Spectrum Brands

Rayovac First Quarter Earnings Negatively Impacted 31 Cents Due to Kmart Bankruptcy

January 24, 2002

MADISON, Wis., Jan. 24 /PRNewswire-FirstCall/ --

- Reserve for Kmart's bankruptcy reduces quarterly diluted earnings per share by 31 cents
- Excluding the Kmart reserve, Rayovac would have met First Call Consensus of 32 cents per share
- Alkaline sales up 11 percent, hearing aid battery sales up 10 percent and rechargeable sales up 10 percent over prior year

Rayovac Corp. (NYSE: ROV) today reported diluted earnings per share of one cent for its first quarter of Fiscal 2002, ended December 30, 2001. The results for the quarter include a $10 million, after-tax, non-cash charge or 31 cents per diluted share related to its receivable exposure for Kmart. Excluding this significant provision, diluted EPS would have been 32 cents, up seven percent from last year's pro-forma diluted EPS of 30 cents and in line with consensus estimates. The negative impact of the Kmart bankruptcy overshadowed a quarter that posted year-over-year increases in sales of alkaline, rechargeable and hearing aid batteries.

"We are all terribly disappointed that the Chapter 11 filing by Kmart, the second largest retailer in the country, has wiped out virtually all of our earnings in a quarter that showed growth in Rayovac alkaline, rechargeable and hearing aid batteries, as well as earnings," said Dave Jones, Rayovac Chairman and CEO. "We will put this behind us and focus even more on opening new doors, launching new products and cementing our position as a leader in the worldwide battery marketplace."

Jones went on to add that he anticipates battery volume that may be lost at Kmart due to its reorganization would have a short-term negative impact on the market, as that volume would be absorbed by other retailers and the remaining Kmart stores over the long term. In Fiscal year 2001, sales to Kmart represented approximately 6.5 percent of Rayovac consolidated worldwide revenue.

First Quarter Results

For the first quarter of Fiscal 2002, total sales were $182.4 million, down less than one percent from $183.6 million in the same quarter last year. Operating income was $3.6 million, after a $16.1 million increase in bad debt reserve related to the gross receivable balance from Kmart compared to operating income (before special charges) of $22.7 million for the same period last year. Interest expense and other non-operating expense was $3.4 million, compared to $9.2 million last year. Reported net income increased to $0.4 million from a loss of $(1.8) million last year. Pro-forma net income before the Kmart provision would have been $10.4 million up from pro-forma net income of $8.7 million, excluding $10.5 million of special charges related to a corporate restructuring program recorded last year. Reported diluted earnings per share improved to one cent from a loss of six cents last year.

The first quarter results included an 11 percent increase in alkaline battery sales and a 10 percent increase in rechargeable battery sales over the prior year. These gains were offset by a 27 percent decrease in heavy duty battery sales due mainly to lower sales in Latin America, and a 49 percent or $3.7 million decrease in specialty battery sales which continue to be affected by the depressed telecommunications, electronic and computer sectors. Hearing aid battery sales were up 10 percent over the prior year, while lighting products were up nine percent over the same year ago period. These categories benefited from expanded distribution in the current quarter compared to last year.

In North America, total sales were $142.2 million, as compared to $136.9 million for the same period last year, an increase of four percent. The year-over-year increase was driven by alkaline sales up 12 percent, rechargeable sales up 10 percent and hearing aid battery sales up four percent. Lighting products also showed gains of eight percent over the prior year. Offsetting these increases were a 56 percent or $3.7 million decline in specialty battery sales and a 24 percent decline in heavy duty battery sales reflecting retail softness in this mature category.

Sales in Latin America decreased nearly 22 percent or $7.4 million versus the prior year. Worsening economic conditions in the region and unfavorable foreign exchange had negative impacts on the business.

Europe and the Rest of World sales showed another quarter of improvement as sales rose to $13.7 million, an increase of more than six percent over the prior year. The sales increase was attributable to strong hearing aid battery sales, reflecting distribution and volume gains.

Rayovac is one of the world's leading battery and lighting device companies. The Company also markets the number one selling rechargeable brand of battery and is the world leader in hearing aid batteries. Rayovac trades on the New York Stock Exchange under the ROV symbol.

Certain matters discussed in this news release, with the exception of historical matters, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are subject to a number of risks, uncertainties and other factors that could cause results to differ materially from those anticipated as of the date of this release. Actual results may differ materially from these statements as a result of (1) changes in external competitive market factors, including any introduction of new product features or technological developments, development of new competitors or competitive brands or competitive promotional activity or spending, (2) unanticipated changes in consumer demand for the various types of consumer batteries, (3) unanticipated changes in the general economic conditions where we do business, such as stock market prices, interest rates, inflation and raw material costs, (4) risks related to protection of our intellectual property and risks related to third party infringement claims and (5) various other factors, including those discussed herein and those set forth in the Company's SEC filings, including its most recent Form 10Q, Annual Report on Form 10-K and the prospectus supplement for the Company's most recent public offering of its common stock.

Tables Follow
Pro-forma Financial Data & Supplemental Financial Information
Condensed Consolidated Statements of Operations

RAYOVAC CORPORATION

Condensed Consolidated Statements of Operations For the three month periods ended December 30, 2001 and December 31, 2000

(Unaudited)
(In millions, except per share amounts)

	F2002 EXCLUDING KMART RESERVE	F2002 KMART RESERVE	THREE MONTHS F2002	F2001	% INC(DEC)
Net sales	$182.4		$182.4	$183.6	(0.7%)
Cost of goods sold	93.6		93.6	91.5	
Gross profit	$88.8		$88.8	$92.1	(3.6%)
Selling	53.2		53.2	54.0	
General and administrative	12.7	16.1	28.8	12.4	
Research and development	3.2		3.2	3.0	
Total operating expenses	$69.1	$16.1	$85.2	$69.4	
Operating Income before special charges	$19.7	($16.1)	$3.6	$22.7	(84.1%)
Special charges	--		--	16.0	
Interest expense and other	3.4		3.4	9.2	
Income (loss) before income taxes	$16.3	($16.1)	$0.2	($2.5)	
Income tax expense (benefit)	5.9	(6.1)	(0.2)	(0.7)	
Net income (loss)	$10.4	($10.0)	$0.4	($1.8)	
Average shares outstanding	31.8		31.8	27.6	
Basic earnings per share	$0.33		$0.01	($0.06)	
Average shares and common stock equivalents outstanding	32.4		32.4	27.6	
Diluted earnings per share	$0.32		$0.01	($0.06)	

RAYOVAC CORPORATION

Pro Forma Financial Data For the three month periods ended December 30, 2001 and December 31, 2000

(Unaudited)
(In millions, except per share amounts)

	THREE MONTHS F2002	F2001
Net income (loss) excluding Kmart reserve	$10.4	($1.8)
Kmart reserve (net of tax)	(10.0)	--

Net income (loss)	$0.4	($1.8)
Pro forma adjustments (net of tax):		
Special charges(a)	$--	$10.5
Pro forma net income	$0.4	$8.7
Pro forma diluted EPS	$0.01	$0.30
Average shares & equivalents outstanding	32.4	28.8

Supplemental Financial Information

EBITDA without special charges	$9.3	$27.1
Total Assets	$572.9	$551.2
Total Debt	$246.1	$308.4
Total Shareholders' Equity	$159.6	$78.5

(a) In December 2000, we announced a series of initiatives to improve operational efficiencies, match manufacturing capacity to market demands, and better utilize the Company's resources. These initiatives included (1) the closure of our lantern battery and flashlight assembly plant in Wonewoc, Wis., (2) the outsourcing of certain manufacturing operations at the Company's Fennimore, Wisconsin plant to accommodate the installation of a new high speed AA size alkaline battery line, (3) rationalization of certain packaging operations and product lines, (4) the closure of our zinc carbon manufacturing operations in Tegucigalpa, Honduras, (5) restructuring of our Mexico and European manufacturing and distribution operations and (6) the implementation of an administrative realignment, primarily in the U.S. and Latin America.

SOURCE Rayovac Corporation
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