS R. SHEPARD, RANDALL J. STEWARD, WARREN C. SMITH, JR., AND MERRELL TOMLIN, CASE NO. 02 C 0325 C, UNITED STATES DISTRICT COURT, WESTERN DISTRICT OF WISCONSIN) and on June 28, 2002 (DAVID HAYES V. RAYOVAC CORPORATION, KENNETH V. BILLER, KENT J. HUSSEY, DAVID A. JONES, SCOTT A. SCHOEN, STEPHEN P. SHANESY, THOMAS R. SHEPARD, RANDALL J. STEWARD, WARREN C. SMITH, JR., MERRELL TOMLIN, AND LUIS CANCIO CASE NO. 02 C 0370 C, UNITED STATES DISTRICT COURT, WESTERN DISTRICT OF WISCONSIN). Rayovac and the individual defendants have not yet answered these complaints, but they intend to deny all material allegations and vigorously defend themselves in these actions.

## ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

## (a) Exhibits

EXHIBIT NUMBER	DESCRIPTION
2.1++++	Share Purchase Agreement made as of June 11, 1999, by and among the Company, Vidor Battery Company, Rayovac Latin America, Ltd., the shareholders of ROV Limited, ROV Limited, ESB ROV Ltd., Duranmas, S.A., certain second-tier subsidiaries of ROV Limited, Ray-O-Vac Overseas Corporation, and Alfredo J. Diez and Richard T. Doyle, Jr., as selling group representatives.
2.2++++	Form of Stock Purchase Agreement entered into on or around June 11, 1999, by and among the Company, Rayovac Latin America, Ltd. and certain persons who hold minority interests in certain of the operating subsidiaries of Ray-O-Vac Overseas Corporation.
3.1+	Amended and Restated Articles of Incorporation of the Company.
3.2*****	Amended and Restated By-laws of the Company, as amended through May 17, 1999.
4.1**	Indenture, dated as of October 22, 1996, by and among the Company, ROV Holding, Inc. and Marine Midland Bank, as trustee, relating to the Company's 10 1/4% Senior Subordinated Notes due 2006.
4.2*****	First Supplemental Indenture, dated as of February 26, 1999, by and among the Company, ROV Holding, Inc. and HSBC Bank USA (formerly known as Marine Midland Bank) as trustee, relating to the Company's 10 1/4% Senior Subordinated Notes due 2006.
4.3++++	Second Supplemental Indenture, dated as of August 6, 1999, by and among the Company, ROV Holding, Inc. and HSBC Bank USA (formerly known as Marine Midland Bank) as trustee, relating to the Company's 10 1/4% Senior Subordinated Notes due 2006.
4.4*****	Third Supplemental Indenture, dated as of June 13, 2001, by and among the Company, ROV Holding, Inc., ROVCAL, Inc. and HSBC Bank USA (formerly known as Marine Midland Bank) as trustee, relating to the Company's 10 1/4% Senior Subordinated Notes due 2006.
4.5**	Specimen of the Notes (included as an exhibit to Exhibit 4.1)
4.6****	Amended and Restated Credit Agreement, dated as of December 30, 1997, by and among the Company, the lenders party thereto and Bank of America National Trust and Savings Association ("BoFA"), as Administrative Agent.
4.7++++	Second Amended and Restated Credit Agreement, dated as of August 9, 1999, by and among the Company, the lenders party thereto and Bank of America, NA as Administrative Agent.
4.8+++++	The First Amendment dated as of July 28, 2000 to the Second Amended and Restated Credit Agreement, dated as of August 9, 1999, by and among the Company, the lenders party thereto and Bank of America, NA as Administrative Agent.
4.9++++++	The Second Amendment dated as of December 31, 2000 to the Second Amended and Restated Credit Agreement, dated as of August 9, 1999, by and among the Company, various financial institutions, and Bank of America, NA as Administrative Agent.
4.10+++++++	The Third Amendment dated as of June 11, 2001, to the Second Amended and Restated Credit Agreement, dated as of August 9, 1999, by and among the Company, various financial institutions, and Bank of America, NA as Administrative Agent.
4.11+++++++	The Fourth Amendment dated as of February 12, 2002, to the Second Amended and Restated Credit Agreement, dated as of August 9, 1999, by and among the Company, various financial institutions, and Bank of America, NA as Administrative Agent.
4.12**	The Security Agreement, dated as of September 12, 1996, by and among the Company, ROV Holding, Inc. and Bank of America, NA.

- 4.13\*\* The Company Pledge Agreement, dated as of September 12, 1996, by and between the Company and Bank of America, NA.
- 4.14 Amended and Restated Shareholders Agreement, dated as of July 31, 2002, by and among the Company and the shareholders of the Company referred to therein.
- 4.15\* Specimen certificate representing the Common Stock.
- 10.1\*\* Management Agreement, dated as of September 12, 1996, by and between the Company and Thomas H. Lee Company.
- 10.2\*\* Confidentiality, Non-Competition and No-Hire Agreement, dated as of September 12, 1996, by and between the Company and Thomas F. Pyle.
- 10.3+++++ Amended and Restated Employment Agreement, dated as of October 1, 2000, by and between the Company and David A. Jones.
- 10.4+++++ Amended and Restated Employment Agreement, dated as of October 1, 2000, by and between the Company and Kent J. Hussey.
- 10.5+++++ Employment Agreement, dated as of October 1, 2000, by and between the Company and Kenneth V. Biller.
- 10.6+++++ Employment Agreement, dated as of October 1, 2000, by and between the Company and Stephen P. Shanesy.
- 10.7+++++ Employment Agreement, dated as of October 1, 2000, by and between the Company and Merrell M. Tomlin.
- 10.8+++++ Employment Agreement, dated as of October 1, 2000, by and between the Company and Luis A. Cancio.
- 10.9 Employment Agreement, dated as of November 1, 2001, by and between the Company and Dr. Paul G. Cheeseman.
- 10.10\*\* Technology, License and Service Agreement between Battery Technologies (International) Limited and the Company, dated June 1, 1991, as amended July 19, 1993, and December 31, 1995.
- 10.11\*\* Building Lease between the Company and SPG Partners dated May 14, 1985, as amended June 24, 1986, and June 10, 1987.
- 10.12\*\*\*\*\* 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.
- 10.13\*\*\* Rayovac Corporation 1996 Stock Option Plan.
- 10.14\* 1997 Rayovac Incentive Plan.
- 10.15\* Rayovac Profit Sharing and Savings Plan.
- 10.16+++ 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.
- 99 Certification of CEO and CFO Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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\* Incorporated by reference to the Company's Registration Statement on Form S-1 (Registration No. 333-35181) filed with the Commission.

\*\* Incorporated by reference to the Company's Registration Statement on Form S-1 (Registration No. 333-17895) filed with the Commission.

\*\*\* Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 29, 1997, filed with the Commission on August 13, 1997.

\*\*\*\* Incorporated by reference to the Company's Registration Statement on Form S-3 (Registration No. 333-49281) filed with the Commission.

\*\*\*\*\* Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended January 3, 1999, filed with the Commission on February 17, 1999.

\*\*\*\*\* Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended April 4, 1999, filed with the Commission on May 17, 1999.

\*\*\*\*\* Incorporated by reference to the Company's Report on Form 8-K filed with the Commission on June 19, 2001.

+ Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1997, filed with the Commission on December 23, 1997.

++ Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the Quarterly period ended June 27, 1998, filed with the Commission on August 4, 1998.

+++ Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 28, 1998, filed with the Commission on May 5, 1998.

++++ Incorporated by reference to the Company's Current Report on Form 8-K filed with the Commission on August 24, 1999, as subsequently amended on October 26, 1999.

+++++ Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 2000, filed with the Commission on December 19, 2000.

++++++ Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2001, filed with the Commission on May 14, 2001.

+++++++ Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended July 1, 2001, filed with the Commission on August 9, 2001.

+++++++ Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 30, 2001, filed with the Commission on February 13, 2002.

(b) Reports on Form 8-K. The Company has not filed any reports on Form 8-K during the three month period ended June 30, 2002.

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DATE: August 14, 2002

RAYOVAC CORPORATION

By: /s/ Kent J. Hussey  
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Kent J. Hussey  
President and Chief Financial Officer

AMENDED AND RESTATED SHAREHOLDERS AGREEMENT

This Amended and Restated Shareholders Agreement is entered into as of July 31, 2002 by and among Rayovac Corporation, a Wisconsin corporation (the "Company"), Thomas H. Lee Equity Fund III, L.P., Thomas H. Lee Foreign Fund III, L.P. and Thomas H. Lee Investors Limited Partnership (collectively, the "Lee Group Shareholders") and those persons listed as Management Shareholders on the signature pages hereof (the "Management Shareholders"). Capitalized terms used herein and not otherwise defined shall have the meanings ascribed to such terms in the Original Shareholders Agreement referred to below.

WHEREAS, the Company, the Lee Group Shareholders and the Management Shareholders are parties to the Shareholders Agreement, dated as of September 12, 1996, as amended (the "Original Shareholders Agreement");

WHEREAS, the parties hereto desire to amend and restate the Original Shareholders Agreement in its entirety to modify the rights and obligations of the parties thereunder;

WHEREAS, pursuant to Section 4.2 of the Original Shareholders Agreement, the Shareholders Agreement may be amended by a written instrument duly executed by a majority in interest of the Shareholders and, if the Lee Group Shareholders, the Management Shareholders or the Non-Management Shareholders are adversely affected by such amendment, by a majority in interest of each such adversely affected group; and

WHEREAS, the signatories hereto represent holders of the requisite interest to effect the amendment and restatement of the Original Shareholders Agreement provided for hereby.

NOW, THEREFORE, in consideration of the foregoing, the Original Shareholders Agreement is hereby amended and restated to read in its entirety as follows:

ARTICLE I

DEFINITIONS

For the purposes of this Amended and Restated Shareholders Agreement, the following terms shall be defined as follows:

1933 ACT. The "1933 Act" shall mean the Securities Act of 1933, as amended.

COMMON STOCK. "Common Stock" shall mean the Company's common stock, \$.01 par value, that the Company may be authorized to issue from time to time, any other securities of the Company into which such Common Stock may hereafter be

changed or for which such Common Stock may be exchanged after giving effect to the terms of such change or exchange (by way of reorganization, recapitalization, merger, consolidation or otherwise) and shall also include any common stock of the Company hereafter authorized and any capital stock of the Company of any other class hereafter authorized which is not preferred as to dividends or distribution of assets in liquidation over any other class of capital stock of the Company and which has ordinary voting power for the election of directors of the Company.

REGISTRABLE SECURITIES. "Registrable Securities" shall mean (a) all shares of Common Stock held by the Lee Group Shareholders prior to the close of trading on the New York Stock Exchange on the date immediately preceding the date hereof and (b) securities of the Company issued in exchange for, upon reclassification of, or as a distribution in respect of, the Common Stock referred to in (a). As to any particular Registrable Securities, such securities shall cease to be Registrable Securities when (a) a registration statement with respect to the sale of such securities shall have become effective under the 1933 Act and such securities shall have been disposed of in accordance with such registration statement, (b) such securities shall have been sold pursuant to Rule 144 under the 1933 Act or (c) such securities shall have ceased to be outstanding.

SEC. "SEC" shall mean the United States Securities and Exchange Commission.

## ARTICLE II

### REGISTRATION RIGHTS

Section 2.1 GENERAL. For purposes of this Article II the terms "register", "registered" and "registration" refer to a registration effected by preparing and filing a registration statement in compliance with the 1933 Act; and the declaration or ordering of effectiveness of such registration statement.

Section 2.2 DEMAND REGISTRATION. (a) If the Company shall receive a written request (specifying that it is being made pursuant to this Section 2.2) from the Lee Group Shareholders that the Company file a registration statement under the 1933 Act, or a similar document pursuant to any other statute then in effect corresponding to the 1933 Act, covering the registration of Common Stock, then the Company shall, not later than ninety (90) days after receipt by the Company of a written request for a demand registration pursuant to this Section 2.2, file a registration statement with the SEC relating to such Registrable Securities as to which such request for a demand registration relates (the "Requested Shares"), and the Company shall use its best efforts to cause the offering of such Requested Shares to be registered under the 1933 Act. The Company shall be obligated to effect only one (1) registration of Registrable Securities pursuant to this Section 2.2.

(b) If, pursuant to Section 2.2, the total amount of securities that the Lee Group Shareholders and all other holders of securities which have applicable registration rights request to be included in an offering made pursuant to this Section 2.2 exceeds the amount of securities that the underwriters reasonably believe compatible with the success of the offering, then the Company will include in such registration only the number of securities which, in the good faith opinion of such underwriters, can be sold, selected from the securities requested to be included by the Lee Group Shareholders and such other holders pro rata based on the number of securities which each of them owns.

Section 2.3 PIGGYBACK REGISTRATION. If, at any time, the Company determines to register for its own account or for the account of others any of its equity securities (including securities convertible into equity securities, but excluding equity securities being registered pursuant to a registration statement on Form S-8 and equity securities issued in connection with mezzanine debt or senior bank financing of the Company or equity securities issued upon conversion or exchange thereof) under the 1933 Act in connection with the public offering of such securities, the Company shall, at such time, promptly give the Lee Group Shareholders written notice of such determination no later than ten (10) days before the effective date of any such registration. Upon the written request of any Lee Group Shareholder received by the Company within five (5) days after the giving of any such notice by the Company, the Company shall use its best efforts to cause to be registered under the 1933 Act all of the Registrable Securities that such Lee Group Shareholder has requested be registered. Subject to the foregoing, if the total amount of securities that are to be included by the Company (or other person for whose account the registration is made) for its own account, at the request of Lee Group Shareholders pursuant to this Section 2.3 and on behalf of all other shareholders who or which have applicable registration rights or who or which are otherwise participating in the registration exceeds the amount of securities that the underwriters reasonably believe compatible with the success of the offering, then the Company will include in such registration only the number of securities which in the opinion of such underwriters can be sold, selected from the securities requested to be included by the Lee Group Shareholders and all such other shareholders pro rata based on the number of securities (including for any shareholder participating in such registration who is an employee or director of the Company, securities underlying outstanding options granted to such shareholder to the extent exercisable) which each of them owns. The Company shall be required to include Registrable Securities held by the Lee Group Shareholders in only one (1) registration under this Section 2.3.

#### Section 2.4 OBLIGATIONS OF THE COMPANY.

(a) When required under Section 2.2 or 2.3 hereof to use its best efforts to effect the registration of any Registrable Securities, the Company shall:

(1) Prepare and file with the SEC a registration statement with respect to such Registrable Securities and use its best efforts to cause such registration statement to become and remain effective, including, without limitation, filing of post-effective amendments and supplements to any registration statement



or prospectus necessary to keep the registration statement current; provided, however, that if such registration statement does not become effective, then any demand registration pursuant to Section 2.2 prompting such undertaking by the Company shall be deemed to be rescinded and retracted and shall not be counted as, or deemed or considered to be or to have been, a demand registration pursuant to Section 2.2 for any purpose;

(2) as expeditiously as reasonably possible, prepare and file with the SEC such amendments and supplements to such registration statement and the prospectus used in connection with such registration statement as may be necessary to comply with the provisions of the 1933 Act with respect to the disposition of all Registrable Securities covered by such registration statement and to keep the registration effective (and in compliance with the 1933 Act) by such actions as may be necessary or appropriate for a period of up to 180 days (if, in the reasonable discretion of the Lee Group Shareholders selling Registrable Securities covered by such registration statement, such period of time is necessary for the successful completion of the offering of such Registrable Securities) after the effective date of such registration statement, all as requested by such Lee Group Shareholders;

(3) as expeditiously as reasonably possible, furnish to the Lee Group Shareholders such numbers of copies of a prospectus, including a preliminary prospectus, in conformity with the requirements of the 1933 Act, and such other documents as they may reasonably request in order to facilitate the disposition of Registrable Securities owned by them;

(4) as expeditiously as reasonably possible, use its best efforts to register and qualify the Registrable Securities covered by such registration statement under the securities or "blue sky" laws of such jurisdictions as shall be reasonably appropriate for the distribution of the Registrable Securities covered by the registration statement, provided that the Company shall not be required in connection therewith or as a condition thereto to qualify to do business or to file a general consent to service of process in any such jurisdiction, and further provided that (anything in this Amended and Restated Shareholders Agreement to the contrary notwithstanding with respect to the bearing of expenses) if any jurisdiction in which the Registrable Securities shall be qualified shall require that expenses incurred in connection with the qualification of the Registrable Securities in that jurisdiction be borne by selling shareholders, then such expenses shall be payable by the selling shareholders pro rata to the extent required by such jurisdiction;

(5) use its best efforts to cause all Registrable Securities covered by such registration statement to be registered with or approved by such other governmental agencies or authorities as may be necessary to enable the seller or sellers thereof to consummate the disposition of such Registrable Securities;

(6) notify each seller of Registrable Securities covered by such registration statement, at any time when a prospectus relating thereto is required to be delivered under the 1933 Act, upon discovery that, or upon the happening of any event as a result of which, the prospectus included in such registration statement, as then in effect, includes an untrue statement of a material fact or omits to state any material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances under which they were made, and at the request of any such seller promptly prepare to furnish to such seller a reasonable number of copies of a supplement to or an amendment of such prospectus as may be necessary so that, as thereafter delivered to the purchasers of such Registrable Securities, such prospectus shall not include an untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein not misleading in light of the circumstances under which they were made;

(7) otherwise use its best efforts to comply with all applicable rules and regulations of the SEC, and make available to its security holders, as soon as reasonably practicable, an earnings statement covering a period of at least twelve (12) months, but not more than eighteen (18) months, beginning with the first full calendar month after the effective date of such registration statement, which earnings statement shall satisfy the provisions of Section 11(a) of the 1933 Act, and will furnish to each such seller at least two (2) business days prior to the filing thereof a copy of any post-effective amendment or supplement to such registration statement or prospectus and shall not file any thereof to which any such seller shall have reasonably objected, except to the extent required by law, on the grounds that such amendment or supplement does not comply in all material respects with the requirements of the 1933 Act or of the rules or regulations thereunder;

(8) provide and cause to be maintained a transfer agent and registrar for all Registrable Securities covered by such registration statement from and after a date not later than the effective date of such registration statement; and

(9) use its best efforts to list all Registrable Securities covered by such registration statement on any securities exchange on which the Common Stock is then listed.

(b) The Company will furnish to each Lee Group Shareholder on whose behalf Registrable Securities have been registered pursuant to this Amended and Restated Shareholders Agreement a signed counterpart, addressed to such Lee Group Shareholder, of an opinion of counsel for the Company dated the effective date of such registration statement, and such opinion of counsel shall cover those matters which are customarily covered in opinions of issuer's counsel delivered to underwriters in connection with underwritten public offerings of securities.

(c) In connection with the preparation and filing of a registration statement registering Registrable Securities under this Amended and Restated Shareholders Agreement, the Company will give the Lee Group Shareholders on whose behalf such Registrable Securities are to be so registered and their underwriters, if any, and their respective counsel and accountants, the opportunity to participate in the preparation of such registration statement, each prospectus included therein or filed with the SEC, and each amendment thereof or supplement thereto, and will give each of them such access to its books and records and such opportunities to discuss the business of the Company with its officers, its counsel and the independent public accountants who have certified its financial statements, as shall be necessary, in the opinion of such Lee Group Shareholder or such underwriters or their respective counsel, in order to conduct a reasonable and diligent investigation within the meaning of the 1933 Act.

Section 2.5 FURNISH INFORMATION. It shall be a condition precedent to the obligations of the Company to take any action pursuant to this Article II that the Lee Group Shareholders shall furnish to the Company such information regarding them, the Registrable Securities held by them, and the intended method of disposition of such Registrable Securities as the Company shall reasonably request and as shall be required in connection with the action to be taken by the Company.

Section 2.6 EXPENSES OF REGISTRATION. All expenses incurred in connection with a registration pursuant to Section 2.2 or 2.3 hereof (excluding underwriters' discounts and commissions, which shall be borne by the sellers), including without limitation all registration and qualification fees, printers' and accounting fees, fees and disbursements of counsel for the Company and the reasonable fees and disbursements of one counsel for the selling Lee Group Shareholders shall be borne by the Company.

Section 2.7 UNDERWRITING REQUIREMENTS. In connection with a registration of Registrable Securities under this Amended and Restated Shareholders Agreement, the Company will, if requested by the underwriters for any Registrable Securities included in such registration, enter into an underwriting agreement with such underwriters for such offering, such agreement to contain such representations and warranties by the Company, and such other terms and provisions as are customarily contained in underwriting agreements with respect to secondary distributions, including, without limitation, provisions relating to indemnification and contribution. The Lee Group Shareholders on whose behalf Registrable Securities are to be distributed by such underwriters shall be parties to any such underwriting agreement, and the representations and warranties by the Company and the other agreements on the part of the Company to and for the benefit of such underwriters shall be also made to and for the benefit of such Lee Group Shareholders. The Company shall use its reasonable best efforts to cause the underwriting agreement to comply with Section 2.8. Such underwriters shall be selected by (i) the Company, in the case of a registration pursuant to Section 2.3 or (ii) by the Lee Group Shareholders requesting a demand registration, in the case of a registration pursuant to Section 2.2.

Section 2.8 INDEMNIFICATION. In the event any Registrable Securities are included in a registration statement under this Article II:

(a) To the fullest extent permitted by law, the Company will indemnify and hold harmless each Lee Group Shareholder requesting or joining in a registration, any other shareholder joining in a registration, any underwriter (as defined in the 1933 Act) for it, and each person, if any, who controls such Lee Group Shareholder, such other shareholder or such underwriter within the meaning of the 1933 Act, from and against any losses, claims, damages, expenses (including reasonable attorneys' fees and expenses and reasonable costs of investigation) or liabilities, joint or several, to which they or any of them may become subject under the 1933 Act or otherwise, insofar as such losses, claims, damages, expenses or liabilities (or actions or proceedings, whether commenced or threatened, in respect thereof) arise out of or are based on any untrue or alleged untrue statement of any material fact contained in such registration statement including any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, or arise out of or are based upon the omission or alleged omission to state therein a material fact required to be stated therein, or necessary to make the statements therein not misleading, or arise out of any alleged violation by the Company of any rule or regulation promulgated under the 1933 Act applicable to the Company and relating to action or inaction required of the Company in connection with any such registration; provided, however, that the indemnity agreement contained in this Section 2.8(a) shall not apply to amounts paid in settlement of any such loss, claim, damage, liability or action if such settlement is effected without the consent of the Company (which consent shall not be unreasonably withheld), nor shall the Company be liable to anyone for any such loss claim, damage, liability or action to the extent that it arises out of or is based upon an untrue statement or omission made in connection with such registration statement, preliminary prospectus, final prospectus or amendments or supplements thereto in reliance upon and in conformity with written information furnished expressly for use in connection with such registration by such Lee Group Shareholder, other shareholder, underwriter or control person. Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of such Lee Group Shareholder, other shareholder, underwriter or control person and shall survive the transfer of such securities by such Lee Group Shareholder.

(b) To the fullest extent permitted by law, each Lee Group Shareholder requesting or joining in a registration will indemnify and hold harmless the Company, as the case may be, each of its directors, each of its officers who has signed the registration statement, each person, if any, who controls the Company within the meaning of the 1933 Act, each agent and any underwriter for the Company and any person who controls any such agent or underwriter and each other shareholder selling shares under the registration statement and any person who controls such other shareholder within the meaning of the 1933 Act against any losses, claims, damages or liabilities to which the Company or any such director, officer, control person, agent, underwriter, or other shareholder may become subject, under the 1933 Act or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereto) arise out of or are based upon an untrue statement of any material fact contained in such registration statement, including

any preliminary prospectus or final prospectus contained therein or any amendments or supplements thereto, or arise out of or are based upon the omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, in each case to the extent, but only to the extent, that such untrue statement or omission was made in such registration statement, preliminary or final prospectus, or amendments or supplements thereto, in reliance upon and in conformity with written information furnished by such Lee Group Shareholder with respect to such Lee Group Shareholder expressly for use in connection with such registration; and such Lee Group Shareholder will reimburse any legal or other expenses reasonably incurred by the Company or any such director, officer, control person, agent, underwriter, or other shareholder in connection with investigating or defending any such loss, claim, damage, liability or action; provided, however, that the indemnity obligation of each such Lee Group Shareholder hereunder shall be limited to and shall not exceed the proceeds actually received by such Lee Group Shareholder upon a sale of Registrable Securities pursuant to a registration statement hereunder; and provided, further, that the indemnity agreement contained in this Section 2.8(b) shall not apply to amounts paid in settlements effected without the consent of such Lee Group Shareholder (which consent shall not be unreasonably withheld). Such indemnity shall remain in full force and effect regardless of any investigation made by or on behalf of the Company or any such director, officer, other shareholder, underwriter or control person and shall survive the transfer of such securities by such Lee Group Shareholder.

(c) Any person seeking indemnification under this Section 2.8 will (i) give prompt notice to the indemnifying party of any claim with respect to which it seeks indemnification (but the failure to give such notice will not affect the right to indemnification hereunder, unless the indemnifying party is materially prejudiced by such failure) and (ii) unless in such indemnified party's reasonable judgment a conflict of interest may exist between such indemnified and indemnifying parties with respect to such claim, permit such indemnifying party, and other indemnifying parties similarly situated, jointly to assume the defense of such claim with counsel reasonably satisfactory to the parties. In the event that the indemnifying parties cannot mutually agree as to the selection of counsel, each indemnifying party may retain separate counsel to act on its behalf and at its expense. The indemnified party shall in all events be entitled to participate in such defense at its expense through its own counsel. If such defense is not assumed by the indemnifying party, the indemnifying party will not be subject to any liability for any settlement made without its consent (but such consent will not be unreasonably withheld). No indemnifying party will consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such indemnified party of a release from all liability in respect of such claim or litigation. An indemnifying party who is not entitled to, or elects not to, assume the defense of a claim will not be obligated to pay the fees and expenses of more than one counsel for all parties indemnified by such indemnifying party with respect to such claim, unless in the reasonable judgment of any indemnified party a conflict of interest may exist between such indemnified party and any other of such indemnified parties with respect to such claim, in which event the indemnifying party shall be obligated to pay the reasonable fees and expenses of such additional counsel.

(d) If for any reason the foregoing indemnification is unavailable to any party or insufficient to hold it harmless as and to the extent contemplated by the preceding paragraphs of this Section 2.8, then each indemnifying party shall contribute to the amount paid or payable by the indemnified party as a result of such loss, claim, damage, expense or liability in such proportion as is appropriate to reflect the relative benefits received by the Company, on the one hand, and the applicable indemnified party, as the case may be, on the other hand, and also the relative fault of the Company and any applicable indemnified party, as the case may be, as well as any other relevant equitable considerations.

Section 2.9 LOCK-UP AGREEMENT. If required by the underwriter, each Lee Group Shareholder agrees not to sell or otherwise transfer or dispose of any Common Stock (or other securities) of the Company held by such Lee Group Shareholder (other than Registrable Securities included in the applicable registration statement or shares purchased in the public market after the effective date of registration) or any interest or future interest therein during such period (not to exceed 180 days) as is acceptable to the underwriter following the effective date of the registration statement of the Company filed under the 1933 Act which includes securities to be sold to the public in an underwritten offering. The Company may impose stop transfer instructions with respect to the shares of Common Stock (or other securities) subject to the foregoing restriction until the end of said period.

Section 2.10 NO INCONSISTENT AGREEMENTS. The Company agrees that it has not entered into, and it will not hereafter enter into, any agreement with respect to the registration of its securities that is inconsistent with (or superior to) the registration rights granted to the Lee Group Shareholders pursuant to this Amended and Restated Shareholders Agreement.

### ARTICLE III

#### MISCELLANEOUS

Section 3.1 ENTIRE AGREEMENT; AMENDMENT; WAIVER. This Amended and Restated Shareholders Agreement sets forth the entire understanding of the parties and supersedes all prior agreements and all other arrangements and communications, whether oral or written, with respect to the subject matter hereof, including, without limitation, the Original Shareholders Agreement, which shall cease to be of any further force or effect. This Amended and Restated Shareholders Agreement may not be amended except by an instrument in writing signed by the Company and a majority in interest of the Lee Group Shareholders. Notwithstanding any provisions to the contrary contained herein, any party may waive any rights with respect to which such party is entitled to the benefits under this Amended and Restated Shareholders Agreement. No waiver of or consent to any departure from any provision of this Amended and Restated Shareholders Agreement shall be effective unless signed in writing by the party entitled to the benefit thereof.

Section 3.2 SEVERABILITY. The invalidity or unenforceability of any particular provision of this Amended and Restated Shareholders Agreement shall not affect the other provisions hereof, and this Amended and Restated Shareholders Agreement shall be construed in all respects as if the invalid or unenforceable provision were omitted.

Section 3.3 NOTICES. All notices and other communications necessary or contemplated under this Amended and Restated Shareholders Agreement shall be in writing and shall be delivered in the manner specified herein or, in the absence of such specification, shall be deemed to have been duly given three (3) business days after mailing by certified mail, when delivered by hand, upon confirmation of receipt by telecopy, or one (1) day after sending by overnight delivery service, to the respective addresses of the parties set forth below:

(a) for notices and communications to the Company:

Rayovac Corporation  
601 Rayovac Drive  
Madison, Wisconsin 53711-2497  
Attn: President  
Facsimile No.: (608) 278-6666

(b) for notices and communications to the Lee Group Shareholders, to:

Thomas H. Lee Partners, L.P.  
75 State Street  
Boston, Massachusetts 02109  
Attn: Scott A. Schoen  
Facsimile No.: (617) 227-3514

By notice complying with the foregoing provisions of this Section 3.3, each party shall have the right to change the mailing address for future notices and communications to such party.

Section 3.4 BINDING EFFECT; ASSIGNMENT. This Amended and Restated Shareholders Agreement shall be binding upon and inure to the benefit of the parties hereto and to their respective successors and assigns; provided, however, that the rights and obligations under this Amended and Restated Shareholders Agreement may not be assigned except as expressly provided herein, it being understood that the Company's rights and obligations hereunder may be assigned by the Company to any corporation which is the surviving entity in a merger, consolidation or like event involving the Company.

Section 3.5 GOVERNING LAW. This Agreement shall be governed by the laws of the Commonwealth of Massachusetts (regardless of the laws that might otherwise govern under applicable Massachusetts principles of conflicts of law) as to all matters,

including but not limited to matters of validity, construction, effect, performance and remedies.

Section 3.6 TERMINATION. This Amended and Restated Shareholders Agreement shall terminate and shall have no further force or effect at such time as the Lee Group Shareholders cease to own in the aggregate at least 10% of the outstanding Common Stock on a fully diluted basis.

Section 3.7 ACTION NECESSARY TO EFFECTUATE THE AGREEMENT. The parties hereto agree to take or cause to be taken all such corporate and other action as may be necessary to effect the intent and purposes of this Amended and Restated Shareholders Agreement.

Section 3.8 PURCHASE FOR INVESTMENT; LEGEND ON CERTIFICATE. Each of the Lee Group Shareholders acknowledges that all of the Registrable Securities held by such Lee Group Shareholder have been acquired for investment and not with a view to the distribution thereof and that no transfer of Registrable Securities may be made except in compliance with applicable federal and state securities laws. Each of the certificates representing Registrable Securities which are held by the Lee Group Shareholders shall bear all legends required by federal and state securities laws.

Section 3.9 COUNTERPARTS. This Amended and Restated Shareholders Agreement may be executed in two or more counterparts each of which shall be deemed an original but all of which together shall constitute one and the same instrument, and all signatures need not appear on any one counterpart.

Section 3.10 HEADINGS. All headings and captions in this Amended and Restated Shareholders Agreement are for purposes of reference only and shall not be construed to limit or affect the substance of this Amended and Restated Shareholders Agreement.

Section 3.11 NUMBER; GENDER. When the context so requires, the singular shall include the plural and the plural shall include the singular and the gender of any pronoun shall include the other gender.

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IN WITNESS WHEREOF, the parties hereto have executed this Amended and Restated Shareholders Agreement as of the date first written above.

RAYOVAC CORPORATION

By: /s/ David A. Jones

-----  
Name: David A. Jones  
Title: Chief Executive Officer

LEE GROUP SHAREHOLDERS:

THOMAS H. LEE EQUITY FUND III, L.P.

By: THL Equity Advisors III Limited Partnership, as General Partner

By: THL Equity Trust III, as General Partner

By: /s/ Scott A. Schoen

-----  
Name: Scott A. Schoen  
Title: Trustee

THOMAS H. LEE FOREIGN FUND III, L.P.

By: THL Equity Advisors III Limited Partnership, as General Partner

By: THL Equity Trust III, as General Partner

By: /s/ Scott A. Schoen

-----  
Name: Scott A. Schoen  
Title: Trustee

THOMAS H. LEE INVESTORS LIMITED PARTNERSHIP

By: THL Investment Management Corp., as General Partner

By: /s/ Scott A. Schoen

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Name: Scott A. Schoen  
Title: Vice President

MANAGEMENT SHAREHOLDERS:

/s/ David A. Jones  
-----

David A. Jones

/s/ Kent J. Hussey  
-----

Kent J. Hussey

/s/ Kenneth V. Biller  
-----

Kenneth V. Biller

/s/ Stephen P. Shanesy  
-----

Stephen P. Shanesy

/s/ Merrell M. Tomlin  
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Merrell M. Tomlin

/s/ Dale R. Tetzlaff  
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Dale R. Tetzlaff

EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement") is entered into as of the 1st day of November, 2001, by and between Rayovac Corporation, a Wisconsin corporation (the "Company"), and Dr. Paul G. Cheeseman (the "Executive").

WHEREAS, the Company and the Executive wish to terminate Executive's Severance Agreement with the Company, dated October 1, 1998, because the Company desires to employ the Executive upon the terms and conditions set forth herein; and

WHEREAS, the Executive is willing and able to accept such employment on such terms and conditions.

NOW, THEREFORE, in consideration of the premises and mutual agreements contained herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Company and the Executive hereby agree as follows:

1. EMPLOYMENT DUTIES AND ACCEPTANCE. The Company hereby employs the Executive, and the Executive agrees to serve and accept employment with the Company as Senior Vice President - Technology. During the Term (as defined below), the Executive shall devote all of his working time to such employment and appointment, shall devote his best efforts to advance the interests of the Company and shall not engage in any other business activities, as an employee, director, consultant or in any other capacity, whether or not he receives any compensation therefor, without the prior written consent of the Board.
2. TERM OF EMPLOYMENT. Subject to Section 4 hereof, the Executive's employment and appointment hereunder shall be for a term commencing on the date hereof and expiring on September 30, 2003 (the "Term"). Upon expiration of the Term, this Agreement shall automatically extend for successive periods of one (1) year, unless the Executive or the Company shall give notice to the other at least ninety (90) days prior to the end of the Term (or any annual extension thereof) indicating that it does not intend to renew the Agreement.
3. COMPENSATION. In consideration of the performance by the Executive of his duties hereunder, the Company shall pay or provide to the Executive the following compensation which the Executive agrees to accept in full satisfaction for his services, it being understood that necessary withholding taxes, FICA contributions and the like shall be deducted from such compensation:
  - (a) BASE SALARY. The Executive shall receive a base salary equal to Two Hundred Twenty-Five Thousand Dollars (\$225,000) per annum effective November 15, 2001 for the duration of the Term ("Base Salary"), which Base Salary shall be paid in equal semi-monthly installments each year, to be paid semi-monthly in arrears. The

Board will review from time to time the Base Salary payable to the Executive hereunder and may, in its discretion, increase the Executive's Base Salary. Any such increased Base Salary shall be and become the "Base Salary" for purposes of this Agreement.

- (b) BONUS. The Executive shall receive a bonus for each fiscal year ending during the Term, payable annually in arrears, which shall be based on fifty percent (50%) of Base Salary, provided the Company achieves certain annual performance goals established by the Board from time to time (the "Bonus"). The Board may, in its discretion, increase the annual Bonus. Any such increased annual Bonus shall be and become the "Bonus" for such fiscal year for purposes of this Agreement.
- (c) INSURANCE COVERAGES AND PENSION PLANS. The Executive shall be entitled to such insurance, pension and all other benefits as are generally made available by the Company to its executive officers from time to time.
- (d) STOCK OPTIONS. All stock options previously granted to the Executive shall remain in full force and effect in accordance with their terms. If the Company implements a new stock option program in the future, the Executive may participate to the extent authorized by the Board.
- (e) VACATION. The Executive shall be entitled to three (3) weeks vacation each year.
- (f) OTHER EXPENSES. The Executive shall be entitled to reimbursement of all reasonable and documented expenses actually incurred or paid by the Executive in the performance of the Executive's duties under this Agreement, upon presentation of expense statements, vouchers or other supporting information in accordance with Company policy. All expense reimbursements and other perquisites of the Executive are reviewable periodically by the Compensation Committee of the Board, if there be one, or the Board.
- (g) VEHICLE. Pursuant to the Company's policy for use of vehicles by executives, Executive shall be provided the use of a leased vehicle. Unless the Executive's employment is terminated by the Company for Cause or by the Executive pursuant to Section 5(c), Executive shall be permitted to drive his Company vehicle for the duration of the 12-month period following termination; at the end of such 12-month period, Executive will be permitted to purchase his Company vehicle at book value as of such date.
- (h) D&O INSURANCE. The Executive shall be entitled to indemnification from the Company to the maximum extent provided by law, but not for any action, suit, arbitration or other proceeding (or portion thereof) initiated by the Executive, unless authorized or ratified by the Board. Such indemnification shall be covered by the terms of the Company's policy of insurance for directors and officers in effect from time to time (the "D&O Insurance"). Copies of the Company's

charter, by-laws and D&O Insurance will be made available to the Executive upon request.

- (i) LEGAL FEES. The Company shall pay the Executive's actual and reasonable legal fees incurred in connection with the preparation of this Agreement.

4. TERMINATION.

- (a) TERMINATION BY THE COMPANY WITH CAUSE. The Company shall have the right at any time to terminate the Executive's employment hereunder without prior notice upon the occurrence of any of the following (any such termination being referred to as a termination for "Cause"):
  - (i) the commission by the Executive of any deliberate and premeditated act taken by the Executive in bad faith against the interests of the Company;
  - (ii) the Executive has been convicted of, or pleads NOLLO CONTENDERE with respect to, any felony, or of any lesser crime or offense having as its predicate element fraud, dishonesty or misappropriation of the property of the Company;
  - (iii) the habitual drug addiction or intoxication of the Executive which negatively impacts his job performance or the Executive's failure of a Company-required drug test;
  - (iv) the willful failure or refusal of the Executive to perform his duties as set forth herein or the willful failure or refusal to follow the direction of the President, the CEO or the Board, provided such failure or refusal continues after thirty (30) days of the receipt of notice in writing from the President, the CEO or the Board of such failure or refusal, which notice refers to this Section 4(a) and indicates the Company's intention to terminate the Executive's employment hereunder if such failure or refusal is not remedied within such thirty (30) day period; or
  - (v) the Executive breaches any of the terms of this Agreement or any other agreement between the Executive and the Company which breach is not cured within thirty (30) days subsequent to notice from the Company to the Executive of such breach, which notice refers to this Section 4(a) and indicates the Company's intention to terminate the Executive's employment hereunder if such breach is not cured within such thirty (30) day period.

If the definition of termination for "Cause" set forth above conflicts with such definition in the Executive's time-based or performance-based Stock Option Agreements pursuant to the 1997 Plan or the Rayovac Corporation 1996 Stock Option Plan (collectively, the

"Stock Option Agreements") or any agreements referred to therein, the definition set forth herein shall control.

- (b) TERMINATION BY COMPANY FOR DEATH OR DISABILITY. The Company shall have the right at any time to terminate the Executive's employment hereunder upon thirty (30) days prior written notice upon the Executive's inability to perform his duties hereunder by reason of any mental, physical or other disability for a period of at least six (6) consecutive months (for purposes hereof, "disability" has the same meaning as in the Company's disability policy), if within 30 days after such notice of termination is given, the Executive shall not have returned to the full-time performance of his duties. The Company's obligations hereunder shall, subject to the provisions of Section 5(b), also terminate upon the death of the Executive.
- (c) TERMINATION BY COMPANY WITHOUT CAUSE. The Company shall have the right at any time to terminate the Executive's employment for any other reason without Cause upon sixty (60) days prior written notice to the Executive.
- (d) VOLUNTARY TERMINATION BY EXECUTIVE. The Executive shall be entitled to terminate his employment and appointment hereunder upon sixty (60) days prior written notice to the Company. Any such termination shall be treated as a termination by the Company for "Cause" under Section 5.
- (e) NOTICE OF TERMINATION. Any termination by the Company for Cause shall be communicated by Notice of Termination to the other party hereto given in accordance with Section 8. For purposes of this Agreement, a "Notice of Termination" means a written notice given prior to the termination which (i) indicates the specific termination provision in this Agreement relied upon, (ii) sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of the Executive's employment under the provision so indicated and (iii) if the termination date is other than the date of receipt of such notice, specifies the termination date of this Agreement (which date shall be not more than fifteen (15) days after the giving of such notice). The failure by the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Cause shall not waive any right of the Company hereunder or preclude the Company from asserting such fact or circumstance in enforcing its rights hereunder.

5. EFFECT OF TERMINATION OF EMPLOYMENT.

- (a) WITH CAUSE. If the Executive's employment is terminated with Cause, the Executive's salary and other benefits specified in Section 3 shall cease at the time of such termination, and the Executive shall not be entitled to any compensation specified in Section 3 which was not required to be paid prior to such termination; provided, however, that the Executive shall be entitled to continue to participate in the Company's medical benefit plans to the extent required by law.

(b) WITHOUT CAUSE, DEATH OR DISABILITY. If the Executive's employment is terminated by the Company without Cause or by reason of death or disability, then the Company shall pay the Executive the amounts and provide the Executive the benefits as follows:

- (i) The Company shall pay to the Executive as severance, an amount in cash equal to double the sum of (i) the Executive's Base Salary, and (ii) the annual Bonus (if any) earned by the Executive pursuant to any annual bonus or incentive plan maintained by the Company in respect of the fiscal year ending immediately prior to the fiscal year in which the termination occurs, such cash amount to be paid to the Executive ratably monthly in arrears over the Non-Competition Period (as defined below).
- (ii) For the greater of (i) the 24-month period immediately following such termination or (ii) the remainder of the Term, the Company shall arrange to provide the Executive and his dependents the additional benefits specified in Section 3(c). Benefits otherwise receivable by the Executive pursuant to this Section 5(b)(ii) shall cease immediately upon the discovery by the Company of the Executive's breach of the covenants contained in Section 6 or 7 hereof.
- (iii) The Executive's accrued vacation (determined in accordance with Company policy) at the time of termination shall be paid as soon as reasonably practicable.
- (iv) Any payments provided for hereunder shall be paid net of any applicable withholding required under federal, state, or local law and any additional withholding to which the Executive has agreed.
- (v) If the Executive's employment with the Company terminates during the Term, the Executive shall not be required to seek other employment or to attempt in any way to reduce any amounts payable to the Executive by the Company pursuant to this Section 5.

6. AGREEMENT NOT TO COMPETE.

- (a) The Executive agrees that during the Non-Competition Period (as defined below), he will not, directly or indirectly, in any capacity, either separately, jointly or in association with others, as an officer, director, consultant, agent, employee, owner, principal, partner or stockholder of any business, or in any other capacity, engage or have a financial interest in any business which is involved in the design, manufacturing, marketing or sale of batteries or battery operated lighting devices (excepting only the ownership of not more than 5% of the outstanding securities of any class listed on an exchange or the Nasdaq Stock Market). The "Non-Competition Period" is (a) the longer of the Executive's employment hereunder or time

period which he serves as a director of the Company plus (b) a period of one (1) year thereafter.

- (b) Without limiting the generality of clause (a) above, the Executive further agrees that during the Non-Competition Period, he will not, directly or indirectly, in any capacity, either separately, jointly or in association with others, solicit or otherwise contact any of the Company's customers or prospects, as shown by the Company's records, that were customers or prospects of the Company at any time during the Non-Competition Period if such solicitation or contact is for the general purpose of selling products that satisfy the same general needs as any products that the Company had available for sale to its customers or prospects during the Non-Competition Period.
- (c) The Executive agrees that during the Non-Competition Period, he shall not, other than in connection with employment for the Company, solicit the employment or services of any employee of Company who is or was an employee of Company at any time during the Non-Competition Period. During the Non-Competition Period, the Executive shall not hire any employee of Company for any other business.
- (d) If a court determines that the foregoing restrictions are too broad or otherwise unreasonable under applicable law, including with respect to time or space, the court is hereby requested and authorized by the parties hereto to revise the foregoing restrictions to include the maximum restrictions allowed under the applicable law.
- (e) For purposes of this Section 6 and Section 7, the "Company" refers to the Company and any incorporated or unincorporated affiliates of the Company.

7. SECRET PROCESSES AND CONFIDENTIAL INFORMATION.

- (a) The Executive agrees to hold in strict confidence and, except as the Company may authorize or direct, not disclose to any person or use (except in the performance of his services hereunder) any confidential information or materials received by the Executive from the Company and any confidential information or materials of other parties received by the Executive in connection with the performance of his duties hereunder. For purposes of this Section 7(a), confidential information or materials shall include existing and potential customer information, existing and potential supplier information, product information, design and construction information, pricing and profitability information, financial information, sales and marketing strategies and techniques and business ideas or practices. The restriction on the Executive's use or disclosure of the confidential information or materials shall remain in force until such information is of general knowledge in the industry through no fault of the Executive or any agent of the Executive. The Executive also agrees to return to the Company promptly upon its request any Company



information or materials in the Executive's possession or under the Executive's control.

- (b) The Executive will promptly disclose to the Company and to no other person, firm or entity all inventions, discoveries, improvements, trade secrets, formulas, techniques, processes, know-how and similar matters, whether or not patentable and whether or not reduced to practice, which are conceived or learned by the Executive during the period of the Executive's employment with the Company, either alone or with others, which relate to or result from the actual or anticipated business or research of the Company or which result, to any extent, from the Executive's use of the Company's premises or property (collectively called the "Inventions"). The Executive acknowledges and agrees that all the Inventions shall be the sole property of the Company, and the Executive hereby assigns to the Company all of the Executive's rights and interests in and to all of the Inventions, it being acknowledged and agreed by the Executive that all the Inventions are works made for hire. The Company shall be the sole owner of all domestic and foreign rights and interests in the Inventions. The Executive agrees to assist the Company at the Company's expense to obtain and from time to time enforce patents and copyrights on the Inventions.
- (c) Upon the request of, and, in any event, upon termination of the Executive's employment with the Company, the Executive shall promptly deliver to the Company all documents, data, records, notes, drawings, manuals and all other tangible information in whatever form which pertains to the Company, and the Executive will not retain any such information or any reproduction or excerpt thereof.

8. NOTICES. All notices or other communications hereunder shall be in writing and shall be deemed to have been duly given (a) when delivered personally, (b) upon confirmation of receipt when such notice or other communication is sent by facsimile or telex, (c) one day after delivery to an overnight delivery courier, or (d) on the fifth day following the date of deposit in the United States mail if sent first class, postage prepaid, by registered or certified mail. The addresses for such notices shall be as follows:

- (a) For notices and communications to the Company:  
Rayovac Corporation  
601 Rayovac Drive  
Madison, WI 53711  
Facsimile: (608) 278-6666  
Attention: James T. Lucke
- (b) For notices and communications to the Executive:  
Dr. Paul G. Cheeseman  
3779 Swoboda Road  
Verona, WI 53593

Any party hereto may, by notice to the other, change its address for receipt of notices hereunder.

9. GENERAL .

- 9.1 GOVERNING LAW. This Agreement shall be construed under and governed by the laws of the State of Wisconsin, without reference to its conflicts of law principles.
- 9.2 AMENDMENT; WAIVER. This Agreement may be amended, modified, superseded, canceled, renewed or extended, and the terms hereof may be waived, only by a written instrument executed by all of the parties hereto or, in the case of a waiver, by the party waiving compliance. The failure of any party at any time or times to require performance of any provision hereof shall in no manner affect the right at a later time to enforce the same. No waiver by any party of the breach of any term or covenant contained in this Agreement, whether by conduct or otherwise, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such breach, or a waiver of the breach of any other term or covenant contained in this Agreement.
- 9.3 SUCCESSORS AND ASSIGNS. This Agreement shall be binding upon the Executive, without regard to the duration of his employment by the Company or reasons for the cessation of such employment, and inure to the benefit of his administrators, executors, heirs and assigns, although the obligations of the Executive are personal and may be performed only by him. This Agreement shall also be binding upon and inure to the benefit of the Company and its subsidiaries, successors and assigns, including any corporation with which or into which the Company or its successors may be merged or which may succeed to their assets or business.
- 9.4 COUNTERPARTS. This Agreement may be executed in two counterparts, each of which shall be deemed an original but which together shall constitute one and the same instrument.
- 9.5 ATTORNEYS' FEES. In the event that any action is brought to enforce any of the provisions of this Agreement, or to obtain money damages for the breach thereof, and such action results in the award of a judgment for money damages or in the granting of any injunction in favor of one of the parties to this Agreement, all expenses, including reasonable attorneys' fees, shall be paid by the non-prevailing party.
- 9.6 NON-EXCLUSIVITY OF RIGHTS. Nothing in this Agreement shall prevent or limit the Executive's continuing or future participation during his employment hereunder in any benefit, bonus, incentive or other plan or program provided by the Company or any of its affiliates and for which the Executive may qualify. Amounts which are vested benefits or which the Executive is otherwise entitled to receive under any plan or program of the Company or any affiliated company at or subsequent to the date of the Executive's termination of employment with the Company shall, subject to the terms hereof or any other agreement entered into by the Company and the Executive on or

subsequent to the date hereof, be payable in accordance with such plan or program.

- 9.7 MITIGATION. In no event shall the Executive be obligated to seek other employment by way of mitigation of the amounts payable to the Executive under any of the provisions of this Agreement.
- 9.8 EQUITABLE RELIEF. The Executive expressly agrees that breach of any provision of Sections 6 or 7 of this Agreement would result in irreparable injuries to the Company, that the remedy at law for any such breach will be inadequate and that upon breach of such provisions, the Company, in addition to all other available remedies, shall be entitled as a matter of right to injunctive relief in any court of competent jurisdiction without the necessity of proving the actual damage to the Company.
- 9.9 SEVERANCE AGREEMENT. The Severance Agreement between the parties dated October 1, 1998 is hereby terminated and all rights and obligations thereunder are of no further force or effect.
- 9.10 ENTIRE AGREEMENT. This Agreement and the schedule hereto constitute the entire understanding of the parties hereto with respect to the subject matter hereof and supersede all prior negotiations, discussions, writings and agreements between them with respect to the subject matter hereof.

IN WITNESS WHEREOF, the parties have executed this Agreement as of the date first above written.

RAYOVAC CORPORATION

By: /s/ David A. Jones

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David A. Jones  
Chief Executive Officer

EXECUTIVE:

/s/ Dr. Paul G. Cheeseman

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Name: Dr. Paul G. Cheeseman

CERTIFICATION OF CEO AND CFO 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 30, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), David A. Jones, as Chairman and Chief Executive Officer of the Company, and Kent J. Hussey, as President and Chief Financial Officer of the Company, each hereby certifies, 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 his knowledge:

(1) The Report fully complies with the requirements of Section 13(a) 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 result of operations of the Company.

/s/ David A. Jones

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David A. Jones  
Chairman and Chief Executive Officer  
August 14, 2002

/s/ Kent J. Hussey

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Kent J. Hussey  
President and Chief Financial Officer  
August 14, 2002

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.