Rayovac Announces Fourth Quarter & Fiscal 2002 Results * Diluted and Pro Forma EPS Meets First Call Consensus *

November 7, 2002

MADISON, Wis., Nov. 7 /PRNewswire-FirstCall/ -- Rayovac Corp. (NYSE: ROV) announced today its Fiscal 2002 fourth quarter diluted earnings per share increased to 41 cents, up from the 20 cents reported for the same year-ago period. Excluding the impacts of restructuring charges, the Company reported pro forma diluted EPS of 38 cents, up 31 percent compared to the same period a year ago and in line with First Call consensus. Attached, as Table 3, is a reconciliation of net income and earnings per share to pro forma net income and earnings per share for this year's fourth quarter and twelve months ending September 30, 2002, and the comparable periods last year.

(Photo: http://www.newscom.com/cgi-bin/prnh/20020716/ROVLOGO)

For the fourth quarter of Fiscal 2002, sales were $154.3 million, down nine percent from the $170.2 million reported last year. The majority of the fourth quarter decline was experienced in Latin America, where poor economic conditions, political turmoil and currency devaluations continue to weaken the depressed consumer products market. In North America, sales declined three percent versus the same period last year. The slight decline was mainly due to lower sales to Kmart, the cautious retail inventory environment and continued intense category promotional activity, partially offset by distribution gains.

"In Fiscal 2002, Rayovac executed a series of initiatives that we expect to position the Company for future growth. We announced the combination of the consumer battery business of VARTA AG with Rayovac, which will propel us to the number two market position in Europe and solidify our number one position in Latin America, excluding Brazil. We also launched our new, more powerful Maximum Plus(TM) alkaline batteries, a bold new graphic design for all our products and announced our revolutionary 15-minute rechargeable Nickel Metal Hydride technology. We also took aggressive measures to improve our balance sheet, reduce costs and increase our cash flow," said Dave Jones, Rayovac chairman and CEO.

For the fourth quarter, operating income before special charges increased 31 percent to $24.1 million, compared to $18.4 million for the same period last year. The increase was attributed to lower advertising expenses, lower bad debt reserves for customer bankruptcies than in the same period last year and favorable gross profit margins, partially offset by lower sales. Interest expense declined to $3.8 million from $4.8 million last year, the result of lower debt levels. Income before extraordinary items increased to $13.1 million, up from $6.4 million last year. Diluted earnings per share increased to 41 cents, up from 20 cents last year.

Fourth Quarter Results

North American sales were $122.6 million, down three percent from $126.6 million last year. Total general battery sales were down seven percent. This decline reflected lower alkaline battery sales mainly due to lower sales to Kmart, a cautious retail environment and intense promotional activity; lower heavy-duty sales reflecting reduced distribution and declining market trends for this battery segment; and a 10 percent decrease in rechargeable battery sales reflecting lower sales to Kmart and the timing of promotional programs. North America segment profitability improved $11.6 million, mainly due to improved gross profit margins and favorable expenses reflecting strict cost controls, lower advertising and lower bad debt charges for customer bankruptcies in the current period.

In Latin America, sales declined to $17.6 million from $29.8 million in the same period last year. The sales decline is largely the result of continuing economic weakness and political instability in the region, as well as the unfavorable impacts of currency devaluations of $3.5 million. Latin America profitability declined $3.2 million, primarily as a result of lower sales partially offset by cost control initiatives throughout the region.

Europe/Rest of World sales were $14.1 million, up two percent from $13.8 million last year. Profitability increased due to a favorable product mix and lower operating expenses.

Twelve-Month Results

Sales for the twelve months ended September 30, 2002 were $572.7 million, down seven percent from $616.2 million for the same period last year. Hearing aid battery sales were up three percent, and lighting products and rechargeable battery sales were each up seven percent for the twelve-month period. These gains were offset by lower heavy-duty battery sales in both North America and Latin America, and alkaline sales, which were down two percent.

Operating income before special charges declined to $64.2 million, compared to $76.7 million for the same twelve-month period last year, mainly as a result of a net $12.0 million increase in bad debt expense related to the Kmart bankruptcy filing. Interest expense was $16.0 million, compared to $27.2 million last year, benefiting from both lower debt levels and lower interest rates. Income before extraordinary items rose 73 percent to $29.2 million from $16.9 million last year as restructuring charges were $13.5 million, net of tax, lower than last year. Diluted earnings per share increased to 90 cents, up from 39 cents last year. Pro forma diluted EPS increased to $1.16 up from a $1.05 reported last year. If the Company had adopted SFAS 142 last year, and had not recorded amortization accordingly, last year's pro forma diluted EPS would have been $1.13.

Special Charges

The Company announced a restructuring initiative in the third quarter for the Dominican Republic and recorded a year-to-date pretax charge of approximately $2.3 million, net of the fourth quarter's change in estimate of $0.3 million, to cover the costs of the program. The restructuring initiatives covered the closure of the Company's Santo Domingo, Dominican Republic manufacturing operations, which were absorbed by the Company's Guatemala City, Guatemala operations.

In the fourth fiscal quarter, the Company also recorded a reduction in previously accrued expenses of approximately $1.1 million reflecting the completion of the Company's restructuring program announced in December 2000.

Acquisition of Consumer Battery Business of VARTA AG and Restructuring Initiatives

On October 1, 2002, Rayovac announced the closing of its previously announced agreement with VARTA AG of Hanover, Germany to combine VARTA's global consumer battery business with Rayovac. Rayovac also announced on October 10, 2002, a series of global initiatives to position the Company for future growth and to optimize the global cost structure of the combined VARTA and Rayovac companies.

The Company is taking a restructuring charge of approximately $20 million pre-tax to be recorded in the first quarter of Fiscal 2003 and between $10-$15 million to be recorded as incurred. Cash cost of the restructuring program is expected to total $15-$20 million. Cost savings related to these initiatives are anticipated to be slightly accretive in Fiscal 2003 and are projected to be in the range of $35-$40 million when fully realized in Fiscal 2005. The combination of all these restructuring initiatives is expected to ultimately reduce the workforce by approximately 630 or 14 percent of the current worldwide workforce. This represents a net reduction of approximately 340 employees in manufacturing, 40 employees in distribution and 250 employees in sales, marketing and administrative services.

Reclassification 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 www.rayovac.com for further information. The reclassified Statement of Operations and Balance Sheets reflect required accounting changes following the timely 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.

With the recent VARTA consumer battery transaction, Rayovac is one of the world's largest consumer battery and lighting device companies. Rayovac and VARTA products are sold in more than 115 countries. The Company also markets the number one selling rechargeable brand of battery in the U.S. and in Europe, 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) changes in consumer demand for the various types of consumer batteries, (3) changes in the general economic conditions where we do business, such as stock market prices, interest rates, currency exchange rates, inflation and raw material costs, (4) our ability to successfully implement manufacturing and distribution cost efficiencies and (5) various other factors, including those discussed herein and those set forth in the Company's most recent Form 10-Q, Annual Report on Form 10-K and the prospectus supplement for the Company's most recent offering of its common stock.

Attached
Table 1 -- Condensed Consolidated Operations
Table 2 -- Supplemental Financial Data
Table 3 -- Pro Forma Financial Data

Table 1

RAYOVAC CORPORATION
Condensed Consolidated Operations
For the three and twelve month periods ended September 30, 2002 and September 30, 2001
(Unaudited)
(In millions, except per share amounts)

	THREE MONTHS			TWELVE MONTHS		
	F2002	F2001	INC(DEC) %	F2002	F2001	INC(DEC) %
Net sales	$154.3	$170.2	-9.3%	$572.7	$616.2	-7.1%
Cost of goods sold	85.4	100.8		334.1	361.2	
Gross profit	$68.9	$69.4	-0.7%	$238.6	$255.0	-6.4%
Selling	27.6	33.8		104.4	119.6	
General and administrative	13.9	14.0		56.9 (a)	46.5	
Research and development	3.3	3.2		13.1	12.2	
Total operating expenses	44.8	51.0		174.4	178.3	

Operating income before special charges	$24.1	$18.4	31.0%	$64.2	$76.7	-16.3%
Special charges	(1.4)	3.5		1.2	22.3	
Interest expense	3.8	4.8		16.0	27.2	
Other expense, net	1.2	0.1		1.3	1.1	
Income before income taxes	$20.5	$10.0	105.0%	$45.7	$26.1	75.1%
Income tax expense	7.4	3.6		16.5	9.2	
Income before extraordinary item	13.1	6.4	104.7%	29.2	16.9	72.8%
Extraordinary gain/ (loss), net of tax	---	0.1 (b)		---	(5.4) (b)	
Net income	$13.1	$6.5	101.5%	$29.2	$11.5	153.9%
Average shares outstanding	31.8	31.8		31.8	28.7	
Income before extraordinary item	$0.41	$0.20		$0.92	$0.59	
Extraordinary item	---	---		---	(0.19)	
Basic earnings per share	$0.41	$0.20		$0.92	$0.40	
Average shares and common stock equivalents outstanding	32.3	32.5		32.4	29.7	
Income before extraordinary item	$0.41	$0.20		$0.90	$0.57	
Extraordinary item	---	---		---	(0.18)	
Diluted earnings per share	$0.41	$0.20		$0.90	$0.39	

(a) -- The twelve months period ending September 30, 2002 reflect a bad debt recovery of $4.1 million and a bad debt reserve, net of the recovery, of $12.0 million attributable to the Kmart bankruptcy.

(b) -- The twelve months period ending September 30, 2001 reflect an extraordinary loss of $5.4 million, net of tax, resulting from the premium on the repurchase of $65.0 million Senior B Subordinated Notes and the related write-off of unamortized debt issuance costs.

Table 2

RAYOVAC CORPORATION

Supplemental Financial Data As of and for the three and twelve month periods ended September 30, 2002 and

September 30, 2001
(Unaudited)
(In millions, except per share amounts)

Supplemental Financial Data	F2002	F2001
Cash	$9.9	$11.4
Receivables, net	$136.6	$168.7
Days Sales Outstanding (c)	81	90
Inventory, net	$84.3	$91.3
Inventory Turnover (d)	4.0	4.4
Total Assets	$533.2	$566.5
Total Debt	$201.9	$258.0
Total Shareholders' Equity	$174.8	$157.6

	THREE MONTHS		TWELVE MONTHS	
Supplemental Segment Sales & Profitability	F2002	F2001	F2002	F2001
Net Sales				
North America	$122.6	$126.6	$435.5	$448.8
Latin America	17.6	29.8	84.7	118.7
Europe/ROW	14.1	13.8	52.5	48.7
Total net sales	$154.3	$170.2	$572.7	$616.2
Segment Profit				
North America	$33.0	$21.4	$85.5 (e)	$80.8
Latin America	(1.2)	2.0	5.3	16.9
Europe/ROW	2.0	1.2	5.1	4.1
Total segment profit	33.8	24.6	95.9	101.8
Corporate	9.7	6.2	31.7	25.1
Special charges	(1.4)	3.5	1.2	22.3
Interest expense	3.8	4.8	16.0	27.2
Other expense, net	1.2	0.1	1.3	1.1
Income before income taxes	$20.5	$10.0	$45.7	$26.1

(c) -- Reflects receivables, net, divided by average daily sales during the quarter.

(d) -- Reflects cost of sales for the quarter (excluding special charges) divided by net inventories multiplied by four.

(e) -- The twelve months period ending September 30, 2002 reflect a bad debt recovery of $4.1 million and a bad debt reserve, net of the recovery, of $12.0 million attributable to the Kmart bankruptcy.

Table 3

RAYOVAC CORPORATION
Pro Forma Financial Data
For the three and twelve month periods ended September 30, 2002 and September 30, 2001
(Unaudited)
(In millions, except per share amounts)

	THREE MONTHS		TWELVE MONTHS	
	F2002	F2001	F2002	F2001
Net income	$13.1	$6.5	$29.2	$11.5
Pro forma adjustments (net of tax):				

Extraordinary (gain) loss, early retirement of debt	---	(0.1)	---	5.4
Special charges	(0.9)	2.3 (f)	0.8	14.3 (f)
Kmart bankruptcy	---	---	7.5	---
Pro forma net income before add back of amortization for SFAS 142 adoption	12.2	8.7	37.5	31.2
Goodwill amortization	---	0.3 (g)	---	1.1 (g)
Trade name amortization	---	0.4 (g)	---	1.4 (g)
Pro forma net income	$12.2	$9.4	$37.5	$33.7
Pro forma diluted EPS before add back amortization for SFAS 142 adoption	$0.38	$0.27	$1.16	$1.05
Pro forma diluted EPS	$0.38	$0.29	$1.16	$1.13
Average shares & equivalents outstanding	32.3	32.5	32.4	29.7
EBITDA without special charges	$27.5	$24.0	$82.0 (h)	$96.8

(f) -- 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) the 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.

(g) -- 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 intangibles 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 also ceased amortizing the trade name on October 1, 2001.

(h) -- Includes a net $12.0 million pre-tax charge related to the Kmart bankruptcy.

SOURCE Rayovac Corporation