Rayovac Announces Second Quarter Fiscal 2002 Results; Diluted EPS of 17 Cents, Up 21 Percent From Prior Year, Meets First Call Consensus

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MADISON, Wis., April 25 /PRNewswire-FirstCall/ --

Rayovac Corp. (NYSE: ROV) announced today its fiscal 2002 second quarter diluted earnings per share were up 21 percent over prior year. For the second quarter, diluted earnings per share increased to 17 cents, meeting First Call consensus, and up from the 14 cents reported for the same year-ago period. Company sales, which declined 10 percent from prior year, were impacted by continuing softness in the U.S. battery category, intense category promotional activity and economic and political instability in the Latin American markets. Sales in Europe/Rest of World were up 12 percent due to distribution wins.

For the second quarter, sales were $121.2 million, down 10 percent from the $134.7 million reported for the same period last year. Most of the decline in the second quarter was experienced in Latin America (down $8.1 million from last year), where poor economic conditions and political turmoil have contributed to an extremely weak market. Rayovac said second quarter battery sales in the U.S. have been affected by the continued slowness in the battery category, an extremely competitive promotional environment and cautious retail inventory management. Battery sales also have been impacted by continued sluggishness in the retail sales of small portable electronic devices, products that have historically helped fuel category growth.

For the second quarter, operating income before special charges declined eight percent to $12.9 million, compared to $14.1 million for the same period last year, as a result of lower sales. Interest expense and other non-operating expense declined to $4.5 million, compared to $7.4 million last year, more than offsetting this decline. Net income increased 32 percent to $5.4 million, up from $4.1 million last year. Diluted earnings per share increased 21 percent to 17 cents, up from 14 cents last year.

"Despite unprecedented, intense competitive pressure, Rayovac has maintained its market share and is in a strong position to grow its market share in the last half of our fiscal year as we roll out our significantly improved alkaline product line," said Dave Jones, Rayovac Chairman and CEO. "Our new, improved 'Maximum Plus' alkaline batteries with their bold new retail graphic design, are just starting to ship into key retailers nationwide and will be in full distribution this fall. Battery industry growth should also improve as the overall economy begins to recover later this year."

Jones added that recent market data compiled by Rayovac for the five channel outlets (discount, food, drug, hardware and home centers) for the period ending January 31, 2002, show Rayovac's U.S. alkaline dollar share increased by 0.3 points to 10.6 percent on a 52-week basis and by 0.2 points to 11.0 percent for the last 12 weeks.

Second Quarter Results

Total general battery sales were down $12.1 million or 12 percent compared to the same year-ago period. Alkaline battery sales declined $2.4 million or four percent. Heavy-duty battery sales were down $10.2 million, due mainly to Latin American economic issues and North America retail softness in this declining category. Rechargeable battery sales rose six percent, driven by the continued success of Rayovac's 1-Hour Charger and nickel metal hydride (NiMH) batteries. Hearing aid battery sales were off seven percent, but remain up one percent for the year.

In the fiscal 2002 second quarter, North American sales were $89.8 million, down seven percent from $96.5 million last year. Total general battery sales were down eight percent, with alkaline sales down four percent and heavy-duty sales down $3.9 million. Rechargeable battery sales continued their strong growth and were up seven percent over the same period a year ago.

In Latin America, sales declined to $18.4 million from $26.5 million in the same period last year. The sales decline is largely the result of continuing economic and political instability in the region, the unfavorable impacts of currency devaluation and the imposition of tighter credit controls.

Sales for Europe/Rest of World continued to display strong growth, as sales rose 12 percent for the quarter to $13.0 million. This growth was driven by a 24 percent increase in total general battery sales, reflecting the benefits of distribution gains.

Also during the quarter, Rayovac introduced a breakthrough in rechargeable technology called I-C3* (In Cell Charge Control) that is anticipated to reduce charge time for NiMH batteries to as little as 15 minutes. The technology will be incorporated in a new rechargeable NiMH battery that is expected to last up to four times longer than alkaline in certain high-drain, high-tech devices like digital cameras. Rayovac is currently exploring partnerships with original equipment manufacturers (OEMs) to incorporate this new technology into rechargeable tools, wireless communications devices and other high-tech products. Retail versions of the new technology are expected to be available in mid-2003.

Rayovac also announced the introduction of a new high-performance alkaline battery called Maximum Plus(TM), which lasts 11 percent longer on average than the comparable current alkaline product. The product will be introduced to consumers via a bold new look that includes a new logo, new colors and entirely new packaging. The Rayovac Maximum Plus(TM) began shipping to retailers in April.

Six-Month Results

Sales for the six months ended March 31, 2002 were $283.0 million, down five percent from $299.0 million for the same period last year. Alkaline battery sales were up five percent, while rechargeable battery sales rose six percent. These gains were largely offset by lower heavy-duty battery sales, in both North America and Latin America. Hearing aid battery sales were up one percent for the six-month period.

Operating income before special charges declined to $16.4 million, compared to $36.7 million for the same six-month period last year, mainly as a result of a $16.1 million increase in bad debt reserve related to the Kmart bankruptcy filing. Interest expense and other non-operating expense was

$7.9 million, compared to $16.5 million last year. Net income rose 142 percent to $5.8 million from $2.4 million last year. Diluted earnings per share increased to 18 cents, up from eight cents last year.

Restatement of Financial Results

During the second quarter, the Company provided reclassified Consolidated Statements of Operations and Consolidated Balance Sheets for each of its fiscal 2001 quarters and its first quarter of fiscal 2002. Please refer to the Company's press release on March 27, 2002 or visit http://www.rayovac.com for further information. The reclassified Statement of Operations and Balance Sheets reflect accounting changes following the adoption of EITF 00-14, "Accounting for Certain Sales Incentives" and EITF 00-25, "Vendor Income Statement Characterization of Consideration Paid to a Reseller of the Vendor's Products," on January 1, 2002.

The reclassifications do not change the Company's profit from operations, income from continuing operations, net income or net income per common share in 2001 or 2002.

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 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, such as 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, and (4) various other factors, including those discussed herein and those set forth in the Company's most recent Form 10Q, Annual Report on Form 10-K and the prospectus supplement for the Company's most recent offering of its common stock.

RAYOVAC CORPORATION

Condensed Consolidated Statements of Operations For the three month and six month periods ended March 31, 2002 and April 1,

2001
(Unaudited)
(In millions, except per share amounts)

	THREE MONTHS			SIX MONTHS		
	F2002	F2001	INC(DEC) %	F2002	F2001	INC(DEC) %
Net sales	$121.2	$134.7	(10%)	$283.0	$299.0	(5%)
Cost of goods sold	71.2	78.5		170.3	174.8	
Gross profit	$50.0	$56.2	(11%)	$112.7	$124.2	(9%)
Selling	24.6	28.0		52.0	58.4	
General and administrative	9.1	11.1		37.6	23.1	
Research and development	3.4	3.0		6.7	6.0	
Total operating expenses	37.1	42.1		96.3	87.5	
Operating Income before special charges	$12.9	$14.1	(8%)	$16.4	$36.7	(55%)
Special charges	--	0.3		--	16.3	
Interest expense and other	4.5	7.4		7.9	16.5	
Income before income taxes	$8.4	$6.4	31%	$8.5	$3.9	118%
Income tax expense	3.0	2.3		2.7	1.5	
Net income	$5.4	$4.1	32%	$5.8	$2.4	142%
Average shares outstanding	31.8	27.6		31.8	27.6	
Basic earnings per share	$0.17	$0.15		$0.18	$0.09	

Average shares and common stock equivalents outstanding	32.3	28.7	32.4	28.6
Diluted earnings per share	$0.17	$0.14	$0.18	$0.08

RAYOVAC CORPORATION

Pro Forma Financial Data For the three month and six month periods ended March 31, 2002 and April 1,

2001
(Unaudited)
(In millions, except per share amounts)

	THREE MONTHS		SIX MONTHS	
	F2002	F2001	F2002	F2001
Net Income	$5.4	$4.1	$5.8	$2.4
Pro forma adjustments (net of tax):				
Special charges (a)	$--	$0.2	$--	$10.7
Pro forma net income	$5.4	$4.3	$5.8	$13.1
Pro forma diluted EPS	$0.17	$0.15	$0.18	$0.46
Average shares & equivalents outstanding	32.3	28.7	32.4	28.6

Supplemental Financial Information

EBITDA without special charges	$17.0	$18.8	$26.3	$46.0
Total Assets			$507.6	$517.4
Total Debt			$233.5	$310.7
Total Shareholders' Equity			$162.4	$81.1

(a) In December 2000, the Company 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 the Company's lantern battery and flashlight assembly plant in Wonewoc, Wisconsin, (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 the Company's zinc carbon manufacturing operations in Tegucigalpa, Honduras, (5) restructuring of the Company's Mexico and European manufacturing and distribution operations and (6) the implementation of an administrative realignment, primarily in the U.S. and Latin America.

* NOTE: The "3" in I-C3 should be read as a superscript.

SOURCE Rayovac Corporation
Web site: http: //www.rayovac.com
CONTACT: John Daggett of Rayovac Corporation, +1-608-275-4912