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 April 1, 2001

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 April 30, 2001, was 27,856,722.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

RAYOVAC CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
April 1, 2001 and September 30, 2000
(Unaudited)
(In thousands, except per share amounts)

	APRIL 1, 2001	SEPTEMBER 30, 2000
-ASSETS-		
Current assets:		
Cash and cash equivalents	$ 10,563	$ 9,757
Receivables	127,534	153,667
Inventories	90,926	100,676
Prepaid expenses and other	37,917	27,070
Total current assets	266,940	291,170
Property, plant and equipment, net	99,819	111,897
Deferred charges and other, net	46,261	43,835
Intangible assets, net	120,316	122,114
Total assets	$ 533,336	$ 569,016
-LIABILITIES AND SHAREHOLDERS' EQUITY -		
Current liabilities:		
Current maturities of long-term debt	$ 24,038	$ 44,815
Accounts payable	68,448	97,857
Accrued liabilities:		
Wages and benefits and other	37,561	42,830
Recapitalization and other special charges	5,835	978
Total current liabilities	135,882	186,480
Long-term debt, net of current maturities	286,629	272,815
Employee benefit obligations, net of current portion	16,057	15,365
Other	13,608	13,660
Total liabilities	452,176	488,320
Shareholders' equity:		
Common stock, $.01 par value, authorized 150,000 shares; issued 57,393 and 57,101 shares respectively; outstanding 27,857 and 27,570 shares, respectively	574	571
Additional paid-in capital	109,116	104,197
Retained earnings	110,809	108,450
Accumulated other comprehensive income (loss)	(1,548)	650
Notes receivable from officers/shareholders	(3,765)	(3,190)
	215,186	210,678
Less: Treasury stock, at cost, 29,536 and 29,531 shares, respectively	(130,070)	(129,982)
Less: Unearned restricted stock compensation	(3,956)	0
Total shareholders' equity	81,160	80,696
Total liabilities and shareholders' equity	$ 533,336	$ 569,016

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

RAYOVAC CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the three and six month periods ended April 1, 2001 and April 2, 2000
(Unaudited)
(In thousands, except per share amounts)

	THREE MONTHS ENDING		SIX MONTHS	
	2001	2000	2001	2000
Net sales	$ 145,192	$ 140,118	$ 328,751	$ 351,488
Cost of goods sold	75,803	72,732	167,309	183,561
Special charges	230	-	16,260	-
Gross profit	69,159	67,386	145,182	167,927
Selling	40,749	39,498	94,706	94,646
General and administrative	11,596	11,921	24,019	25,286
Research and development	3,005	2,737	6,020	5,292
Total operating expenses	55,350	54,156	124,745	125,224
Income from operations	13,809	13,230	20,437	42,703
Interest expense	7,182	7,131	15,374	15,252
Other expense, net	181	483	1,133	420
Income before income taxes	6,446	5,616	3,930	27,031
Income tax expense	2,321	1,965	1,571	9,461
Net income	$ 4,125	$ 3,651	$ 2,359	$ 17,570
BASIC EARNINGS PER SHARE				
Weighted average shares of common stock outstanding	27,578	27,491	27,575	27,490
Net Income	$ 0.15	$ 0.13	$ 0.09	$ 0.64
DILUTED EARNINGS PER SHARE				
Weighted average shares and equivalents outstanding	28,719	29,057	28,602	29,082
Net Income	$ 0.14	$ 0.13	$ 0.08	$ 0.60

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

RAYOVAC CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six month periods ended April 1, 2001 and April 2, 2000
(Unaudited)
(In thousands)

	SIX MONTHS ENDING	
	2001	2000
Cash flows from operating activities:		
Net income	$ 2,359	$ 17,570
Non-cash adjustments to net income:		
Amortization	2,895	3,222
Depreciation	8,706	8,090
Other non-cash adjustments	5,233	3,089
Net changes in assets and liabilities	(8,097)	1,031
Net cash provided by operating activities	11,096	33,002
Cash flows from investing activities:		
Purchases of property, plant and equipment	(4,217)	(7,451)
Proceeds from sale of property, plant and equipment	24	386
Net cash used by investing activities	(4,193)	(7,065)
Cash flows from financing activities:		
Reduction of debt	(197,175)	(105,330)
Proceeds from debt financing	190,686	80,055
Other	(1,040)	(423)
Net cash used by financing activities	(7,529)	(25,698)
Effect of exchange rate changes on cash and cash equivalents	1,432	(97)
Net increase in cash and cash equivalents	806	142
Cash and cash equivalents, beginning of period	9,757	11,065
Cash and cash equivalents, end of period	$ 10,563	$ 11,207

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 April 1, 2001, results of operations for the three and six month periods ended April 1, 2001, and April 2, 2000, and cash flows for the six month periods ended April 1, 2001 and April 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: In January 2001, the Financial Accounting Standards Board's Emerging Issues Task Force (EITF) reached a consensus on Issue 3 of EITF 00-22, "Accounting for "Points" and Certain Other Time-Based or Volume-Based Sales Incentive Offers, and Offers for Free Products or Services to Be Delivered in the Future". Issue 3 addresses the recognition, measurement, and income statement classification for offers to a customer to rebate or refund a specified amount of cash that may be redeemed if the customer completes a specified volume of transactions. The consensus was effective for quarters ending after February 15, 2001. The Company adopted the consensus reached on Issue 3, in the second fiscal quarter of 2001. The adoption and subsequent restatement of the Fiscal 2001 and Fiscal 2000 Quarter and Six Months resulted in the reclassification of certain selling expenses as a reduction in revenue of $2,432 and $2,478, respectively, in the Fiscal 2001 and Fiscal 2000 Quarter and $4,791 and $5,898, respectively, in the Fiscal 2001 and Fiscal 2000 Six Months. The reclassifications had no impact on pre-tax income, net income, or earnings per share.

DERIVATIVE FINANCIAL INSTRUMENTS:

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

The Company uses interest rate swaps to manage its interest rate risk. The swaps are designated as cash flow hedges with the fair value recorded in Other Comprehensive Income ("OCI") and as a hedge asset or liability as applicable. The swaps settle periodically in arrears with the related amounts for the current settlement period payable to, or receivable from, the counter-parties included in accrued liabilities or accounts receivable and recognized in earnings as an adjustment to interest expense from the underlying debt to which the swap is designated. During the three and six month periods ended April 1, 2001, $117 and $42, respectively, of pretax derivative losses from such hedges were recorded as an adjustment to interest expense. At April 1, 2001, 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 and a series of interest rate swap agreements outstanding which effectively fix the interest rate on floating rate debt at a rate of 4.99% for a notional principal amount of $25,000 for the period May through December 2001. The derivative net losses on these contracts recorded in OCI at April 1, 2001 was an after-tax loss of $1,322.

The Company enters into forward and swap foreign exchange contracts, to hedge the risk from forecasted settlement in local currencies of intercompany 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 three and six month periods ended April 1, 2001, $56 of pretax derivative gains and $53 of pretax derivative losses, respectively, were recorded as an adjustment to earnings for cash flow hedges related to an asset or liability. During the three and six month periods ended April 1, 2001, $232 and $581, respectively, of pretax derivative losses were recorded as an adjustment to earnings for forward and swap contracts settled at maturity. At April 1, 2001, the Company had a series of forward and swap contracts outstanding with a contract value of $8,768. The derivative net gain on these contracts recorded in OCI at April 1, 2001 was an after-tax gain of $33.

The Company periodically enters into forward foreign exchange contracts, to hedge the risk from changes in fair value from unrecognized firm purchase commitments. These firm purchase commitments generally require the Company to exchange U.S. dollars for foreign currencies. These hedge contracts are designated as fair value hedges with the fair value recorded in earnings on a pretax basis and as a hedge asset or liability as applicable. To the extent effective, changes in the value of the forward contracts recorded in earnings will be offset by changes in the value of the hedged item, also recorded in earnings on a pretax basis and as an asset or liability as applicable. Once the firm purchase commitment has been consummated, the firm commitment asset or liability balance will be reclassified as an addition to or subtraction from, the carrying value of the purchased asset. The Company has entered into a series of forward contracts for the period April 2001 through October 2001 to hedge the exposure from a firm commitment to purchase certain battery manufacturing equipment denominated in Japanese Yen. During the three and six month periods ended April 1, 2001, $722 of pretax derivative losses were recorded as an adjustment to earnings for fair value hedges of this firm purchase commitment. During the three and six month periods ended April 1, 2001, $722 of pretax gains were recorded as an adjustment to earnings for changes in fair value of this firm purchase commitment. At April 1, 2001, the series of outstanding forward contracts for this firm purchase commitment had a contract value of $8,368.

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 three and six month periods ended April 1, 2001, $147 and $280, respectively, of pretax derivative losses were recorded as an adjustment to cost of sales for swap contracts settled at maturity. At April 1, 2001, the Company had a series of swap contracts outstanding through March 2002 with a contract value of $12,679. The derivative net losses on these contracts recorded in OCI at April 1, 2001 was an after-tax loss of $553.

2 INVENTORIES

Inventories consist of the following:

	APRIL 1, 2001	SEPTEMBER 30, 2000
Raw material	$27,710	$31,355
Work-in-process	13,162	11,650
Finished goods	50,054	57,671
	$90,926	$100,676

3 OTHER COMPREHENSIVE INCOME

Comprehensive income and the components of other comprehensive income (loss) for the three and six months ended April 1, 2001 and April 2, 2000 are as follows:

	THREE MONTHS		SIX MONTHS	
	2001	2000	2001	2000
Net income	$4,125	$3,651	$2,359	$17,570
Other comprehensive (loss):				
Foreign currency translation	(663)	(97)	(356)	(887)
Cumulative effect of change in accounting principle	--	--	(150)	--
Net (loss) on derivative instruments	(981)	--	(1,692)	--
Comprehensive income	$2,481	$3,554	$161	$16,683

4 NET INCOME PER COMMON SHARE

Net income per common share for the three and six months ended April 1, 2001 and April 2, 2000 is calculated based upon the following shares:

	THREE MONTHS		SIX MONTHS	
	2001	2000	2001	2000
Basic	27,578	27,491	27,575	27,490
Effect of assumed conversion of options	1,141	1,566	1,027	1,592
Diluted	28,719	29,057	28,602	29,082

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 $2,639, 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 Tegucigalpa, Honduras and Mexico City, Mexico manufacturing facilities and in our European 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 $5,100 of employee termination benefits for approximately 360 employees, $10,400 of equipment, inventory, and other asset write-offs, and $800 of other expenses. A summary of the 2001 restructuring activities follows:

2001 RESTRUCTURING SUMMARY

	TERMINATION BENEFITS	OTHER COSTS	TOTAL
Expense accrued..................	$5,000	$11,000	$16,000
Balance December 31, 2000.........	$5,000	$11,000	$16,000
Expense as incurred...............	100	200	300
Cash expenditures.................	(800)	(200)	(1,000)
Non cash charges..................	--	(3,000)	(3,000)
Balance April 1, 2001.............	$4,300	$8,000	$12,300

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 April 1, 2001.............	$--	$--	$--

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. Capital expenditures are related to reportable segments or corporate. Variable allocations of assets are not made for segment reporting.

REVENUES FROM EXTERNAL CUSTOMERS

	THREE MONTH PERIODS ENDED		SIX MONTH PERIODS ENDED	
	APRIL 1, 2001	APRIL 2, 2000	APRIL 1, 2001	APRIL 2, 2000
North America	$105,997	$101,875	$242,862	$265,966
Latin America	26,639	25,211	60,363	56,228
Europe/ROW	12,556	13,032	25,526	29,294
Total segments	$145,192	$140,118	$328,751	$351,488

INTER SEGMENT REVENUES

	THREE MONTH PERIODS ENDED		SIX MONTH PERIODS ENDED	
	APRIL 1, 2001	APRIL 2, 2000	APRIL 1, 2001	APRIL 2, 2000
North America	$8,728	$5,704	$16,940	$12,644
Latin America	3,038	--	4,456	--
Europe/ROW	582	154	1,181	315
Total segments	$12,348	$5,858	$22,577	$12,959

SEGMENT PROFIT	THREE MONTH PERIODS ENDED APRIL 1, 2001	THREE MONTH PERIODS ENDED APRIL 2, 2000	SIX MONTH PERIODS ENDED APRIL 1, 2001	SIX MONTH PERIODS ENDED APRIL 2, 2000
North America	$15,752	$13,670	$38,748	$42,563
Latin America	4,514	4,579	11,420	10,288
Europe/ROW	1,116	2,015	1,293	4,036
Total segments	21,382	20,264	51,461	56,887
Corporate	7,343	7,034	14,764	14,184
Special charges	230	--	16,260	--
Interest expense	7,182	7,131	15,374	15,252
Other expense, net	181	483	1,133	420
Income before income taxes	$6,446	$5,616	$3,930	$27,031

SEGMENT ASSETS	APRIL 1, 2001	APRIL 2, 2000
North America	$248,537	$248,793
Latin America	206,327	186,150
Europe/ROW	27,768	30,200
Total segments	482,632	465,143
Corporate	50,704	41,900
Total assets at period end	$533,336	$507,043

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 April 1, 2001
(Unaudited)
(In thousands)

	PARENT	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
-ASSETS-					
Current assets:					
Cash and cash equivalents	$ 2,351	$ 45	$ 8,167	$ -	$ 10,563
Receivables	56,529	42,104	50,971	(22,070)	127,534
Inventories	58,227	-	30,608	2,091	90,926
Prepaid expenses and other	24,582	342	12,993	-	37,917
Total current assets	141,689	42,491	102,739	(19,979)	266,940
Property, plant and equipment, net	68,588	40	31,191	-	99,819
Deferred charges and other, net	59,719	887	4,134	(18,479)	46,261
Intangible assets, net	90,724	-	29,780	(188)	120,316
Investments in subsidiaries	138,980	98,037	-	(237,017)	-
Total assets	$ 499,700	$ 141,455	$ 167,844	$ (275,663)	$ 533,336
-LIABILITIES AND SHAREHOLDERS' EQUITY-					
Current liabilities:					
Current maturities of long-term debt	$ 15,500	$ -	$ 8,709	$ (171)	$ 24,038
Accounts payable	65,601	11	22,248	(19,412)	68,448
Accrued liabilities:					
Wages benefits and other	23,166	2,464	11,931	-	37,561
Recapitalization and other special charges	5,835	-	-	-	5,835
Total current liabilities	110,102	2,475	42,888	(19,583)	135,882
Long term debt, net of current maturities	287,275	-	17,151	(17,797)	286,629
Employee benefit obligations, net of current portion	15,254	-	803	-	16,057
Other	4,642	-	8,966	-	13,608
Total liabilities	417,273	2,475	69,808	(37,380)	452,176
Shareholders' equity:					
Common stock	573	1	12,072	(12,072)	574
Additional paid-in capital	108,998	62,788	54,904	(117,574)	109,116
Retained earnings	111,837	75,492	31,715	(108,235)	110,809
Accumulated other comprehensive income (loss)	(1,190)	699	(655)	(402)	(1,548)
Notes receivable from officers/shareholders	(3,765)	-	-	-	(3,765)
	216,453	138,980	98,036	(238,283)	215,186
Less treasury stock, at cost	(130,070)	-	-	-	(130,070)
Less unearned restricted stock compensation	(3,956)	-	-	-	(3,956)
Total shareholders' equity	82,427	138,980	98,036	(238,283)	81,160
Total liabilities & shareholders' equity	$ 499,700	$ 141,455	$ 167,844	$ (275,663)	$ 533,336

RAYOVAC CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the three month period ended April 1, 2001
(Unaudited)
(In thousands)

	PARENT	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
Net sales	$ 102,485	$ 10,804	$46,875	$(14,972)	$145,192
Cost of goods sold	51,865	10,480	28,266	(14,808)	75,803
Special charges	29	--	201	--	230
Gross profit	50,591	324	18,408	(164)	69,159
Selling expense	31,082	174	9,553	(60)	40,749
General and administrative	10,286	(2,539)	3,849	--	11,596
Research and development	3,005	--	--	--	3,005
Total operating expenses	44,373	(2,365)	13,402	(60)	55,350
Income from operations	6,218	2,689	5,006	(104)	13,809
Interest expense	6,903	--	898	(619)	7,182
Equity (income)	(5,024)	(2,465)	--	7,489	--
Other (income) expense, net	(714)	14	259	622	181
Income before income taxes	5,053	5,140	3,849	(7,596)	6,446
Income tax expense	822	116	1,384	(1)	2,321
Net income	$ 4,231	$ 5,024	$ 2,465	$ (7,595)	$ 4,125

RAYOVAC CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS
For the six month period ended April 1, 2001
(Unaudited)
(In thousands)

	PARENT	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
Net sales	$ 236,468	$ 21,814	$99,620	$(29,151)	$328,751
Cost of goods sold	116,595	21,159	58,449	(28,894)	167,309
Special charges	16,059	--	201	--	16,260
Gross profit	103,814	655	40,970	(257)	145,182
Selling expense	73,151	354	21,358	(157)	94,706
General and administrative	21,965	(5,663)	7,717	--	24,019
Research and development	6,020	--	--	--	6,020
Total operating expenses	101,136	(5,309)	29,075	(157)	124,745
Income from operations	2,678	5,964	11,895	(100)	20,437
Interest expense	14,625	--	1,369	(620)	15,374
Equity (income)	(12,017)	(6,278)	--	18,295	--
Other (income) expense, net	(729)	2	1,240	620	1,133
Income before income taxes	799	12,240	9,286	(18,395)	3,930
Income tax (benefit) expense	(1,660)	223	3,008	--	1,571
Net income	$ 2,459	$ 12,017	$ 6,278	$(18,395)	$ 2,359

RAYOVAC CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATING STATEMENTS OF CASH FLOWS
For the six month period ended April 1, 2001
(Unaudited)
(In thousands)

	PARENT	GUARANTOR SUBSIDIARIES	NONGUARANTOR SUBSIDIARIES	ELIMINATIONS	CONSOLIDATED TOTAL
Net cash provided by operating activities	$ 5,932	$ 1	$ 5,163	$--	$ 11,096
Cash flows from investing activities:					
Purchases of property, plant and equipment	(3,485)	--	(732)	--	(4,217)
Proceeds from sale of property, plant, and equip	9	--	15	--	24
Net cash used by investing activities	(3,476)	--	(717)	--	(4,193)
Cash flows from financing activities:					
Reduction of debt	(192,557)	--	(4,618)	--	(197,175)
Proceeds from debt financing	190,686	--	--	--	190,686
Other	(925)	--	(115)	--	(1,040)
Net cash used by financing activities	(2,796)	--	(4,733)	--	(7,529)
Effect of exchange rate changes on cash and cash equivalents	--	--	1,432	--	1,432
Net (decrease) increase in cash and cash equivalents	(340)	1	1,145	--	806
Cash and cash equivalents, beginning of period	2,691	44	7,022	--	9,757
Cash and cash equivalents, end of period	$ 2,351	$45	$ 8,167	$--	$ 10,563

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

FISCAL QUARTER AND SIX MONTHS ENDED APRIL 1, 2001 COMPARED TO FISCAL QUARTER AND SIX MONTHS ENDED APRIL 2, 2000

NET SALES. Net sales for the three months ended April 1, 2001 (the "Fiscal 2001 Quarter") increased $5.1 million, or 3.6%, to $145.2 million from $140.1 million in the three months ended April 2, 2000 (the "Fiscal 2000 Quarter"). The increase was driven by growth in general battery and hearing aid battery sales, partially offset by decreases in lighting products primarily reflecting the impacts of Y2K loading last year and retailer inventory reductions compounded by lower sales of specialty batteries to OEM customers in the PC, telecommunications and electronics industries.

Net sales for the six months ended April 1, 2001 (the "Fiscal 2001 Six Months") decreased $22.7 million, or 6.5%, to $328.8 million from $351.5 million in the six months ended April 2, 2000 (the "Fiscal 2000 Six Months"). The decrease was driven by decreased sales of alkaline and lighting products primarily reflecting the impacts of Y2K loading last year, a weak storm season, and retailer inventory reductions compounded by softness in sales of specialty batteries to OEM customers in the PC, telecommunications and electronics industries. Offsetting the weakness in sales was hearing aid batteries, which increased $3.5 million, or 10.9%.

NET INCOME. Net income for the Fiscal 2001 Quarter increased $0.4 million, or 10.8%, to $4.1 million from $3.7 million in the Fiscal 2000 Quarter. The increase reflects the favorable margin impact of sales growth in North America and Latin America partially offset by weakness in Europe/Rest of World ("Europe/ROW") and operating expense increases.

Net income for the Fiscal 2001 Six Months decreased $15.2 million to $2.4 million from $17.6 million in the Fiscal 2000 Six Months. The decrease reflects the impact of a $16.3 million restructuring charge, sales softness in North America and Europe/ROW and unfavorable currency devaluation 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/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		SIX MONTHS	
NORTH AMERICA	2001	2000	2001	2000
Revenue from external customers	$106.0	$101.9	$242.9	$266.0
Profitability	15.8	13.7	38.7	42.6
Profitability as a % of net sales	14.9%	13.4%	15.9%	16.0%
Assets	$248.5	$248.8	$248.5	$248.8

Our sales to external customers increased $4.1 million, or 4.0%, to $106.0 million in the Fiscal 2001 Quarter from $101.9 million the previous year due primarily to increased sales of alkaline, rechargeable, and heavy duty batteries compounded by strong sales of hearing aid batteries partially offset by weakness in lighting products and speciality batteries. Alkaline sales increases of $6.1 million, or 11.4%, were primarily attributable to distribution gains and strong sales in the mass merchandiser and OEM trade channels. Rechargeable batteries sales increases of $1.3 million, or 19.4%, were driven by strong growth of nickel metal hydride (NiMh) batteries and new distribution at a major mass retailer. Heavy duty batteries sales increases of $2.6 million, or 38.7%, were primarily driven by product line expansion at a key mass retailer. Hearing aid battery sales increases of $2.4 million, or 23.8%, primarily reflects strong growth in the professional hearing aid trade channel and expanded retail distribution. Lighting product sales decreases of $2.7 million, or 17.4%, were driven by weakness in the lights product line and in lantern battery sales reflecting the lingering effects of not being able to repeat last year's Y2K buying binge. Speciality batteries sales decreases versus last year primarily reflect softness in camcorder battery and lithium battery sales of $2.2 million and $3.6 million, respectively. These decreases primarily reflect the transition to the camcorder licensing agreement with our Hong Kong licensee and general softness in demand from OEM customers in the PC, telecommunications and electronics industries.

In the Fiscal 2001 Six Months, our sales to external customers decreased $23.1 million, or 8.7%, to $242.9 million from $266.0 million the previous year due primarily to decreased sales of alkaline batteries, lighting products, and specialty batteries, partially offset by increased sales of hearing aid batteries. Alkaline sales decreases of $11.5 million, or 7.5%, were driven by the impacts of Y2K on last year's sales volumes, a strong hurricane season in the Fiscal 2000 First Quarter, lower promotional activity at certain food retailers, partially offset by distribution gains and strong sales in the mass merchandiser and OEM trade channels. Lighting product sales decreases of $10.3 million, or 26.5%, were driven by weakness in the lights product line and in lantern battery sales reflecting 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. Specialty batteries sales versus last year primarily reflect softness in camcorder battery and lithium battery sales of $4.4 and $5.4 million, respectively, reflecting the transition to the licensing agreement with our Hong Kong licensee, timing of promotions at a key electronics retailer, and general softness in lithium battery demand from OEM customers in the PC, telecommunications and electronics industries. Hearing aid battery sales increases of $4.3 million, or 22.5%, primarily reflect strength in the professional channel and expanded distribution in Fiscal 2001.

Our profitability increased $2.1 million, or 15.3%, to $15.8 million in the Fiscal 2001 Quarter from $13.7 million in the Fiscal 2000 Quarter. The increase in profitability in the Fiscal 2001 Quarter was primarily attributable to the sales expansion and favorable gross profit margins reflecting a favorable product mix partially offset by increased distribution expenses. Our profitability margins increased 150 basis points to 14.9% from 13.4% in the previous year. The increase primarily reflects favorable gross profit margins attributed to a favorable product mix and price increases implemented last year compounded by lower operating expenses as a percentage of sales.

In the Fiscal 2001 Six Months, our profitability decreased $3.9 million, or 9.2%, to $38.7 million from $42.6 million. The decrease in profitability in the Fiscal 2001 Six Months was primarily attributable to the sales shortfall partially offset by improved gross profit margins, reflecting a favorable product mix, price increases and operating expense decreases. Our profitability margins were relatively unchanged from the previous year.

There were no significant changes in our assets from the previous year.

	FISCAL QUARTER		SIX MONTHS	
LATIN AMERICA	2001	2000	2001	2000
Revenue from external customers................	$26.6	$25.2	$60.4	$56.2
Profitability.................................	4.5	4.6	11.4	10.3
Profitability as a % of net sales.............	16.9%	18.3%	18.9%	18.3 %
Assets..	$206.3	$186.2	$206.3	$186.2

Our sales to external customers increased $1.4 million, or 5.6% to $26.6 million in the Fiscal 2001 Quarter from $25.2 million and increased $4.2 million, or 7.5% to $60.4 million in the Fiscal 2001 Six Months from $56.2 million the previous year due primarily to increased sales of alkaline batteries partially offset by a slowing economic environment and the unfavorable impacts of currency devaluation of $0.7 million and $1.4 million, respectively. Alkaline sales increases of $1.6 million and $4.8 million in the Fiscal 2001 Quarter and Six Months, respectively, 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 versus last year.

Our profitability declined slightly in the Fiscal 2001 Quarter and increased $1.1 million, or 10.7%, in the Fiscal 2001 Six Months versus the Fiscal 2000 Six Months. The increase in profitability in the Fiscal 2001 Six Months is primarily attributable to the expansion of sales and gross profit partially offset by higher operating expenses reflecting the expansion into the Southern region of South America in Fiscal 2000.

Our profitability margins as a percent of net sales decreased 140 basis points in the Fiscal 2001 Quarter primarily reflecting an increase in selling and promotional expenses associated with the expanded distribution into the Southern region of South America which offset improved gross profit margins, reflecting a favorable product mix and the benefits of price increases implemented during Fiscal 2000. Our profitability margins as a percent of net sales increased 60 basis points in the Fiscal 2001 Six Months primarily reflecting a favorable product mix and the benefits of price increases partially offset by an increase in selling and promotional expenses.

Our assets increased $20.1 million, or 10.8%, to $206.3 million in the Fiscal 2001 Quarter from $186.2 million the previous year. The increase was primarily attributable to an increase in accounts receivable of $15.3 million and an increase in inventory of $2.1 million reflecting expanded distribution with mass merchandisers and expansion into the Southern region of South America.

	FISCAL QUARTER		SIX MONTHS	
EUROPE/ROW	2001	2000	2001	2000
Revenue from external customers............	$12.6	$13.0	$25.5	$29.3
Profitability..............................	1.1	2.0	1.3	4.0
Profitability as a % of net sales..........	8.7%	15.4%	5.1%	13.7%
Assets.....................................	$27.8	$30.2	$27.8	$30.2

Our sales to external customers decreased $0.4 million, or 3.1%, to $12.6 million in the Fiscal 2001 Quarter from $13.0 million and decreased $3.8 million, or 13.0%, to $25.5 million in the Fiscal 2001 Six Months from $29.3 million the previous year primarily reflecting the impacts of currency devaluation of $1.0 million and $3.0 million, respectively. Excluding the effects of foreign exchange, Europe/ROW for the Fiscal 2001 Quarter and Six Months experienced volume gains in alkaline and hearing aid battery sales.

Our profitability decreased $0.9 million to $1.1 million in the Fiscal 2001 Quarter and $2.7 million to $1.3 million in the Fiscal 2001 Six Months reflecting the impact of currency devaluation on gross profit compounded by higher selling and distribution costs partially offset by gross profit margin improvement reflecting a favorable product mix. Our profitability margins decrease, as a percentage of sales, are attributable to the fixed nature of our operating expenses over lower sales volumes.

Our assets decreased $2.4 million, or 7.9%, to $27.8 million from $30.2 million the previous year due primarily to a decrease in inventory of $2.3 million primarily reflecting improvements in inventory management and weaker sales.

CORPORATE EXPENSE. Our corporate expense increased $0.3 million, or 4.3%, to $7.3 million in the Fiscal 2001 Quarter from $7.0 million in the Fiscal 2000 Quarter and $0.6 million, or 4.2%, to $14.8 million in the Fiscal 2001 Six Months from $14.2 million in the Fiscal 2000 Six months. These increases were primarily attributable to higher research and development expenses of $0.3 million and $0.7 million, respectively, reflecting an increase in technology royalties and other expenses partially offset by lower legal and other administrative expenses. As a percentage of total sales, our corporate expense was 5.0% in the Fiscal 2001 Quarter and Fiscal 2000 Quarter and 4.5% in the Fiscal 2001 Six Months and 4.0% in the Fiscal 2000 Six Months.

SPECIAL CHARGES. The Company recorded special charges of $0.2 million in the Fiscal 2001 Quarter primarily reflecting expenses associated with the shutdown of the Company's Wonewoc, Wisconsin, manufacturing facility. In the Fiscal 2001 Six Months, the Company recorded special charges related to: (i) an organizational restructuring in the U.S, (ii) manufacturing and distribution cost rationalization initiatives in the Company's Tegucigalpa, Honduras and Mexico City, Mexico manufacturing facilities and in our European 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 $5.1 million of employee termination benefits for approximately 360 employees, $10.4 million of equipment, inventory, and other asset write-offs, and $0.8 million of other expenses.

INCOME FROM OPERATIONS. Our income from operations increased $0.6 million, or 4.5%, to $13.8 million in the Fiscal 2001 Quarter from $13.2 million the previous year. These increases were primarily due to increased profitability in North America partially offset by the impacts of currency devaluation in Europe/ROW and the impact of special charges of $0.2 million recognized in the Fiscal 2001 Quarter. Excluding the impact of the special charges, income from operations increased $0.8 million, or 6.0%.

In the Fiscal 2001 Six Months, our income from operations decreased $22.3 million, or 52.2%, to $20.4 million from $42.7 million the previous year. These decreases were primarily due to decreased profitability in North America and Europe/ROW, currency devaluation in Europe/ROW and special charges of $16.3 million. Excluding the impact of the special charges, income from operations decreased $6.0 million, or 14.1%.

INTEREST EXPENSE. Interest expense increased $0.1 million to $7.2 million in the Fiscal 2001 Quarter and increased $0.1 million to $15.4 million Fiscal 2001 Six Months versus the comparable periods in the prior year.

OTHER EXPENSE (INCOME). Other expense decreased $0.3 million to a $0.2 million net expense in the Fiscal 2001 Quarter and increased $0.7 million to a $1.1 million net expense in the Fiscal 2001 Six Months. The decrease in the net expense in the Fiscal 2001 Quarter primarily reflects increased interest income and lower foreign exchange losses. The increase in net expense in the Fiscal 2001 Six Months primarily reflects increased foreign exchange losses, primarily in Latin America, partially offset by higher interest income.

INCOME TAX EXPENSE. Our effective tax rate was 36.0% for the Fiscal 2001 Quarter compared to 35.0% in the Fiscal 2000 Quarter and 40.0% in the Fiscal 2001 Six Months compared to 35.0% in the Fiscal 2000 Six Months. The increase in effective tax rate for the quarter and six months primarily reflects a larger percentage of our income being derived from foreign jurisdictions.

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 during the twelve months ending September 30, 2001.

In January 2001, the Financial Accounting Standards Board's Emerging Issues Task Force (EITF) reached a consensus on Issue 3 of EITF Issue 00-22, "Accounting for "Points" and Certain Other Time-Based or Volume-Based Sales Incentive Offers, and Offers for Free Products or Services to Be Delivered in the Future". Issue 3 addresses the recognition, measurement, and income statement classification for offers to a customer to rebate or refund a specified amount of cash that may be redeemed if the customer completes a specified volume of transactions. The consensus was effective for quarters ending after February 15, 2001. The Company adopted the consensus reached on Issue 3, in the second fiscal quarter of 2001. The adoption and subsequent restatement of the Fiscal 2001 and Fiscal 2000 Quarter and Six Months resulted in the reclassification of certain selling expenses as a reduction in revenue and had no impact on pre-tax income, net income, or earnings per share.

LIQUIDITY AND CAPITAL RESOURCES

For the Fiscal 2001 Six Months, operating activities provided $11.1 million in net cash compared with $33.0 million the previous year. Operating cash flow decreases versus the previous year primarily reflect lower operating earnings attributable to our decrease in sales compounded by working capital increases which were $9.1 million more than the previous year. Working capital increases reflect increased investments in accounts receivable and prepaid expenses partially offset by lower inventory investments and higher accrued liabilities.

Net cash used by investing activities decreased $2.9 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 $20.0 million due to alkaline capacity expansion, alkaline vertical integration programs, and enhancements to our warehouse and distribution systems.

During the Fiscal 2001 Six Months we granted approximately 0.8 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 April 1, 2001, $40.4 million of the term loan remained outstanding and $196.2 million was outstanding under the revolving facility with approximately $17.9 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 EITF reached a consensus on Issue No. 00-14, "Accounting for Certain Sales Incentives". This Issue addresses the recognition, measurement, and income statement classification for various types of sales incentives including discounts, coupons, rebates and free products. In April 2001, the EITF delayed the implementation of EITF 00-14 until no later than quarters beginning after December 15, 2001. The Company is required to adopt this consensus in the second fiscal quarter of 2002. 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.

In July and September 2000, the EITF reached a consensus on Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs." This Issue addresses the income statement classification for shipping and handling fees and costs. 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.

In April 2001, the EITF reached a consensus on Issue No. 00-25, "Vendor Income Statement Characterization of Consideration to a Purchaser of the Vendor's Products or Services". This Issue addresses when consideration from a vendor to a retailer or distributor in connection with the purchase of the vendor's products to promote sales of the vendor's products should be classified in the vendor's income statement as a reduction of revenue or expense. The Company is required to adopt this consensus in the second fiscal quarter of 2002. 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 periodically in arrears with the related amounts for the current settlement period payable to, or receivable from, the counter-parties included in accrued liabilities or accounts receivable and recognized in earnings as an adjustment to interest expense from the underlying debt to which the swap is designated.

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.

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 April 1, 2001, 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 $1.5 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 $1.0 million.

As of April 1, 2001, 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 $0.9 million. The net impact on future cash flows, after also including the gain in value on the related accounts receivable payment obligations outstanding at April 1, 2001 due to the same change in exchange rates, would be a net gain of $1.6 million.

As of April 1, 2001, 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 $1.1 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 $0.4 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 101/4% 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 101/4% 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 101/4% 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 as 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 Second Amendment dated as of December 31, 2000 to the Second Amended and Restated Credit Agreement, dated as of August 9, 1999 by and among the Company, various financial institutions, and Bank of America, N.A. as administrative agent.
4.9**	The Security Agreement, dated as of September 12, 1996, by and among the Company, ROV Holding, Inc. and BofA.
4.10**	The Company Pledge Agreement, dated as of September 12, 1996, by and between the Company and BofA.
4.11***	Shareholders Agreement, dated as of September 12, 1996, by and among the Company and the shareholders of the Company referred to therein.
4.12***	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.
4.13*****	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.
4.14++++++	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.
4.15*	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.

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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.

++++++ Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended December 31, 2000, filed with the Commission on February 14, 2001.

(b) Reports on Form 8-K: The Company has not filed any reports on Form 8-K during the three-month period ending April 1, 2001.

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: May 14, 2001

RAYOVAC CORPORATION

By: /s/ Randall J. Steward

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