UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10Q

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

For the quarterly period ended December 31, 2000

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

Rayovac Corporation

(Exact name of registrant as specified in its charter)

Wisconsin	22-2423556
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

601 Rayovac Drive, Madison, Wisconsin 53711

(Address of principal executive offices) (Zip Code)

(608) 275-3340

(Registrant's telephone number, including area code)

Not Applicable

(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 February 9, 2001, was 27,579,159.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

RAYOVAC CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
December 31, 2000 and September 30, 2000
(Unaudited)
(In thousands, except per share amounts)

	DECEMBER 31	SEPTEMBER 30
-ASSETS-		
Current assets:		
Cash and cash equivalents	$ 11,292	$ 9,757
Receivables	143,264	153,667
Inventories	94,736	100,676
Prepaid expenses and other	36,609	27,070
Total current assets	285,901	291,170
Property, plant and equipment, net	101,999	111,897
Deferred charges and other, net	42,035	43,835
Intangible assets, net	121,284	122,114
Total assets	$ 551,219	$ 569,016
-LIABILITIES AND SHAREHOLDERS' EQUITY -		
Current liabilities:		
Current maturities of long-term debt	$ 35,091	$ 44,815
Accounts payable	86,073	97,857
Accrued liabilities:		
Wages and benefits and other	40,909	42,830
Recapitalization and other special charges	7,713	978
Total current liabilities	169,786	186,480
Long-term debt, net of current maturities	273,308	272,815
Employee benefit obligations, net of current portion	16,093	15,365
Other	13,540	13,660
Total liabilities	472,727	488,320
Shareholders' equity:		
Common stock, $.01 par value, authorized 150,000 shares; issued 57,389 and 57,101 shares respectively; outstanding 27,853 and 27,570 shares, respectively	574	571
Additional paid-in capital	108,998	104,197
Retained earnings	106,684	108,450
Accumulated other comprehensive income	96	650
Notes receivable from officers/shareholders	(3,440)	(3,190)
	212,912	210,678
Less: Treasury stock, at cost, 29,536 and 29,531 shares, respectively	(130,070)	(129,982)
Less: Unearned restricted stock compensation	(4,350)	0
Total shareholders' equity	78,492	80,696
Total liabilities and shareholders' equity	$ 551,219	$ 569,016

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

RAYOVAC CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the three month period ended December 31, 2000 and January 2, 2000
(Unaudited)
(In thousands, except per share amounts)

	THREE MONTHS ENDING	
	DECEMBER 31, 2000	JANUARY 2, 2000
Net sales	$ 185,918	$ 214,790
Cost of goods sold	91,506	110,829
Special charges	16,030	--
Gross profit	78,382	103,961
Selling	56,316	58,568
General and administrative	12,423	13,365
Research and development	3,015	2,555
Total operating expenses	71,754	74,488
Income from operations	6,628	29,473
Interest expense	8,192	8,121
Other (income) expense, net	952	(63)
Income (loss) before income taxes	(2,516)	21,415
Income tax expense (benefit)	(750)	7,496
Net income (loss)	$ (1,766)	$ 13,919
BASIC EARNINGS PER SHARE		
Weighted average shares of common stock outstanding	27,574	27,490
Net Income	$ (0.06)	$ 0.51
DILUTED EARNINGS PER SHARE		
Weighted average shares outstanding and equivalents outstanding	27,574	29,106
Net Income	$ (0.06)	$ 0.48

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

RAYOVAC CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three month period ended December 31, 2000 and January 2, 2000
(Unaudited)
(In thousands)

	THREE MONTHS ENDING	
	DECEMBER 31, 2000	JANUARY 2, 2000
Cash flows from operating activities:		
Net (loss) income	$ (1,766)	$ 13,919
Non-cash adjustments to net income:		
Amortization	1,457	1,688
Depreciation	4,526	4,222
Other non-cash adjustments	1,810	2,614
Net changes in assets and liabilities	6,467	(9,581)
Net cash provided by operating activities	12,494	12,862
Cash flows from investing activities:		
Purchases of property, plant and equipment	(1,502)	(3,472)
Proceeds from sale of property, plant and equipment	6	326
Net cash used by investing activities	(1,496)	(3,146)
Cash flows from financing activities:		
Reduction of debt	(117,600)	(54,531)
Proceeds from debt financing	108,687	53,310
Other	(560)	(215)
Net cash (used) by financing activities	(9,473)	(1,436)
Effect of exchange rate changes on cash and cash equivalents	10	(36)
Net increase in cash and cash equivalents	1,535	8,244
Cash and cash equivalents, beginning of period	9,757	11,065
Cash and cash equivalents, end of period	$ 11,292	$ 19,309

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 (all of which are normal and recurring in nature) necessary to present fairly the financial position of the Company at December 31, 2000, results of operations for the three month periods ended December 31, 2000, and January 2, 2000, and cash flows for the three month periods ended December 31, 2000 and January 2, 2000. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles 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, 2000. Certain prior year amounts have been reclassified to conform with the current year presentation.

ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS: Effective October 1, 2000, the Company adopted SFAS 133, "Accounting for Derivative Instruments and Hedging Activities", which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. All derivatives, whether designated in hedging relationships or not, are required to be recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the change in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive income (OCI) and are recognized in the income statement when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings.

The adoption of SFAS 133 resulted in a pre-tax reduction to OCI of $317 ($150 after tax). The reduction to OCI is primarily attributable to losses of approximately $500 for foreign exchange forward cash flow hedges partially offset by gains of approximately $200 on interest rate swap cash flow hedges. The net derivative losses included in OCI as of October 1, 2000 will be reclassified into earnings during the twelve months ending September 30, 2001.

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 OCI and as a hedge asset or liability as applicable. The swaps settle in arrears in quarterly increments with the related amounts for the current settlement quarter 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 quarter ended December 31, 2000, $75 of derivative gains from such hedges were recorded as an adjustment to interest expense. At December 31, 2000, the Company had a series of interest rate swap agreements outstanding which effectively fix the interest rate on floating rate debt at a rate of 6.404% for a notional principal amount of $75,000 through October 2002. The derivative net losses on these contracts recorded in OCI at December 31, 2000 was an after-tax loss of $548, including amounts recorded as part of the transition adjustment.

The Company enters into forward 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 derivate hedge contract is reclassified from OCI into earnings as an offset to the change in value of the liability or asset. During the quarter ended December 31, 2000, $109 of pretax derivative losses were recorded as an adjustment to earnings for cash flow hedges related to an asset or liability. For forward contracts denominated in a regional currency, the change in fair value of the hedges related to the change in forward points is deemed to be ineffective and is recorded currently in earnings. During the quarter ended December 31, 2000, $105 of pretax derivative losses were recorded as an adjustment to earnings as a result of ineffectiveness. During the quarter ended December 31, 2000, $349 of pretax derivative losses were recorded as an adjustment to earnings for forward contracts settled at maturity. At December 31, 2000, the Company had a series of forward contracts outstanding with a contract value of $10,326. The derivative net losses on these contracts recorded in OCI at December 31, 2000 was an after-tax loss of $5, including amounts recorded as part of the transition adjustment.

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 a commodity through a specified date. During the quarter ended December 31, 2000, $133 of pretax derivative losses were recorded as an adjustment to cost of sales for swap contracts settled at maturity. At December 31, 2000, the Company had a series of swap contracts outstanding through October 2001 with a contract value of $6,262. The derivative net losses on these contracts recorded in OCI at December 31, 2000 was an after-tax loss of $306, including amounts recorded as part of the transition adjustment.

2 INVENTORIES

Inventories consist of the following:

	December 31, 2000	September 30, 2000
Raw material	$32,245	$31,355
Work-in-process	13,983	11,650
Finished goods	48,508	57,671
	$94,736	$100,676

3 OTHER COMPREHENSIVE INCOME

Comprehensive income and the components of other comprehensive income (loss) for the three months ended December 31, 2000 and January 2, 2000 are as follows:

	Three Months Ending	
	December 31, 2000	January 2, 2000
Net (loss) income	($1,766)	$13,919
Other comprehensive income (loss):		
Foreign currency translation	307	(790)
Cumulative effect of change in accounting principle	(150)	--
Net loss on derivative instruments	(711)	--
Comprehensive (loss) income	$(2,320)	$13,129

4 NET INCOME PER COMMON SHARE

Net income per common share for the three months ended December 31, 2000 and January 2, 2000 is calculated based upon the following shares:

	Three Months Ending	
	December 31, 2000	January 2, 2000
Basic	27,574	27,490
Effect of assumed conversion of options	--	1,616
Diluted	27,574	29,106

The effect of unexercised stock options and restricted stock outstanding for the three-month period ending December 31, 2000 were excluded from the diluted EPS calculation, as their effect was anti-dilutive. These options may dilute EPS in the future.

5 COMMITMENTS AND CONTINGENCIES

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 1998, 1999 and $2,250 for 2000.

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 $2,892, 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, such contingent liabilities are not likely to have a material adverse effect on the financial condition, liquidity or cash flow of the Company.

6 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 international operations,

(iii) the closure of the Company's Wonewoc, Wisconsin, manufacturing facility, (iv) and the rationalization of uneconomic manufacturing processes at the Company's Fennimore, Wisconsin, manufacturing facility, and rationalization of packaging operations and product lines. The amount recorded includes $4,996 of employee termination benefits for approximately 360 employees, $10,184 of equipment, inventory, and other asset write-offs, and $850 of other expenses. A summary of the 2001 restructuring activities follows:

2001 RESTRUCTURING SUMMARY

	TERMINATION BENEFITS	OTHER COSTS	TOTAL
Expense accrued	$4,996	$11,034	$16,030
Balance December 31, 2000	$4,996	$11,034	$16,030

During 1999, the Company recorded special charges as follows: (i) $2,528 of employee termination benefits for 43 employees related to organizational restructuring in the U.S. and Europe, (ii) $1,300 of charges related to the discontinuation of the manufacturing of silver-oxide cells at the Company's Portage, Wisconsin, facility, and (iii) $2,100 of charges related to the termination of non-performing foreign distributors. The Company also recognized special charges of $803 related to the investigation of financing options and developing organizational strategies for the Latin American acquisition. A summary of the 1999 restructuring activities follows:

1999 RESTRUCTURING SUMMARY

	TERMINATION BENEFITS	OTHER COSTS	TOTAL
Expense accrued	$2,500	$3,400	$5,900
Cash expenditures	(200)	--	(200)
Balance September 30, 1999	$2,300	$3,400	$5,700
Change in estimate	--	100	100
Cash expenditures	(2,200)	--	(2,200)
Non cash charges	--	(3,300)	(3,300)
Balance September 30, 2000	$100	$200	$300
Cash expenditures	(100)	--	(100)
Non cash charges	--	(200)	(200)
Balance December 31, 2000	$--	$--	$--

7 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. All capital expenditures are related to reportable segments. Variable allocations of assets are not made for segment reporting.

REVENUES FROM EXTERNAL CUSTOMERS	THREE MONTH PERIODS ENDED	
	DECEMBER 31, 2000	JANUARY 2, 2000
North America	$138,530	$166,593
Latin America	33,695	30,869
Europe/ROW	13,693	17,328
Total segments	$185,918	$214,790

INTER SEGMENT REVENUES	THREE MONTH PERIODS ENDED	
	DECEMBER 31, 2000	JANUARY 2, 2000
North America	$8,212	$6,791
Latin America	1,418	--
Europe/ROW	599	161
Total segments	$10,229	$6,952

SEGMENT PROFIT	THREE MONTH PERIODS ENDED	
	DECEMBER 31, 2000	JANUARY 2, 2000
North America	$23,023	$28,938
Latin America	6,882	5,666
Europe/ROW	175	2,018
Total segments	30,080	36,622
Corporate	7,422	7,149
Special charges	16,030	--
Interest expense	8,192	8,121
Other (income) expense, net	952	(63)
Income (loss) before income taxes	$(2,516)	$21,415

SEGMENT ASSETS	DECEMBER 31, 2000	JANUARY 2, 2000
North America	$259,926	$285,104
Latin America	208,730	182,196
Europe/ROW	31,413	33,734
Total segments	$500,069	$501,034
Corporate	51,150	48,574
Total assets at period end	$551,219	$549,608

8 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 Subsidiary's' 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 December 31, 2000
(Unaudited)
(In thousands)

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
-ASSETS-					
Current assets:					
Cash and cash equivalents	$ 5,426	$ 47	$ 5,819	$ -	$ 11,292
Receivables	77,912	39,424	56,417	(30,489)	143,264
Inventories	62,225	-	32,279	232	94,736
Prepaid expenses and other	26,003	342	10,264	-	36,609
Total current assets	171,566	39,813	104,779	(30,257)	285,901
Property, plant and equipment, net	69,830	43	32,126	-	101,999
Deferred charges and other, net	38,736	274	3,882	(857)	42,035
Intangible assets, net	91,353	-	30,119	(188)	121,284
Investment in subsidiaries	134,934	96,244	-	(231,178)	-
Total assets	$ 506,419	$ 136,374	$ 170,906	$ (262,480)	$ 551,219
-LIABILITIES AND SHAREHOLDERS' EQUITY-					
Current liabilities:					
Current maturities of long-term debt	$ 18,325	$ -	$ 16,920	$ (154)	$ 35,091
Accounts payable	79,645	6	35,609	(29,187)	86,073
Accrued liabilities:					
Wages and benefits and other	27,316	1,434	12,119	40	40,909
Recapitalization and other special charges	7,713	-	-	-	7,713
Total current liabilities	132,999	1,440	64,648	(29,301)	169,786
Long-term debt, net of current maturities	273,976	-	136	(804)	273,308
Employee benefit obligations, net of current portion	15,460	-	633	-	16,093
Other	4,295	-	9,245	-	13,540
Total liabilities	426,730	1,440	74,662	(30,105)	472,727
Shareholders' equity :					
Common stock	573	1	12,072	(12,072)	574
Additional paid-in capital	108,880	62,788	54,899	(117,569)	108,998
Retained earnings	108,000	71,138	28,266	(100,720)	106,684
Accumulated other comprehensive income	96	1,007	1,007	(2,014)	96
Notes receivable from officers/shareholders	(3,440)	-	-	-	(3,440)
	214,109	134,934	96,244	(232,375)	212,912
Less treasury stock, at cost	(130,070)	-	-	-	(130,070)
Less unearned restricted stock compensation	(4,350)	-	-	-	(4,350)
Total shareholders' equity	79,689	134,934	96,244	(232,375)	78,492
Total liabilities and shareholders' equity	$ 506,419	$ 136,374	$ 170,906	$ (262,480)	$ 551,219

RAYOVAC CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
Three Months Ending December 31, 2000
(Unaudited)
(In thousands)

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	$ 135,436	$ 11,010	$ 53,180	$ (13,708)	$ 185,918
Cost of goods sold	64,729	10,679	29,713	(13,615)	91,506
Special Charges	16,030	-	-	-	16,030
Gross profit	54,677	331	23,467	(93)	78,382
Selling	43,523	180	12,706	(93)	56,316
General and administrative	11,678	(3,123)	3,868	-	12,423
Research and development	3,015	-	-	-	3,015
Total operating expenses	58,216	(2,943)	16,574	(93)	71,754
Income (loss) from operations	(3,539)	3,274	6,893	-	6,628
Interest expense	7,721	-	471	-	8,192
Equity in profit of subsidiary	(6,994)	(3,817)	-	10,811	-
Other (income) expense, net	(15)	(11)	981	(3)	952
Income (loss) before income taxes	(4,251)	7,102	5,441	(10,808)	(2,516)
Income tax expense (benefit)	(2,482)	108	1,624	-	(750)
Net income (loss)	$ (1,769)	$ 6,994	$ 3,817	$ (10,808)	$ (1,766)

RAYOVAC CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS
Quarter Ending December 31, 2000
(Unaudited)
(In thousands)

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net cash provided (used) by operating activities	$16,855	$ 3	$ (4,364)	$ -	$12,494
Cash flows from investing activities:					
Purchases of property, plant and equipment	(1,114)	-	(388)	-	(1,502)
Proceeds from sale of property, plant, and equip.	6	-	-	-	6
Net cash used by investing activities	(1,108)	-	(388)	-	(1,496)
Cash flows from financing activities:					
Reduction of debt	(117,171)	-	(429)	-	(117,600)
Proceeds from debt financing	104,719	-	3,968	-	108,687
Other	(560)	-	-	-	(560)
Net cash (used) by financing activities	(13,012)	-	3,539	-	(9,473)
Effect of exchange rate changes on cash and cash equivalents	-	-	10	-	10
Net increase (decrease) in cash and cash equivalents	2,735	3	(1,203)	-	1,535
Cash and cash equivalents, beginning of period	2,691	44	7,022	-	9,757
Cash and cash equivalents, end of period	$ 5,426	$ 47	$ 5,819	$ -	$ 11,292

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

FISCAL QUARTER ENDED DECEMBER 31, 2000 COMPARED TO
FISCAL QUARTER ENDED JANUARY 2, 2000

NET SALES. Net sales for the three months ended December 31, 2000 (the "Fiscal 2001 Quarter") decreased $28.9 million, or 13.5%, to $185.9 million from $214.8 million in the three months ended January 2, 2000 (the "Fiscal 2000 Quarter"). The decrease was driven by decreased sales of alkaline and lighting products primarily reflecting the impacts Y2k loading last year, a weak storm season, and retailer inventory reductions partially offset by strength in hearing aid batteries.

NET INCOME. Net income for the Fiscal 2001 Quarter decreased $15.7 million to $(1.8) million from $13.9 million in the Fiscal 2000 Quarter. The decrease reflects the impact of sales softness in North America and Europe, a $16.0 million restructuring charge and unfavorable foreign exchange partially offset by lower operating expenses.

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/Rest of World ("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 which includes corporate purchasing expense, general and administrative expense and research and development expense.

	Fiscal Quarter	
NORTH AMERICA	2001	2000
Revenue from external customers	$138.5	$166.6
Profitability	23.0	28.9
Profitability as a % of net sales	16.6%	17.3%
Assets	259.9	285.1

Our sales to external customers decreased $28.1 million, or 16.9%, to $138.5 million in the Fiscal 2001 Quarter from $166.6 million the previous year due primarily to decreased sales of alkaline batteries, lighting products, and camcorder batteries. Alkaline sales decreases of $18.1 million, or 17.8%, were driven by the impacts of Y2k on last year's sales volumes, a strong hurricane season in the Fiscal 2000 Quarter, and lower promotional activity at certain food retailers. Lighting product sales decreases of $7.8 million, or 32.8%, were driven by weakness in the lights product line and in lantern battery sales. The weak performance versus last year primarily reflects the impact of the Y2k phenomenom and the lack of a strong storm season, which resulted in strong sales of lighting and related products last year. Camcorder battery sales decreases of $2.2 million, or 52.3%, primarily reflect the transition to the licensing agreement with our Hong Kong licensee and the timing of promotions at a key electronics retailer. Hearing aid battery sales increases of $2.0 million, or 21.5%, primarily reflect strength in the professional channel and expanded distribution in Fiscal 2001.

Our profitability decreased $5.9 million, or 20.4%, to $23.0 million in the Fiscal 2001 Quarter from $28.9 million in the Fiscal 2000 Quarter. The decrease was primarily attributable to an unfavorable volume variance reflecting the sales shortfall partially offset by improved gross profit margins, reflecting a favorable product mix, and operating expense decreases of 10.5%. Our profitability margins decreased 70 basis points to 16.6% of net sales from 17.3% the previous year. The decrease primarily reflects higher distribution costs as a percent of sales, reflecting higher fuel costs, and the continuation of advertising and promotional support in spite of the weak performance of the alkaline category in comparison to the previous year. These decreases were partially offset by favorable gross profit margins.

Our assets decreased $25.2 million, or 8.8%, to $259.9 million from $285.1 million the previous year due primarily to a decrease in accounts receivable of $24.3 million reflecting the sales shortfall and timing of customer payments.

LATIN AMERICA	Fiscal Quarter 2001	Fiscal Quarter 2000
Revenue from external customers	$33.7	$30.9
Profitability	6.9	5.7
Profitability as a % of net sales	20.5%	18.4%
Assets	208.7	182.2

Our sales to external customers increased $2.8 million, or 9.1% to $33.7 million in the Fiscal 2001 Quarter from $30.9 million the previous year due primarily to an increase in sales of alkaline batteries. Alkaline sales increases of $3.3 million were driven by new distribution of alkaline batteries in mass merchandiser chains compounded by expansion of distribution into the Southern region of South America in Fiscal 2000. Heavy duty battery sales were slightly unfavorable compared to last year.

Our profitability increased $1.2 million, or 21.1%, to $6.9 million in the Fiscal 2001 Quarter from $5.7 million the previous year. Our operating profit margins as a percent of net sales increased 210 basis points primarily reflecting improved gross profit margins, reflecting a favorable product mix and the benefits of price increases and cost reductions implemented during Fiscal 2000, partially offset by an increase in selling and promotional expenses associated with the expanded distribution.

Our assets increased $26.5 million, or 14.5%, to $208.7 million in the Fiscal 2001 Quarter from $182.2 the previous year. The increase was primarily attributable to an increase in accounts receivable of $17.0 million compounded by an increase in inventory of $6.8 million reflecting expanded distribution with mass merchandisers and expansion into the southern region of South America.

EUROPE/ROW	Fiscal Quarter 2001	Fiscal Quarter 2000
Revenue from external customers	$13.7	$17.3
Profitability	0.2	2.0
Profitability as a % of net sales	1.5%	11.6%
Assets	31.4	33.7

Our sales to external customers decreased $3.6 million, or 20.8%, to $13.7 million in the Fiscal 2001 Quarter from $17.3 million the previous year due primarily to the impacts of currency devaluation, of $1.7 million, compounded by weakness in our alkaline battery category partially offset by stronger sales in the Rest of World geography.

Our profitability decreased $1.8 million to $0.2 million in the Fiscal 2001 Quarter reflecting the impact of currency devaluation on gross profit compounded by higher operating expenses reflecting higher selling and distribution costs partially offset by gross profit margin improvement reflecting a favorable product mix.

Our assets decreased $2.3 million, or 6.8%, to $31.4 million from $33.7 million the previous year due primarily to a decrease in receivables of $2.6 million primarily reflecting weaker sales.

CORPORATE EXPENSE. Our corporate expense increased $0.3 million, or 4.2%, to $7.4 million in the Fiscal 2001 Quarter from $7.1 million the previous year. These increases were primarily attributable to higher research and development expenses of $0.5 million, reflecting an increase in royalities and other expenses partially offset by lower legal and other administrative expenses. As a percentage of total sales, our corporate expense was 4.0% in the Fiscal 2001 Quarter and 3.3% the previous year.

SPECIAL CHARGES. 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 international operations, (iii) the closure of the Company's Wonewoc, Wisconsin, manufacturing facility, (iv) and the rationalization of uneconomic manufacturing processes at the Company's Fennimore, Wisconsin, manufacturing facility, and rationalization of packaging operations and product lines. The amount recorded includes $5.0 million of employee termination benefits for approximately 360 employees, $10.2 million of equipment, inventory, and other asset write-offs, and $0.8 million of other expenses.

INCOME FROM OPERATIONS. Our income from operations decreased $22.9 million to $6.6 million in the Fiscal 2001 Quarter from $29.5 million the previous year. These decreases were primarily due to decreased profitability in North America, Europe/ROW, and the impact of special charges of $16.0 million recognized in the Fiscal 2001 Quarter. Excluding the impact of the special charges, income from operations decreased $6.9 million, or 23.4%, reflecting the decreased profitablility in North America and Europe.

INTEREST EXPENSE. Interest expense increased $0.1 million to $8.2 million in the Fiscal 2001 Quarter from $8.1 million in the prior year. These increases were primarily due to year over year increases in general market interest rates.

OTHER EXPENSE (INCOME). Other expense (income) decreased $1.0 million to a $0.9 million net expense in the Fiscal 2001 Quarter from a net gain of $0.1 million in the previous year. These decreases were primarily attributable to foreign exchange losses, primarily in Latin America.

INCOME TAX EXPENSE. Our effective tax rate was 35.0%, excluding the tax benefit of the special charge, for the Fiscal 2001 Quarter, comparable to the previous year. Our effective tax rate was 29.8% including the tax benefit of the special charge.

ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

Effective October 1, 2000, the Company adopted SFAS 133, which establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts and for hedging activities. All derivatives, whether designated in hedging relationships or not, are required to be recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, the change in the fair value of the derivative and of the hedged item attributable to the hedged risk are recognized in earnings. If the derivative is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative are recorded in other comprehensive income (OCI) and are recognized in the income statement when the hedged item affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognized in earnings.

The adoption of SFAS 133 resulted in a pre-tax reduction to OCI of $0.3 million ($0.2 million after tax). The reduction to OCI is primarily attributable to losses of approximately $0.5 million for foreign exchange forward cash flow hedges partially offset by gains of approximately $0.2 million on interest rate swap cash flow hedges. The net derivative losses included in OCI as of October 1, 2000 will be reclassified into earnings for the twelve months ending September 30, 2001.

LIQUIDITY AND CAPITAL RESOURCES

For the Fiscal 2001 Quarter, operating activities provided $12.5 million in net cash compared with $12.9 million the previous year. Operating cash flow decreases versus the previous year primarily reflect lower operating earnings attributable to our decrease in sales partially offset by working capital increases which were $16.2 million less than the previous year primarily reflecting decreased investments in accounts receivable and inventory partially offset by lower accounts payable and accrued liabilities.

Net cash used by investing activities decreased $1.6 million versus the same period a year ago primarily reflecting lower capital expenditures. Expenditures in the current year were primarily for improvements to alkaline battery manufacturing and information systems hardware and software. The Company currently expects capital spending for Fiscal 2001 to be approximately $24.5 million due to alkaline capacity expansion, alkaline vertical integration programs, and enhancements to our warehouse and distribution systems.

During the Fiscal 2001 Quarter we granted approximately 0.5 million options to purchase shares of common stock to various employees of the company. All grants have been at an exercise price equal to the market price of the common stock on the date of the grant. We also granted approximately 277,000 shares of restricted stock on October 1, 2000, from the 1997 incentive plan, to certain members of management. Approximately 210,000 of these shares will vest on September 30, 2003 provided the recipient is still employed by the Company. The remainder vests one third each year for the next three years. The total market value of the restricted shares on date of grant totaled approximately $4.7 million and has been recorded as restricted stock as a separate component of shareholders' equity. Unearned compensation is being amortized to expense over the three-year vesting period.

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 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 December 31, 2000, $43.0 million of the term loan remained outstanding and $183.0 million was outstanding under the revolving facility with approximately $22.2 million of the remaining availability utilized for outstanding letters of credit.

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In December 1999, the Securities and Exchange Commission issued Staff Accounting Bulletin No. 101, "Revenue Recognition" (SAB 101). The SAB summarizes certain of the SEC's views in applying U.S. generally accepted accounting principles to revenue recognition in financial statements. In June 2000, the SEC issued SAB 101B, which delays the implementation date of SAB 101 until no later than the fourth fiscal quarter of fiscal years beginning after December 15, 1999. In October 2000, the SEC issued frequently asked questions and answers about how guidance in accounting standards and SAB 101 would apply to particular transactions. The amendment in June 2000 delayed the effective date for the Company until the fourth fiscal quarter of 2001, which is when the Company will adopt the bulletin. The impact of adopting SAB 101 is still being evaluated. The Company does not currently believe its adoption will have a material impact on the consolidated financial statements.

In May 2000, the Financial Accounting Standards Board's 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. The Company will adopt this consensus in the fourth fiscal quarter of 2001. The impact of this consensus on the Company's consolidated financial statements is still being evaluated. The Company does not currently believe its adoption will have a material impact on the consolidated financial statements.

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 Condensed 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 swaps are designated as cash flow hedges with the fair value recorded in OCI and as a hedge asset or liability as applicable. The swaps settle quarterly in arrears with the related amounts for the current settlement quarter 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.

FOREIGN EXCHANGE RISK

We are subject to risk from sales to, purchases from 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, Euro, German Marks, French Francs, Italian Lira, Spanish Pesetas, Dutch Guilders, Mexican Pesos, Guatemalan Quetzals, Dominican Pesos, Venezuelan Bolivars, Argentine Pesos, Chilean Pesos and Honduran Lempira. Foreign currency purchases are made primarily in Pounds Sterling, German Marks, French Francs, Mexican Pesos, Dominican Pesos, Guatemalan Quetzals and Honduran Lempira. We manage our foreign exchange exposure from forecasted sales, accounts receivable, forecasted purchases, accounts payable, intercompany loans, firm purchase commitments and credit obligations through the use of naturally occurring offsetting positions (borrowing in local currency) and forward foreign exchange contracts. Forward foreign exchange contracts to hedge forecasted transactions 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 sale or purchase and a related asset or liability recorded in the balance sheet, the gain or loss on the related derivative hedge contract is re-classified from OCI into earnings as an offset to the change in value of the asset or liability. Forward foreign exchange contracts to hedge firm purchase commitments are designated as fair value hedges with the fair value recorded in earnings and as a hedge asset or liability as applicable. For foreign exchange contracts denominated in regional currencies, the change in fair value of the hedges related to the change in forward points is deemed to be ineffective and is recorded currently in earnings.

COMMODITY PRICE RISK

We are exposed to fluctuation in market prices for purchases of zinc metal-based items used in the manufacturing process. We hedge 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 forecasted purchase of zinc metal-based items also affects earnings.

SENSITIVITY ANALYSIS

The analysis below is hypothetical and should not be considered a projection of future risks. Earnings projections are before tax.

As of December 31, 2000, 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 $1.3 million. The net impact on reported earnings, after also including the reduction in one year's interest expense on the related debt due to the same shift in interest rates, would be a net gain of $1.1 million.

As of December 31, 2000, 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 a loss of $1.1 million. The net impact on future cash flows, after also including the gain in value on the related accounts receivable payment obligations outstanding at December 31, 2000 due to the same change in exchange rates, would be a net gain of $2.6 million.

As of December 31, 2000, 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 $0.5 million. The net impact on reported earnings, after also including the reduction in cost of one year's purchases of the related commodities due to the same change in commodity prices, would be a net gain of $0.9 million.

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; and (6) our ability to continue to penetrate and develop new distribution channels for our products. 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, 2000 ("2000 Form 10-K").

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits

EXHIBIT NUMBER	DESCRIPTION
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**	Specimen of the Notes (included as an exhibit to Exhibit 4.1)
4.5****	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.
4.6++++	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 or Administrative Agent.
4.7+++++	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.
4.8**	The Security Agreement, dated as of September 12, 1996, by and among the Company, ROV Holding, Inc. and BofA.
4.9**	The Company Pledge Agreement, dated as of September 12, 1996, by and between the Company and BofA.
4.10***	Shareholders Agreement, dated as of September 12, 1996, by and among the Company and the shareholders of the Company referred to therein.
4.11***	Amendment No. 1 to Rayovac Shareholders Agreement, dated August 1, 1997, by and among the Company and the shareholders of the Company referred to therein.
4.12*****	Amendment No. 2 to Rayovac Shareholders Agreement, dated as of January 8, 1999, by and among the Company and the Shareholders of the Company referred to therein.
4.13	Amendment No. 3 to Rayovac Shareholders Agreement dated January 1, 2001, by and among the Company and the shareholders of the Company referred to therein.
4.14*	Specimen certificate representing the Common Stock.
10.1+++++	Amended and Restated Employment Agreement, dated as of October 1, 2000, by and between the Company and David A. Jones.
10.2+++++	Amended and Restated Employment Agreement, dated as of October 1, 2000, by and between the Company and Kent J. Hussey
10.3+++++	Employment Agreement, dated as of October 1, 2000, by and between the Company and Randall J. Steward.
10.4+++++	Employment Agreement, dated as of October 1, 2000, by and between the Company and Kenneth V. Biller.
10.5+++++	Employment Agreement, dated as of October 1, 2000, by and between the Company and Stephen P. Shanesy.

10.6+++++	Employment Agreement, dated as of October 1, 2000, by and between the Company and Merrell M. Tomlin.
10.7+++++	Employment Agreement, dated as of October 1, 2000, by and between the Company and Luis A. Cancio.
27	Financial Data Schedule.

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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 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 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.

(b) Reports on Form 8-K: The Company has not filed any reports on Form 8-K during the three month period ending December 31, 2000.

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: February 14, 2001

RAYOVAC CORPORATION

By: /s/ Randall J. Steward

Randall J. Steward
Executive Vice President of Administration
and Chief Financial Officer

AMENDMENT NO. 3 TO SHAREHOLDERS AGREEMENT

AMENDMENT NO. 3, dated as of January 1, 2001, to the Shareholders Agreement, dated as of September 12, 1996, by and among Rayovac Corporation, a Wisconsin corporation (the "Company") and the Shareholders of the Company referred to therein, as amended by amendment agreements dated as of August 1, 1997 and January 8, 1997 (the "Shareholders Agreement"). Capitalized terms used herein and not otherwise defined shall have meanings ascribed to such terms in the Shareholders Agreement.

WHEREAS, pursuant to Section 4.2 of the 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 a majority in interest of the Stockholders and a majority in interest of each of the Lee Group Shareholders and the Management Shareholders.

NOW THEREFORE, in consideration of the foregoing, the Shareholders Agreement is hereby amended as follows:

1. The Article I definition of "Shares" shall be amended to read as follows:

   SHARES. "Shares" shall mean with respect to any Shareholder (a) all shares of Common Stock held by Shareholders prior to the close of trading on the New York Stock Exchange on November 20, 1997, (b) all shares of Common Stock acquired in one or more Permitted Transfers, (c) securities of the Company issued in exchange for, upon reclassification of, or as a distribution in respect of, the Common Stock referred to in subs. (a) and (b) above, and (d) shares of Common Stock subject to options pursuant to the Rayovac Corporation 1996 Stock Option Plan.

This Amendment No. 3 may be signed in one or more counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

IN WITNESS WHEREOF, the parties have executed this Amendment No. 3 to the Shareholders Agreement as of the date first written above.

RAYOVAC CORPORATION

By:

David A. Jones
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:_______________________________

Name: _________________________

Title: _________________________

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: _______________________________

Name: ________________________

Title: ________________________

THL-CCI LIMITED PARTNERSHIP

By: THL Investment Management Corp.,
as General Partner

By: _______________________________

Name: ________________________

Title: ________________________

MANAGEMENT SHAREHOLDERS:

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David A. Jones	Dale R. Tetzlaff
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Luis A. Cancio	Randall J. Steward
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Kenneth V. Biller	Kent J. Hussey
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Merrell M. Tomlin	Stephen P. Shanesy