

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended December 29, 2002

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

(State or other jurisdiction of
incorporation or organization)

22-2423556

(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 ()

Indicate by check mark whether the registrant is an accelerated filer
(as defined in Rule 12b-2 of the Exchange Act). Yes (X) No ()

The number of shares outstanding of the Registrant's common stock, \$.01
par value, as of February 7, 2003, was 32,450,184.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

RAYOVAC CORPORATION
CONDENSED CONSOLIDATED BALANCE SHEETS
December 29, 2002 and September 30, 2002
(Unaudited)
(In thousands)

	DECEMBER 29, 2002	SEPTEMBER 30, 2002
-ASSETS-		
Current assets:		
Cash and cash equivalents	\$ 22,919	\$ 9,881
Receivables	216,944	136,610
Inventories	143,006	84,275
Prepaid expenses and other	47,412	28,556
Total current assets	430,281	259,322
Property, plant and equipment, net	168,681	102,586
Deferred charges and other, net	69,054	51,900
Intangible assets, net	324,151	119,425
Total assets	\$ 992,167	\$ 533,233
-LIABILITIES AND SHAREHOLDERS' EQUITY -		
Current liabilities:		
Current maturities of long-term debt	\$ 17,524	\$ 13,400
Accounts payable	134,309	76,155
Accrued liabilities	97,620	29,229
Total current liabilities	249,453	118,784
Long-term debt, net of current maturities	465,447	188,471
Employee benefit obligations, net of current portion	54,734	24,009
Other	44,687	27,176
Total liabilities	814,321	358,440
Shareholders' equity:		
Common stock, \$.01 par value, authorized 150,000 shares; issued 61,986 and 61,594 shares, respectively; outstanding 32,450 and 32,058 shares, respectively	620	616
Additional paid-in capital	185,608	180,823
Retained earnings	148,636	149,221
Accumulated other comprehensive loss	(17,052)	(19,859)
Notes receivable from officers/shareholders	(4,205)	(4,205)
Total shareholders' equity	313,607	306,596
Less: Treasury stock, at cost, 29,536 shares	(130,070)	(130,070)
Less: Unearned restricted stock compensation	(5,691)	(1,733)
Total shareholders' equity	177,846	174,793
Total liabilities and shareholders' equity	\$ 992,167	\$ 533,233

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

RAYOVAC CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
For the three month periods ended December 29, 2002 and December 30, 2001
(Unaudited)
(In thousands)

	THREE MONTHS	
	2003	2002
Net sales	\$ 260,222	\$ 161,883
Cost of goods sold	156,963	99,151
Special charges	9,705	--
Gross profit	93,554	62,732
Selling	48,526	27,407
General and administrative	24,904	28,567
Research and development	3,896	3,218
Special charges	5,685	--
Total operating expenses	83,011	59,192
Income from operations	10,543	3,540
Interest expense	10,102	4,169
Non-operating expense	3,072	--
Other income, net	(1,687)	(782)
(Loss) income before income taxes	(944)	153
Income tax benefit	(359)	(249)
Net (loss) income	\$ (585)	\$ 402
BASIC EARNINGS PER SHARE		
Weighted average shares and equivalents outstanding	31,801	31,780
Net (loss) income	\$ (0.02)	\$ 0.01
DILUTED EARNINGS PER SHARE		
Weighted average shares and equivalents outstanding	31,801	32,412
Net (loss) income	\$ (0.02)	\$ 0.01

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 29, 2002 and December 30, 2001
(Unaudited)
(In thousands)

	THREE MONTHS	
	2003	2002
Cash flows from operating activities:		
Net (loss) income	\$ (585)	\$ 402
Non-cash adjustments to net income:		
Amortization	523	539
Depreciation	8,286	4,832
Other non-cash adjustments	3,791	(4,852)
Net changes in assets and liabilities	12,211	23,245
	-----	-----
Net cash provided by operating activities	24,226	24,166
Cash flows from investing activities:		
Purchases of property, plant and equipment	(3,052)	(3,862)
Proceeds from sale of property, plant and equipment	113	--
Payment for acquisitions, net of cash acquired	(245,130)	--
	-----	-----
Net cash used by investing activities	(248,069)	(3,862)
Cash flows from financing activities:		
Reduction of debt	(257,803)	(72,656)
Proceeds from debt financing	506,771	60,500
Debt issuance costs	(12,635)	--
Other	(606)	(334)
	-----	-----
Net cash provided (used) by financing activities	235,727	(12,490)
Effect of exchange rate changes on cash and cash equivalents	1,154	(384)
	-----	-----
Net increase in cash and cash equivalents	13,038	7,430
Cash and cash equivalents, beginning of period	9,881	11,358
	-----	-----
Cash and cash equivalents, end of period	\$ 22,919	\$ 18,788
	=====	=====

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

RAYOVAC CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

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 (which are normal and recurring in nature) necessary to present fairly the financial position of the Company at December 29, 2002, results of operations and cash flows for the three month periods ended December 29, 2002, and December 30, 2001. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America 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, 2002. Certain prior year amounts have been reclassified to conform with the current year presentation.

SHIPPING AND HANDLING COSTS: The Company incurred shipping and handling costs of \$12,996 and \$6,996 for the three months ended December 29, 2002 and December 30, 2001, respectively, which are included in selling expense. Shipping and handling costs include costs incurred with third-party carriers to transport products to customers and salaries and overhead costs related to activities to prepare the Company's products for shipment at the Company's distribution facilities.

CONCENTRATION OF CREDIT RISK: Trade receivables potentially subject the Company to credit risk. The Company extends credit to its customers based upon an evaluation of the customer's financial condition and credit history and generally does not require collateral. The Company monitors its customer's credit and financial conditions based on changing economic conditions and will make adjustments to credit policies as required.

The Company has a broad range of customers including many large retail outlet chains, one of which previously accounted for in excess of 20% of our sales volume. Due to the impacts of the VARTA acquisition, see Footnote 9, Acquisitions, this customer represented approximately 3% and 23%, respectively, of receivables as of December 29, 2002 and September 30, 2002.

After the acquisition of Varta, approximately 59% of the Company's sales occur outside of North America. These sales and related receivables are subject to varying degrees of credit, currency, political and economic risk. The Company monitors these risks and makes appropriate provisions for collectability based on an assessment of the risks present.

ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS: In August 2001, the FASB issued Statement No. 143, ACCOUNTING FOR ASSET RETIREMENT OBLIGATIONS. Statement No. 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. The Company adopted the Statement on October 1, 2002. Adoption did not have a material effect on the financial statements of the Company.

In October 2001, the FASB issued Statement No. 144, ACCOUNTING FOR THE IMPAIRMENT OR DISPOSAL OF LONG-LIVED ASSETS. This statement supersedes FASB Statement No. 121, ACCOUNTING FOR THE IMPAIRMENT OF LONG-LIVED ASSETS AND FOR LONG-LIVED ASSETS TO BE DISPOSED OF, and the accounting and reporting provisions of APB Opinion No. 30, REPORTING THE RESULTS OF OPERATIONS - REPORTING THE EFFECTS OF DISPOSAL OF A SEGMENT OF A BUSINESS, AND EXTRAORDINARY, UNUSUAL AND INFREQUENTLY OCCURRING EVENTS AND TRANSACTIONS, for the disposal of a segment of a business. The Company adopted the Statement on October 1, 2002. Adoption did not have a material effect on the financial statements of the Company.

In April 2002, the FASB issued Statement No. 145, RESCISSION OF FASB STATEMENTS NO. 4, 44, AND 64, AMENDMENT OF FASB STATEMENT NO. 13, AND TECHNICAL CORRECTIONS. The Statement addresses, among other things, the income

statement treatment of gains and losses related to debt extinguishments, requiring such expenses to no longer be treated as extraordinary items, unless the items meet the definition of extraordinary per APB Opinion No. 30, REPORTING THE RESULTS OF OPERATIONS--REPORTING THE EFFECTS OF DISPOSAL OF A SEGMENT OF A BUSINESS, AND EXTRAORDINARY, UNUSUAL AND INFREQUENTLY OCCURRING EVENTS AND TRANSACTIONS. The Company adopted this Statement on October 1, 2002. As a result, the write-off of unamortized debt issuance costs of \$3,072 associated with the replacement of our previous credit facility is classified as non-operating expense in the three-month period ending December 29, 2002.

In November 2002, the FASB issued Interpretation No. 45, GUARANTOR'S ACCOUNTING AND DISCLOSURE REQUIREMENTS FOR GUARANTEES, INCLUDING INDIRECT GUARANTEES OF INDEBTEDNESS OF OTHERS. This Interpretation addresses, among other things, the disclosure to be made by a guarantor in its interim and annual financial statements about its obligations under guarantees. The Interpretation also requires the recognition of a liability by a guarantor at the inception of certain guarantees. The Company has adopted the disclosure requirements of the interpretation, and will apply the recognition and measurement provisions for all guarantees entered into or modified after December 31, 2002.

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 month period ended December 29, 2002, \$1,078 of pretax derivative losses from such hedges were recorded as an adjustment to interest expense. At December 29, 2002, the Company had a portfolio of interest rate swaps outstanding which effectively fixes the interest rates on floating rate debt at rates as follows: 4.458% for a notional principal amount of \$70,000 through July 2004, 3.974% for a notional principal amount of \$70,000 from July 2004 through October 2005, 3.769% for a notional principal amount of \$100,000 through August 2004 and 3.799% for a notional principal amount of \$100,000 from August 2004 through November 2005. The derivative net losses on these contracts recorded in OCI at December 29, 2002 was an after-tax loss of \$4,814.

The Company enters into forward and swap 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, Euros 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 derivative hedge contract is reclassified from OCI into earnings as an offset to the change in value of the liability or asset. During the three month period ended December 29, 2002, \$11 of pretax derivative losses were recorded as an adjustment to earnings for forward and swap contracts settled at maturity. At December 29, 2002, the Company had no foreign exchange derivative contracts outstanding.

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. During the three month period ended December 29, 2002, no such foreign exchange derivative activity occurred. At December 29, 2002, the Company had no such foreign exchange derivative contracts outstanding.

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 zinc through a specified date. During the three month period ended December 29, 2002, \$218 of pretax derivative losses were recorded as an adjustment to cost of sales for swap contracts settled at maturity. At December 29, 2002, the Company had a series of swap contracts outstanding through December 2003 with a contract value of \$5,913. The derivative net losses on these contracts recorded in OCI at December 29, 2002 was an after-tax loss of \$217.

2 INVENTORIES

Inventories consist of the following:

	DECEMBER 29, 2002 -----	SEPTEMBER 30, 2002 -----
Raw material.....	\$42,231	\$19,893
Work-in-process.....	22,404	19,004
Finished goods.....	78,371	45,378
	-----	-----
	\$143,006	\$84,275
	=====	=====

3 ACQUIRED INTANGIBLE ASSETS AND GOODWILL

	DECEMBER 29, 2002 -----			SEPTEMBER 30, 2002 -----		
	GROSS CARRYING AMOUNT -----	ACCUMULATED AMORTIZATION -----	NET INTANGIBLE -----	GROSS CARRYING AMOUNT -----	ACCUMULATED AMORTIZATION -----	NET INTANGIBLE -----
AMORTIZED INTANGIBLE ASSETS						
Non-compete agreement.....	\$ 700	\$ 665	\$ 35	\$ 700	\$ 630	\$ 70
Proprietary technology.....	525	316	209	525	308	217
	-----	-----	-----	-----	-----	-----
	\$ 1,225	\$ 981	\$ 244	\$ 1,225	\$ 938	\$ 287
	=====	=====	=====	=====	=====	=====
PENSION INTANGIBLES						
Under-funded pension.....	\$ 2,744	\$ --	\$ 2,744	\$ 3,446	\$ --	\$ 3,446
	-----	-----	-----	-----	-----	-----
UNAMORTIZED INTANGIBLE ASSETS						
Trade names.....	\$240,782	\$ 4,875	\$235,907	\$ 90,000	\$ 4,875	\$ 85,125
	-----	-----	-----	-----	-----	-----

GOODWILL	NORTH AMERICA -----	LATIN AMERICA -----	EUROPE/ROW -----	TOTAL -----
Balance as of October 1, 2002, net.....	\$1,035	\$ 26,884	\$2,648	\$ 30,567
Goodwill acquired during year.....	653	5,831	46,806	53,290
Effect of translation.....	--	(169)	1,568	1,399
	-----	-----	-----	-----
Balance as of December 29, 2002, net.....	\$ 1,688	\$ 32,546	\$51,022	\$85,256
	=====	=====	=====	=====

The non-compete agreement is being amortized on a straight-line basis over 5 years. The proprietary technology assets are being amortized on a straight-line basis over 15 to 17 years. The Company has deemed that its trade name intangible assets have indefinite lives because they are expected to generate cash flows indefinitely. Goodwill and intangible assets deemed to have indefinite lives are tested for impairment annually.

The amortization expense for the three months ended December 29, 2002 and December 30, 2001 are as follows:

	THREE MONTHS	
AMORTIZATION EXPENSE	2003	2002
	-----	-----
Non-compete and proprietary technology.....	\$43	\$43
	===	===

4 OTHER COMPREHENSIVE INCOME

Comprehensive income and the components of other comprehensive income for the three months ended December 29, 2002 and December 30, 2001 are as follows:

	THREE MONTHS	
	----- 2003 -----	----- 2002 -----
Net (loss) income.....	\$(585)	\$402
Other comprehensive income:		
Foreign currency translation.....	3,373	380
Net unrealized loss on available for-sale securities.....	(110)	(99)
Reclassification adjustment for losses included in net (loss) income.....	250	--
Net unrealized (loss) gain on derivative instruments.....	(706)	1,297
	-----	-----
Comprehensive income.....	\$2,222	\$1,980
	=====	=====

Net exchange gains or losses resulting from the translation of assets and liabilities of foreign subsidiaries are accumulated in a separate section of shareholders' equity. Also included are the effects of exchange rate changes on intercompany balances of a long-term nature and transactions designated as hedges of net foreign investments. The changes in accumulated foreign currency translation for the three months ended December 29, 2002 was primarily attributable to the impact of translation of assets and liabilities of our recently acquired European operations.

5 NET INCOME PER COMMON SHARE

Net income per common share for the three months ended December 29, 2002 and December 30, 2001 is calculated based upon the following shares:

	THREE MONTHS	
	----- 2003 -----	----- 2002 -----
Basic.....	31,801	31,780
Effect of restricted stock and assumed conversion of options.....	--	632
	---	---
Diluted.....	31,801	32,412
	=====	=====

The effect of restricted stock and unexercised stock options outstanding for the three-month period ending December 29, 2002 were excluded from the diluted EPS calculation, as their effect was anti-dilutive.

6 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 (until 2022). In December 2002, this agreement was modified such that royalty payments in 2003 through 2022 will be \$250.

The Company has provided for the estimated costs associated with environmental remediation activities at some of its current and former manufacturing sites. The Company believes that any additional liability in excess of the amounts provided of \$1,764, 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.

During 2002, the Company entered into a long-term lease for a facility being built in Dixon, Illinois (see Footnote 7, Other). The Company anticipates that construction will be completed and the lease payments will be fixed for this facility during the second fiscal quarter of 2003.

The Company has certain other contingent liabilities with respect to litigation, claims and contractual agreements arising in the ordinary course of business. Such litigation includes shareholder lawsuits. In the opinion of management, it is either not likely or premature to determine whether such contingent liabilities will have a material adverse effect on the financial condition, liquidity or cash flow of the Company. The suit filed against the Company by Eveready Battery Company has been settled, and the impact of such settlement is included in results of operations for the three months ended December 29, 2002.

7 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 the Company's European operations, (iii) the closure of the Company's Wonewoc, Wisconsin, manufacturing facility, (iv) the rationalization of uneconomic manufacturing processes at the Company's Fennimore, Wisconsin, manufacturing facility, and rationalization of packaging operations and product lines, and (v) costs associated with the Company's June 2001 secondary offering. The amount recorded includes \$9,100 of employee termination benefits for approximately 570 notified employees, \$9,900 of equipment, inventory, and other asset write-offs, and \$2,000 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
Change in estimate.....	4,400	100	4,500
Expense as incurred.....	700	1,100	1,800
Cash expenditures.....	(5,800)	(1,300)	(7,100)
Non-cash charges.....	--	(9,300)	(9,300)
	-----	-----	-----
Balance September 30, 2001.....	\$4,300	\$1,600	\$5,900
Change in estimate.....	(1,000)	(300)	(1,300)
Cash expenditures.....	(3,100)	--	(3,100)
Non-cash charges.....	--	(700)	(700)
	-----	-----	-----
Balance September 30, 2002.....	\$200	\$600	\$800
Cash expenditures.....	--	(100)	(100)
	-----	-----	-----
Balance December 29, 2002.....	\$200	\$500	\$700
	=====	=====	=====

During Fiscal 2002, the Company recorded special charges related to: (i) the closure of the Company's Santo Domingo, Dominican Republic plant, and (ii) manufacturing cost rationalization initiatives in the Company's Mexico City, Mexico facility. The amount recorded includes approximately \$1,200 of employee termination benefits for approximately 115 notified employees, and approximately \$900 of equipment, inventory and other asset write-offs, and \$300 of other expenses. A summary of the 2002 restructuring activities follows:

2002 RESTRUCTURING SUMMARY

	TERMINATION BENEFITS	OTHER COSTS	TOTAL
Expense accrued.....	\$1,200	\$1,400	\$2,600
Change in estimate.....	--	(400)	(400)
Expense as incurred.....	--	200	200
Cash expenditures.....	(1,100)	(200)	(1,300)
Non-cash charges.....	--	(1,000)	(1,000)
	-----	-----	-----
Balance September 30, 2002.....	\$100	\$--	\$100
Cash expenditures.....	(100)	--	(100)
	-----	-----	-----
Balance December 29, 2002.....	\$--	\$--	\$--
	=====	=====	=====

During the three months ended December 29, 2002, the Company recorded special charges related to: (i) the closure of the Company's Mexico City, Mexico plant, (ii) the commencement of the closure of operations at the Company's Madison, Wisconsin packaging facility and Middleton, Wisconsin distribution and combination of the two operations into a new leased complex currently being built in Dixon, Illinois, and (iii) a series of restructuring initiatives impacting the Company's sales, marketing, operations and administrative functions in Europe, North America, and Latin America. The amount recorded includes approximately \$6,200 of employee termination benefits for approximately 600 notified employees, and approximately \$7,800 of equipment, inventory and other asset write-offs, and \$1,400 of other expenses. A summary of the 2003 restructuring activities follows:

2003 RESTRUCTURING SUMMARY

	TERMINATION BENEFITS	OTHER COSTS	TOTAL
Expense accrued.....	\$6,200	\$9,000	\$15,200
Expense as incurred.....	--	200	200
Cash expenditures.....	(2,300)	(200)	(2,500)
Non-cash charges.....	--	(5,600)	(5,600)
	-----	-----	-----
Balance December 29, 2002.....	\$3,900	\$3,400	\$7,300
	=====	=====	=====

8 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, South America and the Caribbean; Europe/Rest of World ("Europe/ROW") includes continental Europe, the United Kingdom, 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.

Segment information for the three months ended December 29, 2002 and December 30, 2001 is as follows:

REVENUES FROM EXTERNAL CUSTOMERS	THREE MONTHS	
	2003	2002
North America.....	\$107,145	\$122,365
Latin America.....	34,444	25,989
Europe/ROW.....	118,633	13,529
Total segments.....	\$260,222	\$161,883

INTER SEGMENT REVENUES	THREE MONTHS	
	2003	2002
North America.....	\$7,732	\$10,177
Latin America.....	--	1,777
Europe/ROW.....	631	442
Total segments.....	\$8,363	\$12,396

SEGMENT PROFIT	THREE MONTHS	
	2003	2002
North America.....	\$19,705	\$7,355
Latin America.....	3,567	3,642
Europe/ROW.....	15,011	1,144
Total segments.....	38,283	12,141
Corporate.....	12,350	8,601
Special charges.....	15,390	--
Interest expense.....	10,102	4,169
Non-operating expense.....	3,072	--
Other income, net.....	(1,687)	(782)
(Loss) income before income taxes.....	\$(944)	\$153

SEGMENT ASSETS	DECEMBER 29, 2002	DECEMBER 30, 2001
	-----	-----
North America.....	\$223,655	\$249,547
Latin America.....	207,508	212,265
Europe/ROW.....	461,980	30,488
Total segments.....	\$893,143	\$492,300
Corporate.....	99,024	55,927
Total assets at period end.....	\$992,167	\$548,227

ACQUISITIONS

On October 1, 2002, the Company acquired the consumer battery business of VARTA AG (VARTA) for approximately \$262 million Euro. As a result of the acquisition, the Company plans to optimize the global resources of the combined Rayovac and VARTA companies through the utilization of economies of scale and other initiatives (See 2003 Restructuring Summary within Footnote 7).

The results of VARTA's operations, since the acquisition on October 1, 2002, are included in the condensed consolidated financial statements for Fiscal 2003. The Company has not yet finalized the purchase price allocation for the acquisition.

In connection with the acquisition, the Company entered into an Amended and Restated Credit Agreement ("Third Restated Agreement") which replaced the previous credit agreement. The Third Restated Agreement provided for senior bank facilities, including term and revolving credit facilities in an initial aggregate amount (assuming an exchange rate of Euro to Dollar of 1 to 1) of approximately \$625 million. The Third Restated Agreement includes a \$100 million seven-year revolving credit facility, a EUR 50 million seven-year revolving facility, a \$300 million seven-year amortizing term loan, a EUR 125 million seven-year amortizing term loan and a EUR 50 million six-year amortizing term loan. The U.S. Dollar revolving credit facility may be increased, at the Company's option, by up to \$50 million. A non-operating charge of \$3,072 was recorded in the three month period ended December 29, 2002 for the write-off of unamortized debt fees related to the previous debt agreement.

SUPPLEMENTAL PRO FORMA INFORMATION: The following reflects the Company's proforma results had the results of the VARTA business been included in the Fiscal 2002 three months.

	THREE MONTHS	
	2003	2002
	----	----
NET SALES		
Reported net sales.....	\$260,222	\$161,883
Pro forma adjustments.....	--	110,370
	-----	-----
Pro forma net sales.....	\$260,222	\$272,253
	=====	=====
NET (LOSS) INCOME		
Reported net (loss) income.....	\$(585)	\$402
Pro forma adjustments.....	--	4,394
	-----	-----
Pro forma net (loss) income.....	\$(585)	\$4,796
	=====	=====
BASIC EARNINGS PER SHARE		
Reported net (loss) income.....	\$(0.02)	\$0.01
Pro forma adjustments.....	--	0.14
	-----	-----
Pro forma net (loss) income.....	\$(0.02)	\$0.15
	=====	=====
DILUTED EARNINGS PER SHARE		
Reported net (loss) income.....	\$(0.02)	\$0.01
Pro forma adjustments.....	--	0.14
	-----	-----
Pro forma net (loss) income.....	\$(0.02)	\$0.15
	=====	=====

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

FISCAL QUARTER ENDED DECEMBER 29, 2002 COMPARED TO
FISCAL QUARTER ENDED DECEMBER 30, 2001

Year over year historical comparisons are influenced by our October 1, 2002 acquisition of the consumer battery business of VARTA AG ("VARTA"), which is included in our current year but not prior year results. See Footnote 9, Acquisitions, to the Condensed Consolidated Financial Statements for supplemental pro forma information providing additional year over year comparisons of the impacts of the VARTA acquisition.

NET SALES. Net sales for the three months ended December 29, 2002 (the "Fiscal 2003 Quarter") increased \$98.3 million, or 60.7%, to \$260.2 million from \$161.9 million in the three months ended December 30, 2001 (the "Fiscal 2002 Quarter"). The sales increase is attributable to the VARTA acquisition. Aside from this impact, both the Latin America and North America segments experienced declines in net sales versus the Fiscal 2002 Quarter.

OPERATING INCOME. Our income from operations increased \$7.0 million to \$10.5 million in the Fiscal 2003 Quarter from \$3.5 million the same period last year. The increase was primarily attributable to increased profitability associated with the VARTA acquisition and lower general and administrative expenses, the result of a \$16.1 million bad debt reserve in the Fiscal 2002 Quarter, which the Company did not anniversary in Fiscal 2003. In the Fiscal 2003 Quarter, the Company incurred \$15.4 million in special charges reflecting a series of restructuring initiatives announced and implemented during the quarter.

NET INCOME. Net income for the Fiscal 2003 Quarter decreased \$1.0 million to a loss of \$0.6 million from income of \$0.4 million in the Fiscal 2002 Quarter. During the Fiscal 2003 Quarter, the favorable impacts of the VARTA acquisition more than offset the increase in interest expense resulting from the new \$625 million credit facility entered into to finance the acquisition. The Fiscal 2003 Quarter also included special charges related to restructuring of \$9.5 million, after tax, and a non-operating expense of \$1.9 million, after tax, reflecting the write-off of unamortized debt issuance costs associated with the replacement of our previous credit facility. The Fiscal 2002 Quarter included a \$10.0 million, after tax, bad debt expense related to the bankruptcy filing of a key customer.

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, South America, and the Caribbean; Europe/ROW includes continental Europe, the United Kingdom, and all other countries in which we do business. We evaluate segment profitability based on income from operations before corporate expense. Corporate expense includes corporate purchasing expense, general and administrative expense, and research and development expense.

	FISCAL QUARTER	
	2003	2002
NORTH AMERICA		
Revenue from external customers.....	\$107.2	\$122.4
Segment profit.....	19.7	7.4
Segment profit as a % of net sales.....	18.4%	6.0%
Assets.....	\$223.7	\$249.5

Our sales to external customers decreased \$15.2 million, or 12.4%, to \$107.2 million in the Fiscal 2003 Quarter from \$122.4 million the previous year due primarily to weakness in alkaline and heavy duty batteries partially offset by improved sales in lighting products and specialty batteries. Alkaline sales decreases of \$12.3 million were

primarily attributable to a \$4.0 million decline in sales to a key customer in bankruptcy, our inability to anniversary \$4.0 million in sales to a discontinued low-margin OEM customer in the prior year, and a cautious overall retail inventory environment and continued promotional activity. Heavy duty sales decreases of \$4.6 million reflect reduced distribution and general industry trends. Lighting product sales growth was primarily attributable to the success of new products, while specialty battery sales improvement resulted from higher sales of lithium batteries.

Our profitability increased \$12.3 million to \$19.7 million in the Fiscal 2003 Quarter from \$7.4 million in the Fiscal 2002 Quarter. The increase in profitability in the Fiscal 2003 Quarter was primarily attributable to a \$16.1 million bad debt expense related to the bankruptcy filing of a key customer recorded in the Fiscal 2002 Quarter, partially offset by an increase in operating expenses and a reduction in gross profit due to the sales decrease. Excluding the impacts of the bad debt expense from the prior year, our profitability margins decreased 80 basis points to 18.4% from 19.2% in the same quarter last year.

Our assets decreased \$25.8 million, or 10.3%, to \$223.7 million in the Fiscal 2003 Quarter from \$249.5 million the previous year. The decrease was primarily attributable to a \$15.0 million decrease in receivables primarily reflecting the lower sales volume and timing of collections.

LATIN AMERICA	FISCAL QUARTER	
	2003	2002
Revenue from external customers.....	\$34.4	\$26.0
Segment profit.....	3.6	3.6
Segment profit as a % of net sales.....	10.5%	13.8%
Assets.....	\$207.5	\$212.3

Our sales to external customers increased \$8.4 million, or 32.3% to \$34.4 million in the Fiscal 2003 Quarter from \$26.0 million in the same period last year. The increase in sales is due to the impact of the VARTA acquisition within the region, partially offset by continued declines caused by unfavorable economic conditions, continued curtailment of shipments to certain distributors and wholesalers who were delinquent in payments, and political uncertainties in Argentina and Venezuela.

Our profitability was \$3.6 million in the Fiscal 2003 Quarter, unchanged from the Fiscal 2002 Quarter. The favorable profit from the VARTA acquisition was offset by declines in profit resulting from lower sales throughout the rest of the region.

Our assets decreased \$4.8 million, or 2.3%, to \$207.5 million in the Fiscal 2003 Quarter from \$212.3 million the previous year. The acquisition of the VARTA business in Latin America caused asset increases across all asset categories, which was offset by a reduction in accounts receivable reflecting improvements in collections, a decrease in property, plant and equipment reflecting the closure of the Dominican Republic and Mexico manufacturing facilities, partially offset by increases in inventory primarily reflecting the impact of the VARTA acquisition. The closure of the Dominican Republic manufacturing location occurred in Fiscal 2002 and the closure and subsequent write-off of the Mexico manufacturing related assets is included in Special Charges in the Fiscal 2003 Quarter.

EUROPE/ROW	FISCAL QUARTER	
	2003	2002
Revenue from external customers.....	\$118.6	\$13.5
Segment profit.....	15.0	1.1
Segment profit as a % of net sales.....	12.6%	8.1%
Assets.....	\$462.0	\$30.5

The Europe/ROW segment was the segment most dramatically impacted by the VARTA acquisition. Increases in sales, segment profitability and assets all reflect the significance of VARTA within the region.

Profitability as a percent of net sales increased from 8.1% in the Fiscal 2002 Quarter to 12.6% in the Fiscal 2003 Quarter, bringing this segment's profitability percentage more in line with our North America and Latin America segments.

Intangible assets of \$201.8 million, primarily related to the VARTA acquisition, now make up a substantial portion of the asset base within the segment.

CORPORATE EXPENSE. Our corporate expenses increased \$3.8 million, or 44.2%, to \$12.4 million in the Fiscal 2003 Quarter from \$8.6 million in the Fiscal 2002 Quarter. The increase primarily reflects higher legal expenses associated with a patent infringement litigation, a \$1.5 million charge associated with the settlement of such litigation (see further discussion in Part II, Item 1: Legal Proceedings), and a general increase in costs associated with the integration of the VARTA business. As a percentage of total sales, our corporate expense was 4.8% and 5.3% in the Fiscal 2003 and Fiscal 2002 Quarters, respectively.

SPECIAL CHARGES. The Fiscal 2003 Quarter reflects \$15.4 million of special charges related to (i) the closure of the Company's Mexico City, Mexico plant, (ii) the commencement of the closure of operations at the Company's Madison, Wisconsin packaging facility and Middleton, Wisconsin distribution center and combination of the two operations into a new leased complex currently being built in Dixon, Illinois, and (iii) a series of restructuring initiatives impacting the Company's sales, marketing, operations and administrative functions in Europe, North America, and Latin America. The amount recorded reflects approximately \$6.2 million of employee termination benefits for approximately 600 notified employees, \$7.8 million of equipment, inventory, and other asset write-offs, and \$1.4 million of other expenses. See also the 2003 Restructuring Summary within Footnote 7 to the Condensed Consolidated Financial Statements.

INTEREST EXPENSE. Interest expense increased \$5.9 million to \$10.1 million in the Fiscal 2003 Quarter. The increase in interest expense is due to the increase in debt to finance the VARTA acquisition.

NON-OPERATING EXPENSE. Non-operating expenses of \$3.1 million in the Fiscal 2003 Quarter relates to the write-off of unamortized debt fees associated with the previous credit facility, replaced in conjunction with the VARTA acquisition.

OTHER INCOME. Other income increased \$0.9 million to \$1.7 million in the Fiscal 2003 Quarter. The increase in the Fiscal 2003 Quarter was attributable to foreign exchange gains reflecting the favorable impacts of currency valuations, primarily in Europe.

INCOME TAX EXPENSE. Our effective tax rate was 38.0% for the Fiscal 2003 Quarter, up from the 36.0% during the Fiscal 2002 twelve months. The increase in the effective tax rate from the prior year reflects a larger percentage of our income derived from higher taxed foreign jurisdictions, reflecting the impact of the VARTA acquisition.

ADOPTION OF NEW ACCOUNTING PRONOUNCEMENTS

See discussion in Note 1 to the Condensed Consolidated Financial Statements.

LIQUIDITY AND CAPITAL RESOURCES

For the Fiscal 2003 Quarter, operating activities provided \$24.2 million in net cash, flat with the previous year. Within operating cash flow, the Company recognized significantly higher depreciation expense, reflecting the impacts of the VARTA acquisition. The Company also experienced an increase in other non-cash adjustments primarily reflecting the impact of the non-cash restructuring charges and the write-off of the unamortized debt issuance costs in the Fiscal 2003 Quarter. Operating cash flow from changes in working capital decreased \$11.0 million versus the previous year primarily reflecting the impact of the VARTA acquisition and the seasonal impacts of sales.

Net cash used by investing activities increased to \$248.1 million for the Fiscal 2003 Quarter, primarily reflecting the VARTA acquisition. Capital expenditures in the Fiscal 2003 Quarter were primarily for improvements to alkaline battery manufacturing and leasehold improvements on the Dixon, Illinois combined packaging and distribution center which is currently under construction. Capital expenditures for Fiscal 2003 are expected to be approximately \$28.0 million which will include continued performance upgrades to our alkaline and zinc air manufacturing and packaging operations, leasehold improvements for the Dixon, Illinois facility, and continued investment in technology.

During the Fiscal 2003 Quarter we granted approximately 1.1 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 0.4 million shares of restricted stock on October 1, 2002, from the 1997 incentive plan, to certain members of management. These shares will vest on September 30, 2005 provided the recipient is still employed by the Company. The total market value of the restricted shares on date of grant totaled approximately \$4.8 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.

We believe our cash flow from operating activities and periodic borrowings under our credit facilities will be adequate to meet the short-term and long-term liquidity requirements of our existing business prior to the expiration of those credit facilities, although no assurance can be given in this regard. The Company's current credit facilities include a revolving credit facility of U.S.\$100 million, a revolving credit facility of EUR50 million, a term loan of U.S.\$300 million, a term loan of EUR125 million and a term loan of EUR50 million. As of December 29, 2002, the following amounts were outstanding under these facilities: \$1.5 million and \$273.5 million, respectively, of the U.S. Dollar revolver and term loan and, EUR124.4 million and EUR47.5, respectively, of the Euro term loans. In addition, approximately \$10.7 of the remaining availability under the U.S. Dollar revolver was utilized for outstanding letters of credit.

The Third Amended and Restated Credit Agreement ("Third Restated Agreement"), undertaken to acquire the consumer battery business of VARTA AG, required the Company to transform the German subsidiary acquired from VARTA AG from a GmbH legal structure to a KGaA legal structure on or before December 30, 2002. Subsequent to the quarter ended December 29, 2002, the Third Restated Agreement was amended ("First Amendment") to extend the deadline for transformation to on or before June 30, 2003.

IMPACT OF RECENTLY ISSUED ACCOUNTING STANDARDS

In July 2002, the Financial Accounting Standards Board (FASB) issued Statement No. 146, ACCOUNTING FOR COSTS ASSOCIATED WITH EXIT OR DISPOSAL ACTIVITIES. Statement No. 146 nullifies EITF 94-3, LIABILITY RECOGNITION FOR CERTAIN EMPLOYEE TERMINATION BENEFITS AND OTHER COSTS TO EXIT AN ACTIVITY (INCLUDING CERTAIN COSTS INCURRED IN A RESTRUCTURING). According to the Statement, commitment to a plan to exit an activity or dispose of long-lived assets will no longer be enough to record a one-time charge for most anticipated costs. Instead, companies will record exit or disposal costs when they are "incurred" and can be measured at fair value, and they will subsequently adjust the recorded liability for changes in estimated fair value. Statement No. 146 also revises accounting for specified employee and contract terminations that are part of restructuring activities. Statement No. 146 is effective for exit and disposal activities that are initiated after December 31, 2002. The Company applied the provisions of EITF 94-3 to the restructuring initiatives announced and committed to during the Fiscal 2003 Quarter. Other than potentially impacting the timing of recognition of future exit or disposal activities, the Company believes that the adoption of Statement No. 146 will not have a significant impact on its consolidated financial statements.

In December 2002, the FASB issued Statement No. 148, ACCOUNTING FOR STOCK BASED COMPENSATION-TRANSITION AND DISCLOSURE-AN AMENDMENT OF FASB STATEMENT NO 123. Statement No. 148 permits two additional transition methods for entities that adopt the fair value based method of accounting for stock-based employee compensation. The Statement requires new disclosures about the ramp-up effect of stock-based employee compensation on reported results. The Statement also requires that those effects be disclosed more prominently by specifying the form, content, and location of those disclosures. The transition guidance and annual disclosure provisions of Statement No. 148 are effective for fiscal years ending after December 15, 2002, with earlier application permitted in certain circumstances. The interim disclosure provisions are effective for financial reports containing financial statements for interim periods beginning after December 15, 2002. The Company has not yet decided if it will adopt Statement No. 148 transition methods, but will adopt the interim disclosure provisions for the quarter ending March 30, 2003.

In January 2003, the FASB issued Interpretation No. 46, CONSOLIDATION OF VARIABLE INTEREST ENTITIES. Interpretation No. 46 addresses consolidation by business enterprises of variable interest entities. The Interpretation applies immediately for variable interest entities created after January 31, 2003, and to variable interest entities in which an enterprise obtains an interest after that date. For existing variable interest entities or investments in such, the Interpretation applies in the first fiscal year or interim period beginning after June 15, 2003. The Company is currently evaluating the impact of the Interpretation on its consolidated financial statements.

CRITICAL ACCOUNTING POLICIES

Our Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States and fairly present the financial position and results of operations of the Company. We believe certain accounting policies are critical to an

understanding of our financial statements. There have been no changes in our critical accounting policies since the filing of Rayovac's Annual Report on Form 10-K for its fiscal year ended September 30, 2002.

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, EURIBOR primarily affects interest expense. We use interest rate swaps to manage such risk. The net amounts to be paid or received under interest rate swap agreements are accrued as interest rates change, and are recognized over the life of the swap agreements, as an adjustment to interest expense from the underlying debt to which the swap is designated. The related amounts payable to, or receivable from, the contract counter-parties are included in accrued liabilities or accounts receivable.

FOREIGN EXCHANGE RISK

We are subject to risk from sales 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 Euro, Pounds Sterling, Colombian Pesos, Mexican Pesos, Canadian Dollars, Guatemalan Quetzals, Dominican Pesos, Venezuelan Bolivars, Argentine Pesos, Chilean Pesos and Honduran Lempira. Foreign currency purchases are made primarily in Euro, Pounds Sterling, Colombian Pesos, Mexican Pesos, Dominican Pesos, Guatemalan Quetzals and Honduran Lempira. We manage our foreign exchange exposure from anticipated sales, accounts receivable, intercompany loans, firm purchase commitments and credit obligations through the use of naturally occurring offsetting positions (borrowing in local currency), forward foreign exchange contracts, foreign exchange rate swaps and foreign exchange options. The related amounts payable to, or receivable from, the contract counter parties are included in accounts payable or accounts receivable.

COMMODITY PRICE RISK

We are exposed to fluctuation in market prices for purchases of zinc used in the manufacturing process. We use commodity swaps, calls and puts to manage such risk. The maturity of, and the quantities covered by, the contracts are closely correlated to our anticipated purchases of the commodities. The cost of calls, and the premiums received from the puts, are amortized over the life of the contracts and are recorded in cost of goods sold, along with the effects of the swap, put and call contracts. The related amounts payable to, or receivable from, the counterparties are included in accounts payable or accounts receivable.

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 29, 2002, 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 \$3.5 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 loss of \$0.7 million.

As of December 29, 2002, there were no outstanding foreign exchange rate derivative instruments.

As of December 29, 2002, 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 Quarterly Report on Form 10-Q is not historical and may include "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. These statements may be identified by such forward-looking language as "expects," "anticipates," "intends," "believes," "will," "estimate," "should," "may" or other similar terms. In reviewing such information, you should note that such statements are based upon current expectations of future events and projections; 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 contained in this Quarterly Report on Form 10-Q include,

without limitation, (1) competitive promotional activity or spending by competitors or price reductions by competitors, (2) the introduction of new product features or technological developments by competitors and/or the development of new competitors or competitive brands, (3) the loss of, or a significant reduction in, sales to a

significant retail customer, (4) difficulties or delays in the integration of VARTA's operations, (5) our ability to develop and successfully introduce new products and protect our intellectual property, (6) our ability to successfully implement, achieve and sustain manufacturing and distribution cost efficiencies and improvements, and fully realize anticipated cost savings, (7) the impact of unusual items resulting from the implementation of new business strategies, acquisitions and divestitures or current and proposed restructuring activities, (8) the cost and effect of unanticipated legal, tax or regulatory proceedings, new laws or regulations (including environmental regulations) and insurance coverage, (9) changes in accounting policies applicable to our business, (10) interest rate, exchange rate and raw material price fluctuations, (11) the effects of general economic conditions, including inflation, labor costs and stock market volatility, or changes in trade, monetary or fiscal policies in the countries where we do business, or (12) the effects of political or economic conditions or unrest in Latin America and other international markets.

Some of the above-mentioned factors are described in further detail in the section entitled "Risk Factors" beginning on page S-10 of our Prospectus Supplement (to Prospectus dated June 20, 2001) filed pursuant to Rule 424(b)(5) with the Securities and Exchange Commission on June 21, 2001. Other factors and assumptions not identified above were also involved in the derivation of the forward-looking statements contained in this Quarterly Report on Form 10-Q. If such other factors impact our results or if such assumptions are not correct or do not come to fruition, our actual results may differ materially from those projected. We assume no obligation to update these forward-looking statements to reflect actual results or changes in factors or assumptions affecting such forward-looking statements.

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES. Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-14(c) and 15d-14(c) under the Exchange Act) as of an evaluation date within 90 days prior to the filing date of this Quarterly Report on Form 10-Q. Based on this evaluation, they have concluded that, as of the evaluation date, our disclosure controls and procedures are effective in alerting them on a timely basis to material information relating to the Company (including our consolidated subsidiaries) required to be included in our reports filed or submitted under the Exchange Act.

CHANGES IN INTERNAL CONTROLS. Since the evaluation date referred to above, there have not been any significant changes in our internal controls or in other factors that could significantly affect such controls.

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, 2002, except as noted below.

On December 30, 2002, we settled the patent infringement lawsuit filed against us on April 11, 2001 by Eveready Battery Company, Inc. (EVEREADY BATTERY COMPANY V. RAYOVAC CORPORATION, Civil Action No. 1:01CV0475; United States District Court, Northern District of Ohio, Eastern Division). The lawsuit has now been dismissed.

Regarding the purported class action lawsuits filed against defendants Rayovac Corporation and several of its current and former executive officers and directors (ELI FRIEDMAN V. RAYOVAC CORPORATION, KENNETH V. BILLER, KENT J. HUSSEY, DAVID A. JONES, SCOTT A. SCHOEN, STEPHEN P. SHANESY, THOMAS R. SHEPHERD, RANDALL J. STEWARD, WARREN C. SMITH, JR., AND MERRELL TOMLIN, Case No. 02 C 0308 C, United States District Court, Western District of Wisconsin), (RICHARD SLATTEN V. RAYOVAC CORPORATION, KENNETH V. BILLER, KENT J. HUSSEY, DAVID A. JONES, SCOTT A. SCHOEN, STEPHEN P. SHANESY, THOMAS R. SHEPHERD, RANDALL J. STEWARD, WARREN C. SMITH, JR., AND MERRELL TOMLIN, Case No. 02 C 0325 C, United States District Court, Western District of Wisconsin) and (DAVID HAYES V. RAYOVAC CORPORATION, KENNETH V. BILLER, KENT J. HUSSEY, DAVID A. JONES, SCOTT A. SCHOEN, STEPHEN P. SHANESY, THOMAS R. SHEPHERD, RANDALL J. STEWARD, WARREN C. SMITH, JR., MERRELL TOMLIN, AND LUIS CANCIO, Case No. 02 C 0308 C, United States District Court, Western District of Wisconsin) on May 31, 2002, June 11, 2002 and June 28, 2002 respectively and alleging that the defendants violated Sections 11, 12(a)(2) and 15 of the Securities Act of 1933 and Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Rule 10b-5 promulgated thereunder, the Court ordered on September 23, 2002 that these three actions to be consolidated into one action. Plaintiffs filed their Consolidated Amended Class Action Complaint on January 10, 2003 (ELI FRIEDMAN V. RAYOVAC CORPORATION, THOMAS H. LEE PARTNERS, LP, KENNETH V. BILLER, KENT J. HUSSEY, DAVID A. JONES, SCOTT A. SCHOEN, STEPHEN P. SHANESY, THOMAS R. SHEPHERD, RANDALL J. STEWARD, WARREN C. SMITH, JR., AND MERRELL TOMLIN, Case No. 02 C 0308 C, United States District Court, Western District of Wisconsin). This Consolidated Amended Class Action Complaint generally alleges, as did the original three complaints, that defendants made various false and misleading statements which had the alleged effect of artificially inflating the price of Rayovac stock during the period from April 26, 2001 until September 19, 2001. Plaintiffs allege that statements by Rayovac during this period in

press releases, SEC filings and investor conference calls regarding current sales and forecasted growth were false and misleading due to alleged failures to disclose, among other things: (i) alleged improper sales practices in purported violation of generally accepted accounting principles; (ii) failure to establish sufficient reserves for doubtful receivables; (iii) declining demand; and (iv) risks of doing business in Latin America. The time to respond to the Consolidated Amended Class Action Complaint expires on February 14, 2003. Rayovac and the individual defendants intend to move to dismiss the Consolidated Amended Class Action Complaint in its entirety at that time. Rayovac and the individual defendants believe the claims to be meritless and intend to vigorously defend themselves in the litigation.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
2.1+++	Joint Venture Agreement dated July 28, 2002, by and among the Company, VARTA and ROV German Limited GmbH, as amended.
3.1+	Amended and Restated Articles of Incorporation of the Company.
3.2++++	Amended and Restated By-laws of the Company, as amended through July 24, 2002.
4.1*	Specimen certificate representing the Common Stock.
10.1++++	Amended and Restated Employment Agreement, dated as of October 1, 2002, by and between the Company and David A. Jones.
10.2++++	Amended and Restated Employment Agreement, dated as of October 1, 2002, by and between the Company and Kent J. Hussey.
10.3++++	Amended and Restated Employment Agreement, dated as of October 1, 2002, by and between the Company and Kenneth V. Biller.
10.4++++	Amended and Restated Employment Agreement, dated as of October 1, 2002, by and between the Company and Stephen P. Shanesy.
10.5++++	Amended and Restated Employment Agreement, dated as of October 1, 2002, by and between the Company and Merrell M. Tomlin.
10.6++++	Amended and Restated Employment Agreement, dated as of October 1, 2002, by and between the Company and Luis A. Cancio.
10.7++++	Amended and Restated Employment Agreement, dated as of October 1, 2002, by and between the Company and Dr. Paul G. Cheeseman.
10.8++++	Employment Agreement, dated as of August 19, 2002, by and between the Company and Randall J. Steward.
10.9++++	Registered Director's Agreement, effective as of October 1, 2002, by and between ROV German Holding GmbH and Remy Burel.
10.10**	Technology, License and Service Agreement between Battery Technologies (International) Limited and the Company, dated June 1, 1991, as amended April 19, 1993, and December 31, 1995.
10.11**	Building Lease between the Company and SPG Partners dated May 14, 1985, as amended June 24, 1986, and June 10, 1987.
10.12****	Amendment, dated December 31, 1998, between the Company and SPG Partners, to the Building Lease, between the Company and SPG Partners, dated May 14, 1985.
10.13++++	Build-To-Suit Lease Agreement, dated as of May 2, 2002, by and among 200 Corporate Drive, L.L.C., as Landlord, the Company, as Tenant, and Higgins Development Partners, L.L.C., as Developer.
10.14	Real Estate Lease, dated September 1, 2001, by and between VARTA Geratebatterie GmbH, as Tenant, and Paula Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs-KG, as Landlord, as amended.
10.15	Real Property Leasing Agreement, dated December 21, 2000, by and between VARTA Geratebatterie GmbH, as Tenant, and ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. object Dischingin KG, as Landlord, as amended.
10.16+++	Third Amended and Restated Credit Agreement, dated October 1, 2002, by and among the Company, VARTA Geratebatterie GmbH, the lenders party thereto, LaSalle Bank National Association, as documentation agent, Citicorp North America, Inc., as syndication agent, and Bank of America, N.A., as administrative agent.
10.17	Amendment No. 1 to Third Amended and Restated Credit Agreement, dated October 1, 2002, by and among the Company, VARTA Geratebatterie GmbH, the lenders party thereto, LaSalle Bank National Association, as documentation agent, Citicorp North America, Inc., as syndication agent, and Bank of America, N.A., as administrative agent.
10.18***	Rayovac Corporation 1996 Stock Option Plan.
10.19*	1997 Rayovac Incentive Plan.
10.20*	Rayovac Profit Sharing and Savings Plan.
10.21	Rayovac Corporation Supplemental Executive Retirement Plan.

- 10.22 Rayovac Corporation Deferred Compensation Plan, as amended.
10.23++ Technical Collaboration, Sale and Supply Agreement, dated as of March 5, 1998, by and among the Company, Matsushita Battery Industrial Co., Ltd. and Matsushita Electric Industrial Co., Ltd.
21 Subsidiaries of the Company.
99.1 Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99.2 Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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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 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 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 Quarterly Report on Form 10-Q for the quarterly period ended March 28, 1998, filed with the Commission on May 5, 1998.
 - +++ Incorporated by reference to the Company's Report on Form 8-K filed with the Commission on October 16, 2002.
 - ++++ Incorporated by reference to the Company's Report on Form 10-K filed with the Commission on December 16, 2002.

(b) REPORTS ON FORM 8-K. The Company has filed one report on Form 8-K during the three-month period ended December 29, 2002. The report on Form 8-K was dated October 1, 2002, filed on October 16, 2002 and amended on December 16, 2002. The Form 8-K reported the acquisition of substantially all of the consumer battery business of VARTA AG ("VARTA") and the amended Form 8-K contained the audited financial statements of VARTA and certain unaudited pro forma financial information of the Company.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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 12, 2003

RAYOVAC CORPORATION

/s/ David A. Jones

David A. Jones
Chairman of the Board
and Chief Executive Officer

CERTIFICATIONS

I, David A. Jones, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rayovac Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 12, 2003

/s/ David A. Jones

David A. Jones
Chief Executive Officer

I, Randall J. Steward, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rayovac Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
 - a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
 - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
 - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: February 12, 2003

/s/ Randall J. Steward

Randall J. Steward
Chief Financial Officer

REAL ESTATE LEASE

LANDLORD: PAULA GRUNDSTUCKSVERWALTUNGSGESELLSCHAFT
 mbH & CO. VERMIETUNGS-KG
 AUGUSTAAANLAGE 33
 68165 MANNHEIM

TENANT: VARTA GERATEBATTERIE GmbH
 DAIMLERSTRASSE 1
 73479 ELLWANGEN

Section 1
 CONTRACT INFORMATION

1. LEASED PROPERTY

1.1 Land

Rohlingen Land Register, Ellwangen (Jagst) Local Court District, Page 5832, Local Subdistrict: Rohlingen, Municipality: 73479 Ellwangen, Street: Veit-Hirschmann-Str. 8:

- a) Cadaster Neunheim NO 4372, Lot 566 at 21,480 m POWER OF 2
- b) Cadaster Neunheim NO 4372, Lot 566/2 at 8,150 m POWER OF 2

1.2 Building with grounds

Ground-floor and upper-floor storage area with office and communal areas

1.3 Movable property

The movable property and operating equipment located on this land are not included in this lease. Leasing of these items is covered in a separate agreement.

1.4 Landlord's lease with E-Plus

Tenant is aware of Landlord's lease with E-Plus Mobilfunk GmbH of Dusseldorf for the roof area of the leased property. The former owner of the leased property, Mr. Helmut Rommel of Ellwangen, terminated this lease on December 31, 2002. Landlord assumes no liability for the effectiveness of this termination and the timely vacating of the property. Tenant hereby permits all actions necessary to fulfill obligations under this lease.

[initials]

Page 2 of Real Estate Lease

2. TERM OF LEASE

The binding basic term of lease is 21 years.

3. PRELIMINARY TOTAL INVESTMENT COSTS - TIC -

IN EUROS

Land:
 944,473.00
 Building:
 8,938,656.00
 Collateral
 costs of
 purchase /
 Miscellaneous:
 500,000.00 --

 Total:
 10,383,129.00
 =====

4. PAYMENTS

- 4.1 omitted
- 4.2 omitted

- 4.3 During the term of lease, per month
 - Rent: -preliminary: see Appendix 1
 - Administrative costs: EURO 2,982.00
 - Ancillary costs as incurred

Rent payments will foreseeably be adjusted 10 years after the start of the interest rate guarantee.

5. SALES TAX

- 5.1 Landlord shall exercise the taxability option in accordance with Section 9 of the Sales Tax Act, shall charge the currently applicable sales tax for all taxable payments, including those for which taxability is subsequently determined, and shall invoice these amounts separately. This includes, for example, rent and advance rent payments, transaction fee, administrative costs, and ancillary costs.
- 5.2 Tenant guarantees to Landlord that he or another user is using or intends to use the leased property as defined by Section 9, Paragraph 2 of the Sales Tax Act exclusively for sales that do not preclude deduction of input tax. Tenant agrees to maintain for Landlord, if necessary, a full and complete documentation of all original sales transacted on or with the leased property. If Tenant or another user deriving his right of use directly or indirectly from Tenant does not use the leased property exclusively for sales that do not preclude the deduction of input tax, and if Landlord must therefore return reimbursed input tax in full or in part to the tax authorities, or if Landlord does not receive payments of input tax for this reason, then Landlord shall have the option of choosing whether he wishes to be reimbursed by Tenant for the resulting loss in input tax or whether he will adapt the rent payments to the higher total investment costs (TIC).

[initials]

Page 3 of Real Estate Lease

Section 2
LEASED PROPERTY

1. The leased property is in a functional and usable condition, and is hereby acknowledged as such by Tenant, who already has possession of the leased property. Any renovation or expansion work must be agreed upon separately as necessary.

Section 3
BEGINNING OF TERM OF LEASE/TRANSFER OF POSSESSION

1. The term of lease shall begin on September 1, 2001.

Section 4
TOTAL INVESTMENT COSTS ("TIC")

1. The TIC include all costs of procurement, manufacturing costs, and all other capitalizable costs of the leased property (including any non-deductible input tax as well as costs necessary for removing existing contaminants). The TIC also include all costs for construction financing, unless otherwise regulated under Section 6.
2. The TIC shall form the basis for calculating the payments listed in Section 1 Item 4.
3. The current calculation of the TIC is preliminary. The final TIC shall be reported to Tenant after the final calculation.
4. If the actual TIC are lower than the preliminary TIC, then Tenant shall reimburse Landlord for any costs incurred from the failure to make use of financing funds provided, so long as the financing funds are provided in consultation with Tenant with respect to the guarantee of the financing interest rate.
5. If the actual TIC are higher than the preliminary TIC, then Landlord and Tenant shall first jointly attempt to obtain a corresponding increase in financing. If this is not possible, and if no other mutually agreeable solution is reached between Landlord and Tenant, then Landlord may demand that Tenant make a non-recurring advance rent payment equal to the amount that the preliminary TIC are exceeded. This advance rent payment shall not bear interest, and shall be offset as rent in equal amounts over the term of lease pursuant to Section 1 Item 4.3. A repayment of these advance rent payments is precluded, particularly in the event of preliminary termination pursuant to Section 14 Items 2 and 3.

[initials]

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Section 5
PAYMENTS

1. BASIS OF CALCULATION

Until the final TIC are calculated, the preliminary TIC shall form the basis for rent payments, transaction fee, and administrative costs. Once the final TIC are calculated, the payments to be made, including credits for previous payments, shall be recalculated retroactive to the beginning of the term of lease.

If the basis of calculation changes, then all payment obligations shall change accordingly.

2. RENT PAYMENTS

Rent shall be due on the 25th day of the current month for each calendar month. If the term of lease begins within a calendar month, then rent must be paid proportionally for that month.

3. OTHER PAYMENT OBLIGATIONS

3.1 The transaction fee shall be waived.

3.2 Administrative costs shall be billed on a monthly basis. They shall be charged beginning with the signing of the lease, and shall be due on the 25th day of the current month for each calendar month. The administrative costs shall increase each year by 1.5% of the previous year's amount. The first increase shall take place on January 1 of the second year following the signing of the lease.

3.3 The remaining payments stipulated in Section 1 Item 4 shall be due upon presentation of invoice.

4. ADJUSTMENT

At the time of the adjustment, Landlord shall negotiate the financing interest rate with his financial institution. The rent amounts to be paid by Tenant shall be recalculated using the same calculation method as that used for the original rent and taking the negotiated financing interest rate into consideration. In this process, Landlord shall also specify the date of the new adjustment in consultation with Tenant and taking the opportunities on the capital markets into consideration.

[initials]

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5. DIRECT DEBITING

Landlord shall collect all amounts to be paid in conjunction with this lease through direct debit from account No. 10090000 at Commerzbank Aalen, Bank routing No. 614 400 86.

Section 6
ANCILLARY COSTS

1. All costs and charges associated with the leased property and not included in the TIC are ancillary costs. These ancillary costs, which must be borne by Tenant, include in particular the taxes, public charges, insurance costs, and other costs incurred by the leased property and if necessary its financing, e.g. Landlord's costs of acquiring financing (assessment costs, land charge registration costs, and land charge entry costs), costs of necessary legal action, accounting costs, costs of preparing Landlord's annual financial statements, leaseholding taxes, any commercial tax payments by Landlord, all ancillary costs incurred through the signing of land sales agreements and leaseholding agreements, annual costs of property inspections, third-party administrative costs of the leasing company (particularly: auditing costs, Chamber of Commerce and Industry contributions, compensation for the personally liable partner, costs of changes to bylaws), start-up costs, costs for tax consultation, etc., even if they are only incurred subsequently. The leased object was purchased from the prior owner, Mr. Helmut Rommel, as a non-taxable land transfer. If, however, the tax authorities proceed from the assumption of a taxable land transfer, and if Landlord must therefore pay sales tax to Mr. Helmut Rommel, then Tenant must reimburse Landlord upon presentation of evidence for any associated financing costs incurred. Tenant shall further reimburse Landlord for interest payments associated with the purchase of the leased property that Landlord must pay to the seller until the seller's loan obligations to Landesbank Baden-Württemberg are discharged.

2. Tenant must pay all operating costs for the leased property resulting from Appendix 3 to Section 27 Paragraph 1 of the Ordinance on Housing Computations (Second Computation Ordinance) as amended.

3. Tenant shall pay the ancillary costs directly in his own name, and shall obtain the necessary approvals to do so from the payment recipients and/or shall enter into the necessary agreements in his own name to the extent possible. If this is not possible for legal or practical reasons, then Tenant shall reimburse Landlord immediately upon demand for the ancillary costs.

4. Landlord agrees to provide evidence to Tenant for ancillary costs that Landlord incurs directly.

[initials]

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Section 7
PAYMENT MODALITIES

1. Landlord may at his discretion offset payments received from Tenant with all outstanding obligations of Tenant under this lease.
2. If Tenant is in arrears with a rent payment or other payment obligation, then Landlord may demand interest on overdue payments of 5% over the currently applicable discount rate (= base interest rate pursuant to Section 1 Paragraph 1 of the Transitional Law on Discount Rates). Landlord reserves the right to assert additional claims. Tenant's right to provide evidence that Landlord has not incurred damages or that these damages are materially lower shall remain unaffected thereby.
3. The parties shall have a right of offset or withholding only if the claims are uncontested or legally established.

Section 8
LANDLORD'S WARRANTY

1. Tenant may derive claims from defects in the leased property if Tenant is not himself responsible for them. In the event of a short-term loss of use for which neither of the contracting parties is responsible, Tenant's obligation to make payment in full on each due date in accordance with Section 5 shall remain unaffected. In the event of a long-term loss of use for which Tenant is not responsible, Tenant may reduce the rent accordingly. Further claims, particularly claims against Landlord for damages, shall be precluded.
2. So long as Tenant remains obligated to payment pursuant to Item 1, Landlord shall assign to Tenant for reasons of fulfillment any warranty and compensation claims against third parties to which Landlord is entitled, i.e. Landlord shall himself bear the risk of enforceability and the value of the assigned claims. If Tenant is responsible for the defect, then he shall bear the risk of enforceability and the value of the assigned claims. Tenant accepts the assignment. Tenant shall assert the assigned claims at his own expense in a timely manner, and shall use the funds received to eliminate defects and improve the utility of the leased property.
3. After taking possession of the leased property, Tenant shall report immediately to Landlord any defects and damage to the leased property.

Section 9
REPAIR, MAINTENANCE

1. Tenant shall exercise due care in his use of the leased property, and shall maintain the property at his own expense in a constantly functional condition suitable for use in

[initials]

Page 7 of Real Estate Lease

accordance with the lease. He shall perform all maintenance, upkeep, and repair work, including cosmetic repairs. In the event of imminent danger, Landlord may have the necessary aforementioned work and repairs performed immediately at the expense of Tenant, or if there is no imminent danger, Landlord may have the work performed after unproductive warnings with a grace period of one month.

Tenant's obligation for repair shall be waived in the event that the leased property is completely or partially destroyed due to reasons for which Tenant is not responsible (Section 10 Item 3). In the event of glass breakage, Tenant shall be responsible for repair in any case, regardless of whether he is responsible for this breakage.

2. Tenant shall fulfill the respective statutory and official regulations, including those which involve Landlord as the owner (e.g. duty of occupant to make premises safe for persons within the leased areas). Tenant shall directly fulfill structural and operational requirements at his own expense.
3. Tenant shall indemnify Landlord against claims from third parties that arise during the term of this lease in association with the leased property, so long as Tenant is responsible for such claims and Landlord is not responsible for the occurrence of the claim.
4. Landlord or one of his authorized agents must be granted unhindered access to the leased property at appropriate times of day with advance notice.

Section 10
RISK OF LOSS

1. The statutory regulations regarding rent abatement or the ending of the obligation to pay rent shall apply in the event of the accidental loss or the partial or complete destruction of the leased property for which Tenant is not responsible, or long-term loss of use for which Tenant is

responsible. In this case, either party may demand premature termination of the lease; this shall not apply, however, if the destruction is only partial.

In cases other than those specified in Paragraph 1, Sentence 1, Tenant shall make all payments under this lease, regardless of the condition and functioning of the leased property.

2. If Tenant is responsible for the complete or partial loss or destruction of the leased property, or the long-term loss of use, then in the event of imminent danger, Landlord shall immediately have the right to perform the necessary measures to make the premises safe for persons within the leased property at Tenant's expense, or if there is no imminent danger, Landlord may perform such measures after unproductive warnings with a grace period of one month. In other respects, Tenant must notify Landlord in writing within an appropriate period after the occurrence of such an event:

2.1 if he wishes to restore the condition in accordance with the lease by rebuilding the leased

[initials]

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property in consultation with Landlord, or replacing it with a structure that is of the same type or of equal value, or by repairing the damage. If Landlord receives compensation payments from third parties (parties who caused the damage, insurance companies, etc.), then he shall make these available for restoration of the leased property to a condition equivalent to that when the damage occurred. If the compensation payments are insufficient for restoration, then Tenant shall bear the additional costs. Tenant shall bear the risks and dangers of reconstruction.

2.2 if he demands the premature termination of the lease. Tenant has the right to premature termination in these cases only if he simultaneously agrees to make the payments pursuant to Section 14 Item 5, and the reconstruction of the leased property is not required due to other obligations of Landlord (e.g. official requirements).

Following premature termination, Landlord must sell the leased property. Once the sale is complete, Landlord shall return to Tenant any compensation payments paid by third parties as well as the earnings from the sale up to the amount of the payments made pursuant to Section 14 Item 5.

3. Tenant shall be responsible for his own negligence, the negligence of his vicarious agents, as well as circumstances that fall within the scope of risk for his company. This shall apply in particular for damage caused by Tenant, his employees, his customers, or third parties employed by him, as well as a material worsening of his financial situation. Tenant shall not be responsible for circumstances whose risk of occurrence were not significantly increased by the operations of the company (original property risk).

Section 11 INSURANCE COVERAGE

1. Following consultation with Tenant, Landlord shall purchase typical insurance coverage for the industry (all-risk insurance, including loss of rent insurance) for the leased property. The insurance premiums are ancillary costs, Section 6.

3.[sic] Tenant shall provide evidence to Landlord of an adequate employers' liability insurance policy purchased at his own expense, as well as adequate business interruption insurance and other business insurance policies, and shall ensure that Landlord is included as an additional insured party in each of the insurance policies. Landlord is aware of the current insurance policies and acknowledges them as adequate.

3. Tenant shall immediately report to the insurance company and to Landlord any noteworthy damage that occurs to the leased property, and shall address the damage in consultation with Landlord.

[initials]

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Section 12 FIXTURES AND FITTINGS, MODIFICATIONS, ADVERTISING INSTALLATIONS

1. Tenant may install fixtures and fittings, undertake improvements, and install advertising signs in the leased property with Landlord's consent and within the scope of official regulations. Landlord's consent may be denied only for good cause. This consent is considered granted for existing fixtures and fittings. Fixtures, fittings, and improvements that are material components of the leased property shall become the property of Landlord without compensation.

Tenant may remove such fixtures, fittings, and improvements so long as he restores the original condition of the property. At the end of the lease, Landlord may demand that Tenant remove the fixtures and fittings and restore the original condition at Tenant's expense.

2. Landlord's prior written consent shall be required for structural changes or changes in use of the leased property. This consent may be denied only for good cause. Because definitive renovation/improvement measures with a total investment volume of approximately EURO 4 million are planned at the time that the lease is signed, permission is considered granted.

Section 13
SUBLETTING

The leased property may be subleased only with Landlord's consent, which may be denied only for good cause. Landlord may demand that he be given copies of the sublease agreements. Tenant hereby assigns his current and future claims from the sublease agreements to Landlord by way of security. Landlord hereby accepts this assignment.

Upon demand by Landlord, Tenant shall require the subtenant to purchase insurance protection and provide evidence of such insurance.

Section 14
TERMINATION

1. This lease shall end upon expiration of the term of lease. Prior to that date, the lease may be terminated only for good cause.
2. Both parties shall have the right to terminate for good cause in particular if
 - 2.1 the purchase of the leased property is impossible, not initiated, excessively delayed, or permanently abandoned,
 - 2.2 one of the parties acts in material breach of provisions of the lease despite warning, or fails to eliminate the results of material breach of contract within an appropriate period.

[initials]

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3. Landlord may terminate the lease for good cause in particular if
 - 3.1 Tenant is in arrears with his payment obligations from this lease in the amount of at least two monthly rent payments, or in the amount of one quarterly payment if payments are made on a quarterly basis; a warning of termination must be sent with a grace period of two weeks;
 - 3.2 Tenant suffers a material worsening of his financial circumstances, in particular if the bank financing the leased property ceases its financing of the leased property at this time, or if Tenant is threatened by insolvency or excessive debt, or if a petition to initiate insolvency proceedings has been rejected or initiation of the proceedings has been refused;
 - 3.3 Tenant changes his legal form through conversion without Landlord's consent or abandons his domestic registered office, or if a shareholder leaves Tenant's company or a co-obligor company;
 - 3.4 the stipulated collateral has not been made completely available, or the security provider violates special duties to which he is subject under the separate security agreements or mortgage deeds.
 - 3.5 Tenant fails to fulfill his duty to provide information as specified in Section 15.
4. If Landlord terminates the lease prior to transfer of possession of the leased property (Section 3), and if Tenant is responsible for the grounds for termination (Section 10 Item 3), then Tenant must pay compensation for damages. These also include costs resulting from the failure to use the financing funds provided and the costs for non-recurring or recurring expenses incurred by Landlord (e.g. for real estate). Landlord shall charge a flat processing fee of 2% of the preliminary TIC pursuant to Section 1 Item 3 for his own costs associated with the transaction. Landlord may also take further necessary construction measures at Tenant's expense as Landlord deems necessary for an economical sale of the leased property.
5. If Landlord terminates the lease after transfer of possession of the leased property (Section 3), and if Tenant is responsible for the grounds for termination (Section 10 Item 3), then Landlord may demand that Tenant immediately pay compensation for damages in the following amounts:
 - 5.1 The cash value of all payments due pursuant to Section 5 until the end of the term of lease, plus

5.2 The cash value of the calculated residual value to the end of the term of lease following deduction of amortization from the final TIC allocated in the annual rent payments.

5.3 Deduction of unaccrued interest shall be based upon the financing conditions applicable for Landlord at the end of the lease.

[initials]

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The amount of compensation shall be increased by the amount of a prematurity compensation charge incurred by Landlord for the premature return of the financing funds.

6. The earnings from the sale of the leased property, minus the selling costs, shall be credited to the compensatory payments made in accordance with Item 4 and Item 5. Previously paid amounts will thus be reimbursed.

7. Upon termination of this lease for any reason, Tenant must immediately vacate the leased property and return it to Landlord in a condition in compliance with the lease.

Tenant agrees to surrender the property to Landlord in a condition free of contaminants. Tenant shall at his own expense submit a certificate to this effect to Landlord as evidence.

Use of the property by Tenant after the end of the term of lease, even without objection by Landlord, shall not be considered an extension of the lease arrangement.

Section 15
PROVISION OF INFORMATION

Tenant and any co-obligors shall inform Landlord of their legal circumstances as well as their earnings and asset situations, and shall send Landlord each year, within a period of six months from the end of the respective fiscal year, a copy of their certified annual financial statements as well as their management reports if applicable. If preparation of the annual financial statements is delayed, then Tenant shall first send preliminary figures or provide other appropriate information.

If there is any worsening of his financial circumstances, Tenant must immediately disclose his financial circumstances to Landlord upon demand.

The documents provided by Tenant may be submitted to third parties for review only for the purpose of financing the leased property.

Section 16
FINAL PROVISIONS

1. No verbal agreements have been made. Changes and supplements to this lease must be made in writing. This requirement for written form may be lifted only in writing.

2. Should provisions of this lease be or become null or void, or should the lease contain gaps, then the validity of the remaining provisions shall not be affected thereby. The invalid provisions and the gaps shall be replaced by provisions that best achieve the intended commercial purpose of this lease.

3. This lease shall be subject to and construed in accordance with German law. The venue is Mannheim.

[initials]

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4. Tenant hereby declares that the lease originally signed between Mr. Helmut Rommel and VARTA Batterie Aktiengesellschaft on September 29, 1991 has been transferred to Tenant by means of singular succession within the scope of a restructuring. This lease, which was taken over by Paula Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs-KG as Landlord pursuant to the purchase agreement of August 29, 2001, shall be terminated with the beginning of this real estate lease as stipulated in Section 3. The termination of the lease between Mr. Helmut Rommel and VARTA Batterie GmbH does not entitle Paula Grundstücksverwaltungsgesellschaft mbH & Co. Vermietungs-KG to any further claims from this lease, in particular no claims pursuant to Section 5 (equalization payment).

Ellwangen, August 29, 2001

Ellwangen, August 29, 2001

[Signature]
Landlord

[Signature]
Tenant

Between Paula Grundstücksverwaltungsgesellschaft mbH & Co.
Vermietungs-KG

- Landlord -

and VARTA Geratebatterie GmbH

- Tenant -

1. The financing interest rates and their adjustment dates have not yet been established. They must be established no later than the beginning of the term of lease, i.e. upon transfer of possession of the building.
2. The rent shall be calculated on the basis of the complete return of the TIC during the stipulated basic term of lease.

The financing interest rate shall be derived from the income return indicators published by Bayerische Landesbank on Reuters page "BLB00" based upon the selected guaranteed interest for borrower's note loans/bearer debentures plus a nominal bank surcharge of 0.80% points with a 10-year interest guarantee for the initial interest guarantee. The bank fee shall

be 0.60% points at the time that the interest is adjusted, i.e. after 10 years.

If the infrastructure on the capital markets has changed at the time that the interest is guaranteed, or if there are material statutory and legal changes or changes to the bank's credit issuance guidelines, these changes shall be taken into account accordingly.

3. Preliminary interest rate/Rent:

Preliminary interest rate as of July 25, 2001	5.50% per year base interest rate
	0.80% Per year bank surcharge

	6.30% per year total

Preliminary rent as of July 25, 2001	EUR074,393.80 PER MONTH

[initials]

SUPPLEMENTAL AGREEMENT NO. 1 TO THE
REAL ESTATE LEASE OF AUGUST 29, 2001

LANDLORD: PAULA GRUNDSTUECKSV ERWALTUNGSGESELLSCHAFT
mbH & CO. VERMIETUNGS-KG
AUGUSTANLAGE 33
68165 MANNHEIM

TENANT: VARTA GERATEBATTERIE GmbH
DAIMLERSTRASSE 1
73479 ELLWANGEN

The following amendments have been made to the real estate lease of August 29, 2001:

Section 4 TOTAL INVESTMENT COSTS ("TIC"), ITEM 1 NOW READS AS FOLLOWS:

The TIC include all costs of procurement, manufacturing costs, and all other capitalizable costs of the leased property (including any non-deductible input tax as well as costs necessary for removing existing contaminants). The TIC also include all costs for construction financing, as well as all interest payments associated with the purchase of the leased property that Landlord must pay to the seller until the seller's loan obligations to Landesbank Baden-Wurttemberg are discharged, unless otherwise regulated under Section 6.

Section 6 ANCILLARY COSTS, ITEM 1:

The last sentence of Section 6, Item 1, which reads as follows, shall be deleted without replacement:

Tenant shall further reimburse Landlord for interest payments associated with the purchase of the leased property that Landlord must pay to the seller until the seller's loan obligations to Landesbank Baden-Wurttemberg are discharged.

The real estate lease of August 29, 2001 plus appendices, attached as a copy, is a material component of this supplemental agreement.

With this supplemental agreement, the real estate lease of August 29, 2001 shall

be amended only to the extent reflected by this supplemental agreement.

No further amendments or supplements are agreed.

The contracting parties expressly declare that in all other respects, the real estate lease of August 29, 2001 shall remain valid without modification. Reference is made to this agreement.

Mannheim, NOV. 30, 2001

Ellwangen, DEC. 20, 2001

[Stamp:] PAULA Grundstücksverwaltungsgesellschaft
mbH & Co. Vermietungs-KG
68165 Mannheim

VARTA GERATEBATTERIE GmbH

[Signature]

[Signature]

Landlord

Tenant

SUPPLEMENTAL AGREEMENT NO. 2 TO THE
REAL ESTATE LEASE OF AUGUST 29, 2001

LANDLORD: PAULA GRUNDSTUECKSV ERWALTUNGSGESELLSCHAFT
mbH & CO. VERMIETUNGS-KG
AUGUSTANLAGE 33
68165 MANNHEIM

TENANT: VARTA GERATEBATTERIE GmbH
DAIMLERSTRASSE 1
73479 ELLWANGEN

1. PRELIMINARY STATEMENT

The ground-floor and upper-floor storage area with office and communal areas in the building in Ellwangen was leased to VARTA Geratebatterie GmbH with the real estate lease of August 29, 2001. Structural development work was carried out in the building after the real estate lease was signed. These developments will be included in the lease pursuant to the following arrangements.

The underlying real estate lease of August 29, 2001 with supplement agreement No. 1 of November 30, 2001/Dec. 20, 2001 will merely be supplemented.

2. SUPPLEMENTS

Section 1 ITEM 2 TERM OF LEASE

The binding basic term of lease for the structural developments begins on October 1, 2002 and ends pursuant to the real estate lease on August 31, 2022.

Section 1 ITEM 3 ADDITIONAL PRELIMINARY TOTAL INVESTMENT COSTS (TIC) OF STRUCTURAL DEVELOPMENTS

Building	EUR01,285,000.00

Preliminary TIC of structural developments:	EUR01,285,000.00

The preliminary TIC pursuant to Section 1 Item 3 of the real estate lease of August 29, 2001 shall continue in effect as agreed.

Page 2 of Supplemental Agreement No. 2 to the Real Estate Lease of August 29, 2001

Section 1 ITEM 4 ADDITIONAL PRELIMINARY PAYMENTS FOR STRUCTURAL DEVELOPMENTS DURING THE TERM OF LEASE PER MONTH

- RENT

Parameters:

Preliminary TIC of structural developments	EURO 1,285,000.00
Calculated residual value	EURO 0
Term	October 1, 2002-August 31, 2022
Conventional interest rate	5.80% per year, fixed until September 30, 2011

Additional rent payment -preliminary- EUR0 9,078.61

Rent shall be due on the 25th day of the current month for each calendar month. If the term of lease begins within a calendar month, then rent must be paid proportionally for that month.

The conventional interest rate shall correspond to the stipulated interest rate. The stipulated guarantee period corresponds to the period pursuant to the real estate lease of August 29, 2001. The existing arrangement shall apply when calculating the interest rate on the adjustment dates.

The rents listed in Appendix 1 to the real estate lease of August 29, 2001 shall continue in effect as agreed.

The preliminary total rent payment to be paid as of October 1, 2002 is therefore EUR083,472.41 per month.

- -ADDITIONAL ADMINISTRATIVE COSTS EURO 750.00

Administrative costs shall be billed on a monthly basis. They shall be charged beginning with the signing of the lease, and shall be due on the 25th day of the current month for each calendar month. The administrative costs shall increase each year by 1.5% of the previous year's amount. The first increase shall take place on January 1, 2003.

The administrative costs pursuant to Section 1 Item 4.3 of the real estate lease of August 29, 2001 shall continue in effect as agreed.

Supplemental Agreement-2 Real Estate Lease-1909

Page 3 of Supplemental Agreement No. 2 to the Real Estate Lease of August 29, 2001

The real estate lease of August 29, 2001 plus appendices, attached as a copy, is a material component of this supplemental agreement.

With this supplemental agreement, the real estate lease of August 29, 2001 shall be amended only to the extent reflected by this supplemental agreement.

No further amendments or supplements are agreed.

The contracting parties expressly declare that in all other respects, the real estate lease of August 29, 2001 shall remain valid without modification. Reference is made to this agreement.

Mannheim, SEPTEMBER 24, 2002

Hannover, SEPTEMBER 23, 2002

[Signature]
Landlord

[Signature]
Tenant

Supplemental Agreement-2 Real Estate Lease-1909

Page 2 of Master Lease Agreement

Section 1
SUBJECT MATTER

1. Lessor leases to Lessee the movable property and operating equipment described in the respective lease certificate, referred to in the following as "leased items" pursuant to the provisions of this master agreement and individual lease certificates.
2. The individual lease certificates are a material component of the master agreement. If special arrangements are made in individual lease certificates, then these special arrangements have priority over the provisions of the master agreement.

Section 2
DELIVERY, SETUP, ACCEPTANCE

1. Lessee shall select the leased item and the manufacturer or vendor without participation by Lessor. Lessor therefore assumes no liability for proper and timely delivery.
2. If the purchase agreement between the manufacturer or vendor and the Lessor is not brought about, then the affected lease certificate shall be considered as not signed from the outset.
3. Lessee shall accept the leased item for Lessor, shall verify its operational readiness and certify its proper and functional condition in writing in the delivery confirmation, and shall set up or install the leased item at the location specified in the lease certificate. The existence of the signed confirmation of acceptance is a prerequisite for Lessor's payment of the purchase price. The prerequisites for payment of the purchase price specified in the purchase agreement apply to leased items already located in the ground-floor and upper-floor storage area with office and communal areas.

Section 3
TERM OF LEASE

1. The term of lease for each leased item shall be specified in the individual lease certificates.

The term of lease for each leased item begins with the transfer of possession, after delivery and installation of the leased item, or pursuant to Lease Certificate No. 1 for leased items already located in the ground-floor and upper-floor storage area with office and communal areas.

The transfer of possession will be documented in a protocol. The lease certificate is the transfer protocol for leased items already located in the ground-floor and upper-floor storage area with office and communal areas.

[initials]

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Section 4
LEASE PAYMENTS AND ADMINISTRATIVE COSTS

1. The lease payments for each leased item shall be calculated as invariable payments made at the end of each month in accordance with the annuity formula used in financial economics and based upon the procurement costs, costs of manufacture, calculated residual value, term of lease, financing interest rate, and all other costs of the leased item resulting from the respective lease certificate, particularly costs for assembly and commissioning, and all costs of interim financing until the beginning of the term of lease.

If the components of the calculation change due to circumstances over which Lessor has no control, then the lease payments shall be changed accordingly.

The administrative costs of 0.65% per year of the net procurement costs specified in the respective signed lease certificates shall be billed monthly. These costs shall be charged after the signing of each lease certificate, and shall be due on the 25th day of the current month for each calendar month. The administrative costs shall increase annually by 1.63% of the previous year's amount. The first increase shall take place on January 1 of the second year following the signing of the lease.

The contract data specified in the lease certificates (procurement costs, delivery notice, beginning of payment, and lease payments) are preliminary. The final figures will be taken from the lease account statement for the individual lease certificates after each of the purchase agreements is signed.

2. Lessee must pay the current statutory sales tax on the lease payments and the administrative costs.
3. Lease payments shall be due on the 25th day of the current month for each calendar month. If the term of lease begins within a calendar month, then the lease payments and administrative costs must be paid proportionally for that month.
4. Lessee hereby authorizes Lessor to collect all amounts to be paid in conjunction with this master agreement and individual lease certificates by means of direct debit from account No. 1009000 at COMMERZBANK AALEN, bank routing No. 614 400 86.

Section 5
MAINTENANCE, REPAIR

1. Lessee shall exercise due care in his use of the leased item, and shall maintain the item at his own expense in a constantly functional condition suitable for use in accordance with the lease. He shall perform all maintenance, upkeep, and necessary repairs.

[initials]

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In the event of imminent danger, Lessor may have the necessary aforementioned work or repairs performed immediately at the expense of Lessee. Replacement parts shall become the property of Lessor.

- 4.[sic] If Lessee fails to fulfill his obligations despite written demand from Lessor with an appropriate grace period, then Lessor shall have the right to fulfill these obligations. Lessee must reimburse Lessor for the costs incurred thereby in the next following lease payment.

Section 6
OWNERSHIP, USAGE

1. Lessee may undertake changes and install fixtures and fittings if this does not impair the functioning and value of the respective leased item for Lessor. Fixtures and fittings shall become the property of Lessor. Lessee shall have no right to claims for compensation.
2. Lessee must keep the leased item free from all rights of third parties. Lessee must inform Lessor immediately in writing regarding enforcement measures and claims asserted by third parties. Lessee must indemnify Lessor against all claims by third parties, and must bear all costs incurred by Lessor, so long as the Lessor is not responsible for the occurrence of the claims.

3. If the leased item is associated with a piece of land, a building, or a facility, then this shall occur only for a temporary purpose (Sections 95, 97 of the German Civil Code). If Lessee is not himself the owner of the land, building, or facility, then he must declare to the owner that the association is being made only for a temporary purpose; this declaration is hereby made to Lessor.
4. Lessee shall not have the right of disposal over the leased item. Lessor's written consent shall be required for a change in location or a transfer of use to third parties. This does not apply to changes of location within the ground-floor and upper-floor storage area with office and communal areas at Veit-Hirschmann-Strasse 8, 73479 Ellwangen. Lessee hereby assigns to Lessor any and all claims against third parties for disposal and surrender of possession. Lessor accepts the assignment.

Section 7
INSURANCE COVERAGE

1. If the leased items are not already insured against all insurable risks within the scope of the insurance policies signed between Lessee and Lessor in Section 11 of the real estate leases, then Lessor shall purchase an all-risk insurance policy at floating reinstatement value to provide insurance coverage for risks typical in the industry, in particular the risks of destruction, loss, or damage. Clearing and demolition costs are included in the insurance. An insurance policy to cover damages from low power shall be purchased for data processing systems. An existing employers' liability insurance policy, as well as business interruption insurance, shall be expanded to cover the respective movable property/equipment.

[initials]

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2. Lessee shall immediately report to the insurance company and to Lessor any damage that occurs to the movable property/equipment, and shall address the damage in consultation with Lessor.
3. Compensatory payments received by Lessor from the insurance policy shall be credited to Lessee's payment obligations, or the payment shall be provided to Lessee to restore the individual leased item.
4. Lessee shall be responsible for paying the premiums on the insurance policies purchased pursuant to Item 1.

Section 8
RISK OF LOSS

1. Lessee shall bear the risk of destruction, loss, theft, damage, and premature wear of the leased item, unless Lessor is responsible for the occurrence of the aforementioned events. Such coincidental events or events for which Lessee is responsible do not release Lessee from his obligations under the master agreement as well as the lease certificates, in particular the obligation to pay the leasing payments.
2. Should one of the events specified in Section 8 Item 1 occur, then Lessee shall inform Lessor immediately of such an occurrence. Lessee must either repair the leased item at his own expense or replace it with an item of equal value. Compensatory payments made by third parties shall be used for repair or the purchase of a replacement. The parties hereby agree that Lessor is the owner of the replacement item and is leasing it to Lessee within the scope of the respective individual lease certificate. Lessee shall then own the original leased item.
3. Lessee can instead demand that ownership of the leased item be transferred to him gradually against payment of the outstanding lease payments and if necessary an agreed residual value (remaining amortization). In this case, Lessor shall undertake a discount based upon the most recently calculated interest rate agreed between Lessee and Lessor.
4. Lessor may grant Lessee an appropriate period of at least four weeks to exercise his option. If Lessee fails to exercise his option within this period, then the option shall be transferred to Lessor.
5. If Lessor is responsible for the full or partial destruction of the leased item, or its loss, theft, damage, or premature wear (willful misconduct and negligence, Section 276 of the German Civil Code), then he must repair or replace the leased item with an item of equal value at his own expense. The parties hereby agree that Lessor is the owner of the replacement item, and is leasing it to Lessee within the scope of the respective individual lease certificate.

[initials]

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Compensatory payments made by third parties shall be used for repair of the leased item or the purchase of a replacement.

In all cases of this Item 5, Lessee shall have the right to reduce lease payments or to refuse to make such payments.

Section 9
WARRANTY

1. Lessee shall not be entitled to any warranty claims against Lessor. In particular, Lessor shall not be liable for the type of design, construction, or usefulness of the leased item.
2. Any defects or shortcomings in the leased item shall also not affect Lessee's duty to pay the lease payments in full upon the respective due dates.
3. In return, Lessor hereby assigns to Lessee all warranty claims and claims for damages against the respective vendors, with the exception of the claim for return of the purchase price after withdrawal, cancellation, and abatement. Lessee accepts this assignment.
4. Lessee is entitled and obligated to assert his warranty claims against the respective manufacturer or vendor in his own name. Lessee shall promptly file complaints with respect to defects, and shall notify Lessor immediately of such actions.
5. Lessee shall bear the costs of legal action for warranty claims against the manufacturer or vendor.
6. If Lessee exercises his right of cancellation or if he withdraws from the agreement, then the lease certificates shall end upon the effective date of the cancellation or withdrawal. Lessee must pay the lease payments in full to Lessor until the petition for cancellation or abatement becomes a pending case. From this point in time until a decision by the courts regarding Lessee's petition, Lessee shall pay the lease payments, which shall bear interest at the normal bank rate, to an account at the Landesbank Baden-Württemberg. This account shall be in the name of both parties, and may be accessed only jointly. If Lessee is successful with his petition and successfully asserts the disputed claims, then he shall receive reimbursement of the payments in the account either fully (cancellation) or partially (abatement), plus interest, and shall also receive reimbursement of lease payments made to Lessor from the date that cancellation was declared until the petition became a pending case. Lessee must formulate his petition so that the vendor reimburses Lessor directly for the purchase price.
7. Because Lessee has sought out the manufacturer and/or vendor without the participation of Lessor, he guarantees to Lessor that a purchase price reimbursed by the manufacturer and/or vendor shall in fact be paid to Lessor (liability for credit risk of manufacturer and/or vendor).

[initials]

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Section 10
PAYMENT MODALITIES - ARREARS, COSTS

1. If Lessee is in arrears with payments, then beginning on the due date he must pay interest on arrears in the amount of 5% above the currently applicable discount rate (= base interest rate pursuant to Section 1 Paragraph 1 of the Transitional Law on Discount Rates), unless Lessor can provide evidence for a higher amount or Lessee can provide evidence for a lower amount.
2. If Lessee is in arrears with payments from a lease certificate in an amount equal to a monthly payment, then following the unproductive setting of a two-week grace period for payment of the monthly lease payment, he must provide a security deposit in the amount of two monthly payments upon demand by Lessor, in order to secure Lessor's claims for this lease certificate. Lessor shall pay interest on the security deposit.
3. Lessee shall assume all costs incurred in conjunction with the purchase, delivery, assembly, ownership, use, interim financing, and any foreign currency financing of the leased items.

Section 11
TERMINATION

1. The lease certificates are entered into for the time period specified on each certificate. Ordinary termination is precluded. The right to extraordinary termination remains unaffected. Termination must be made in writing.
2. Each contracting party shall have the right to extraordinary termination of the respective lease certificate in particular if
 - a) the purchase, setup, or preparation for use of the leased item is impossible, not initiated, excessively delayed, or permanently abandoned, so long as the terminating party is not responsible for this circumstance,

- b) the other party is in arrears with its payment obligations from a lease certificate in the amount of at least two full monthly payments or a significant portion thereof for a period longer than one month.

Each contracting party shall have the right to extraordinary termination of the master lease agreement in particular if

- c) the other party acts in material breach of provisions of this master agreement despite warning, or fails to immediately eliminate the consequences of material breaches of contract despite warning,

[initials]

Page 8 of Master Lease Agreement

- d) the other party fails to supply agreed collateral in full despite warning, or the other party as the provider of security violates special duties to which it is subject under separate security agreements despite warning,

- e) the real estate lease between Lessee and Lessor is terminated.

If co-obligors or security providers exist, then the aforementioned provisions shall also apply if the prerequisites for extraordinary termination exist in the person of only one co-obligor or security provider.

The termination shall not become legally effective if the other party fulfills its obligations and pays any outstanding amounts within a period of four weeks after receipt of the notice of termination.

- 3. If one or more lease certificates are terminated, or if the master lease agreement is terminated, then Lessor may demand that Lessee immediately pay the following amounts:

- a) The cash value of all payments due on the affected lease certificate(s) until the end of the respective term of lease, plus
- b) the cash value of the calculated residual value of the affected lease certificate(s) to the end of the term of lease, following deduction of the amortization from the final procurement/manufacturing costs allocated in the annual lease payments.
- c) If Lessor is responsible for the grounds for termination, or if a case arises as described in Section 8 Item 1 Sentence 1, then Lessor may demand that Lessee also pay the amount of a prematurity compensation charge incurred by Landlord for the premature return of financing funds.

Deduction of unaccrued interest shall be based upon the financing conditions applicable for Lessor at the end of the lease.

- 4. Compensatory amounts to be paid in accordance with Item 3 shall be reduced by the amount of the earnings from sale of the leased item minus the selling costs, as well as other payments from third parties to Lessor, particularly insurance payments.

Section 12 ARRANGEMENTS FOLLOWING EXPIRATION OF THE TERM OF LEASE

Lessor may demand that Lessee cover all costs for purchasing the leased item at its residual value, excluding all warranty claims against Lessor, upon expiration of the term of lease pursuant to the respective lease certificate.

[initials]

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The residual value is specified in the respective lease certificate. It is at least 10% of the final total investment costs.

The purchase price shall be due upon presentation of invoice by Lessor at the termination of the respective lease certificate. Lessee must also pay any applicable sales tax.

Lessee shall be responsible for paying any costs and/or taxes resulting from the change in ownership.

Lessor shall retain ownership of the leased item until Lessee has fulfilled all payment obligations from the lease certificate in question.

Section 13 SUBLETTING

The leased item may be subleased only with Lessor's consent, which may be denied only for good cause. Lessor may demand that he be given copies of the sublease agreements. Lessee hereby assigns to Lessor by way of security his current and future claims from the sublease agreements. Lessor hereby accepts this assignment.

Upon demand by Lessor, Lessee shall require the subtenant to purchase insurance protection in accordance with Section 7 and provide evidence of such insurance.

Section 14
RETURN

1. If Lessee must return the leased item, then he shall bear the costs and risks of removal, return, and restoration in a suitable form to a domestic address to be specified by Lessor.
2. If Lessor finds defects in the leased item that exceed the wear incurred through careful use in accordance with the lease, then he may demand elimination of the defects by Lessee within an appropriate period, and following an unproductive expiration of this period, he may eliminate the defects himself at Lessee's expense.

This right shall expire if Lessor has not complained of the defects in writing within four weeks after the return of the leased item.

3. If Lessee does not return the leased item, even though he is obligated to do so, then he must pay as compensation for use the lease payment stipulated in the lease certificate for each month or portion of a month that the item is not returned.
4. Lessor expressly reserves the right to assert further claims for damages.

[initials]

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Section 15
OFFSET, WITHHOLDING, ASSIGNMENT

1. The parties mutually waive any right of withholding or right of offset, unless the claims in question have been legally established or acknowledged.
2. Lessee may not assign his rights and claims.
3. Lessor may transfer his rights and claims to third parties, particularly for refinancing purposes.

Section 17 [sic]
GENERAL PROVISIONS

1. This master agreement contains all agreements made by the parties in full. No other agreements have been made.
2. Changes to this master agreement must be made in writing. This also applies to a change of this provision.
3. Should a provision of this master agreement be ineffective or not carried out, then the effectiveness of the remaining provisions shall not be affected thereby.
4. In such a case, the parties shall agree upon an arrangement that best corresponds to the sense and purpose of this master agreement.
5. The venue and place of performance is Mannheim, to the extent that this is permissible under law and not otherwise regulated under this master agreement.

Ellwangen, August 29, 2001
Paula Grundstücksverwaltungs-
gesellschaft mbH & Co.
Vermietungs-KG

Ellwangen, August 29, 2001
VARTA Geratebatterie GmbH

[SIGNATURE]

Lessor

[SIGNATURE]

Lessee

LEASE CERTIFICATE NO. 1

to the MASTER LEASE AGREEMENT (MOVABLE PROPERTY LEASE) of August 29, 2001

between VARTA GERATEBATTERIE GmbH
DAIMLERSTRASSE 1

(hereinafter "Lessee")

and PAULA GRUNDSTUCKSVERWALTUNGSGESELLSCHAFT
 mbH & CO. VERMIETUNGS-KG
 AUGUSTAANLAGE 33

68185 [sic] MANNHEIM

(hereinafter "Lessor")

1. INFORMATION ON LEASED ITEM

Leased item: Shelf units
 Location: Storage area on ground and upper floor, with office and
 communal areas, Veit-Hirschmann-Str. 8,
 73479 Ellwangen
 Vendor/Seller: Mr. Helmut Rommel, Hohenbergweg 11,
 74424 Buhlertann

2. DATES (PROJECTED)

Delivery date/Beginning of depreciation: September 1, 2001
 Beginning of use/Beginning of term of lease: September 1, 2001
 Normal useful life 84 months
 (established by Lessee following thorough review)
 Term of lease 72 months

Page 2 of Lease Certificate No. 1

3. LEASE PAYMENT (PRELIMINARY)

Net costs of acquisition (TIC)	EURO	444,457.85	
Net lease payment per month (based upon a calculated interest rate of 522% per year)	EURO	6,813.23	1.53% of TIC
16% value added tax	EURO	1,090.12	

Lease payment including value added tax	EURO	7,903.35	
4. CALCULATED RESIDUAL VALUE AT END OF TERM OF LEASE	EURO	44,445.79	10% of TIC

5. MISCELLANEOUS PROVISIONS:

The provisions of the master lease agreement shall apply in all other respects.

Ellwangen, August 29, 2001

Ellwangen, August 29, 2001

[Signature]

Lessor

[Signature]

Lessee

REAL PROPERTY LEASING AGREEMENT

NO. 326-61 0038

ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Object Dischingen KG,
Dusseldorf

- - Lessor -

VARTA Geratebatterie GmbH, Hanover

- - Lessee -

I. Object of the Lease

Building housing production, administration and recreation and sanitary
premises

Intended use of the
Buildings: Gross
floor area: -----

--- located at
Zinkelweg 2 and
Dossenberger Str. in
89561 Dischingen
Production:) 11,058
m POWER OF 2 Land
Register: Warehouse:
) Land Register of
the Heidenheim Local
Court

Administration:
1,997 m POWER OF 2
for Dischingen
Recreation/Sanitary:
Sub-lease: 0 m POWER
OF 2 Folio: 737
(others): 0 m POWER
OF 2 ----- Sub-
plot: 980 Total:
Folio: 1356 Sub-
plots: 987/1.987/3,
987/4 987/5 13,055 m
POWER OF 2 Total
size: 44,943 m(2)

II. TOTAL TERM OF THE LEASE: 22.5 years
Initial term of the lease 10.5 years

Commencement of the total term of the lease of the existing buildings on:
21 December 2000 Probable commencement of the total term of the lease

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of the new buildings: 1 December 2001
End of the initial term of the lease: 30 June 2011
End of the total term of the lease: 30 June 2023

III. PAYMENTS TO BE MADE BY THE LESSEE:

The payments to be made by the Lessee shall be calculated on the basis of
the Total Investment Costs (TIC) according to the nos. 1, 3 and 5

Estimated total	EUR	8,356,000.00	assumed depreciation for wear and tear
Consisting of:			
Real property	EUR	1,584,000.00	
Old buildings	EUR	4,372,000.00	approx. 3.7958 % p.a.
New buildings	EUR	2,300,000.00	3.0000 % p.a.
Others	EUR	100,000.00	approx. 3.7958 % p.a.

The stated depreciation for wear and tear (ABSETZUNG FUR ABNUTZUNG, AfA)
rates serve as a basis for the calculation of the rent and the contractual
residual value.

Assumed contractual residual value
at the end of the initial term of the lease: EUR 5,907,678.87
at the end of the total term of the lease: EUR 3,042,700.71

1. General fee (KONZEPTIONSGEBUHR): 0.40 % of the TIC
2. Payments to be made prior to the commencement of the total term of the lease:
 - a) Pre-rental payment (VORMIETE):)
 - b) Commitment compensation (BEREITSTELLUNGSENSCHADIGUNG):) See Addendum No. 1
 - c) Interest on input tax (pursuant to Sec 4 no. c):)

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3. Payments to be made subsequently to the commencement of the total term of the lease:
 - a) Total amount of rent instalments plus advance payment on rent (Total amount payable): See Addendum No. 1
 - b) The amount and the assessment of the advance payments of rent shall be determined in accordance with Annex 1 to this Agreement.
 - c) Provisionally assessed amount of the advance payment of rent is after the initial term of the lease: EUR 3,407,678.68
4. Adjustments of the rent due to conversion of interest (conversion date): still to be determined
5. Contribution to administration costs: 0.35 % p.a.

6. Ancillary costs:

Subject to submission of appropriate evidence, the Lessee shall reimburse the Lessor for any ancillary costs incurred in accordance with Sec 5.

7. Turnover tax

If there is an obligation to pay turnover tax (perhaps due to an option) turnover tax shall be payable at the applicable statutory rate in addition to all payments to be made by the Lessee under this Agreement.

IV. RENTAL ACCOUNT OF THE LESSOR:

Commerzbank AG, Dusseldorf, Account no. 2481059 (Sorting code 300 400 00)

V. ADDENDA:

Addendum No. 1

VI. PROVISION OF DOCUMENTS:

- none -

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TERMS AND CONDITIONS OF THE LEASING

SEC 1

OBJECT OF THE LEASE/COMMENCEMENT OF THE TOTAL TERM OF THE LEASE

1. The Object of the Lease is the real property referred to in I above. All machines and installations which are not part of the Object of the Lease in the sense of sec 68 of the Tax Valuation Act (BEWERTUNGSGESETZ, BewG) shall not fall under this Agreement, even if they are fittings or fixtures of the property. Sec 7-10 of this Agreement shall be continued or may be appropriate in view of the Lessee's use of the Object of the Lease.
2. The total term of the lease shall commence when the possession of the Object of the Lease is transferred to the Lessee. Possession of the Object of the Lease shall be transferred upon its completion or acquisition by the Lessor, as the case may be, and any defects the Object of the Lease may have at this point in time shall be recorded. Possession shall be transferred even if the Object of the Lease has minor defects (as defined in sec 12 no 3 of Part B of the Award Rules for Building Work (VERDINGUNGSORDNUNG FUR BAULEISTUNGEN, VOB)). The Lessor shall not assume any warranty regarding the anticipated date of transfer of possession referred to in II below.

SEC 2

TOTAL INVESTMENT COSTS (TIC)

1. The TIC shall include all expenses incurred by the Lessor in connection

with the purchase of the property or the heritable building right and the procurement or construction of the Object of the Lease as well as any tax (e.g. turnover tax, real property transfer tax) incurred in this connection, including taxes which are newly introduced or which become payable due to any circumstances occurring after the conclusion of this Agreement, i.e. inter alia:

The purchase price, including transaction costs (e.g. costs of the recording by a notary) and/or the construction costs, including fees of public authorities and insurance premiums payable during the period of construction, development costs, valuation and other costs charged by third parties in connection with the creation of mortgages on the property, real property transfer tax, even if such additional tax liability is triggered by a third person joining

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the Lessor as a partner, as well as any non-deductible turnover tax, including any supplementary payments under tax law (e.g. interest).

All expenses shall be included in the TIC - irrespective of the time at which they have arisen or been assessed by the relevant authorities - including expenses that may be incurred or that may be assessed after the transfer of possession of the Object of the Lease in accordance with Sec 1 or after the assessment of the TIC in accordance with no. 2 of this Sec.

Any deductible turnover tax paid by the Lessor on the TIC shall not be included in the TIC.

2. The TIC shall be assessed by the parties jointly when all invoices are available. The amount of the payments to be made by the Lessee in accordance with III nos. 1, 3 and 5 as well as the contractual residual value in accordance with III shall be assessed on the basis of the TIC jointly determined by the parties. This shall apply accordingly with respect to any TIC becoming due at a later point in time. If the estimated TIC are exceeded, the provision in Sec 4 no. 8 shall apply up to a partial amount of 10 % of the estimated TIC.

SEC 3

APPROVAL TO AGREEMENTS

The Lessor shall submit the agreements to be concluded by it in connection with the procurement and the construction of the Object of the Lease to the Lessee for approval. By giving its approval, the Lessee accepts that the Lessor meets all payment obligations arising under these agreements and in connection with their implementation and that all costs thus incurred shall be part of the TIC in accordance with Sec 2 or the ancillary costs in accordance with Sec 5.

SEC 4

PAYMENTS OF THE LESSEE

1. General fee

The general fee shall be payable as a one-off payment at the conclusion of the Agreement.

2. Payments to be made prior to the commencement of the total term of the lease

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- a) Pre-rental payment:

The pre-rental payment shall be payable for the total investment costs (TIC) placed at disposal by the Lessor, but not yet paid out.

- b) Financial commitment fee:

The financial commitment fee shall be charged on any TIC held available but not yet paid out by the Lessor.

- c) Interest on input tax:

Interest on input tax shall accrue at the current account borrowing rate of Commerzbank AG, as applicable from time to time, or any turnover tax paid by the Lessor on the TIC, provided, however, that such interest shall also accrue to the extent that the Lessor has filed an application for reimbursement of such input tax, and further provided that such interest accrues only for as long as such application may be pending with the tax office. The same shall apply accordingly with respect to turnover tax that the Lessor pays only subsequently to the commencement of the total term of the lease.

These payments shall be charged to the Lessee monthly on the basis of the amount of TIC paid (pre-rental payment) or not yet paid (financial

commitment compensation) by the end of the respective month, in addition to which interest on input tax shall accrue.

3. Rent payable after the commencement of the total term of the lease

- a) The total amount of rent plus advance payments on rent shall be calculated on the basis of the final total investment costs (Sec 2) in consideration of the term and the interest rate agreed with the Lessee. The distinction between rent and advance payment on rent arises from Annex 1 and depends on the depreciation for wear and tear pursuant to III.
- b) The advance payment of rent shall be used by the Lessor for redeeming financing liabilities. After the end of the initial term of the lease, the amount of the advance payment of rent shall be equivalent to the balance between the financing liabilities redeemed by that point in time and the amount of the depreciation for wear and tear existing at that time in accordance with III. No interest shall accrue on the advance payment of rent. This has been taken into account when the rent was agreed. The advance payment of rent shall be redeemed as of the end of the initial term of the lease

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and shall be made on a yearly basis in the amount of the depreciation for wear and tear as referred to in III. The redemption shall be made by set-off against the rent payable by the Lessee to the Lessor. Any balance of the advance payment of rent outstanding by the end of the total term of the lease shall then be redeemed in one amount. The Lessor shall be entitled to prematurely redeem all or any part of the advance payment of rent at any time.

4. Adjustments of the rent

In due time before the conversion date (KONVERSIONSZEITPUNKT), the Lessor shall be entitled and obliged to re-assess the rent and the advance payment of rent for the next fixed-rent period (FESTSCHREIBUNGSZEITRAUM) on the basis of the agreed terms and taking into account any redemption payments made, the residual term of the relevant terms of the lease and the interest rate to be agreed with the Lessee.

If the Lessor and the Lessee fail to reach an agreement on the interest rate, the Lessee shall be entitled to procure financing funds itself. Such financing facilities procured by the Lessee shall be used if the financing costs can thus be reduced by 0.1 % p.a. or more, provided that the terms and conditions shall otherwise correspond to those proposed by the Lessor. Any costs incurred in connection with a restructuring of the financing arrangements shall be borne by the Lessee. Until an agreement on the interest rate is reached between the Lessor and the Lessee, the rent shall be calculated on the basis of the current account borrowing rate applied by the financial institution which has previously provided the financing.

5. Contribution to administration costs

The contribution payable to administration costs as of the conclusion of this Agreement shall not be subject to change.

6. Ancillary costs

The Lessee shall reimburse the Lessor for all ancillary costs referred to in Sec 5 against submission of appropriate evidence.

7. Depreciation

The rents are based on the rates of depreciation specified in III. If a change in the assumed useful life of the Object of the Lease occurs and has the effect that the depreciation rates permissible under tax law also change, this shall have no effect on the aggregate total of the

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rent instalments and the advance payment of rent. The manner in which such depreciation shall affect the rent and advance payment of rent and the contractual residual value shall be adjusted as appropriate. The same shall apply with respect to any modification of the basis of depreciation that may become required.

8. Insufficiency of the estimated TIC

If the estimated TIC are exceeded, the Lessor and the Lessee shall, as a first step, engage in joint efforts to obtain further financing funds. If such a joint effort is unsuccessful and the Lessor and the Lessee also do not agree on any other arrangements in this respect, the Lessor may require the Lessee to pay the balance between the estimated and the actual TIC in the form of a contribution to the procurement costs up to an amount equivalent to 10 % of the estimated TIC.

SEC 5

ANCILLARY COSTS

All costs and taxes incurred in connection with purchasing, owning or leasing out the Object of the Lease, or any change concerning the current or future owners of the partnership acting as Lessor shall be ancillary costs. This shall include, without limitation:

1. the costs of all insurances taken out (Sec 9);
2. payments to be made on a permanent basis under real property purchase or heritable building rights agreements concluded by the Lessor;
3. all taxes payable in connection with the property (e.g. real property tax), duties, contributions, fees as well as any other charges or obligations of any kind arising from the possession of the property; this shall apply even if such taxes, duties, contributions, fees or other charges or obligations are newly introduced or assessed during the term of the lease;
4. turnover tax levied as a result of a change in use;
5. any trade tax payable by the Lessor or any member or corporate entity of or related to the Lessor (ORGANTRAGER) as well as any newly introduced or newly assessed taxes or charges;

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6. any additional payment to be made in connection with the taxes referred to in this Agreement, unless the Lessor is responsible for such extra payment becoming due;
7. costs of outside services incurred by the Lessor as the corporate entity owning the property (OBJEKTGESELLSCHAFT), e.g. assuming liability and/or management services, establishment costs, costs of any necessary amendments to statutes, costs of annual audits, contributions payable to the Chambers of Commerce and Industry, etc.
8. costs of drafting tax returns to be filed for the assessment of the taxable value of the Object of the Lease;
9. costs of monitoring the condition of the building.

SEC 6

MODES OF PAYMENT

1. The payments owed by the Lessee shall be made without consideration of the condition or the serviceability of the Object of the Lease. Even if the Object of the Lease is defective or unfit for use, the Lessee shall not be entitled to reduce, withhold or set-off payments in full or in part, unless the relevant claims are undisputed or are based on a final and absolute court ruling. The Lessee may, however, request a reduction of the payments it is obliged to make in the event of any accidental full or partial loss of the Object of the Lease or of the Object of the Lease being fully or partly destroyed, without the Lessee being responsible for such loss or destruction or in the event that the use of the Object of the Lease is impossible for a long time due to reasons for which the Lessee is not responsible.
2. a) 70.72 % of the net rent and the net advance payment of rent and 100 % of the contribution to administration costs as well as statutory turnover tax on the total rent, the advance payment of rent and the contribution to administration costs shall be payable quarterly in advance no later than on the third calendar day of the relevant quarter (date as of which such payment is credited to the Lessor's rental account).

29.28 % of the net rent and the net advance payment on rent shall be payable quarterly in arrears no later than on the third calendar day of the subsequent quarter (date as of which such payment is credited to the Lessor's rental account).

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If the Lessee fails to comply with these payment dates, it shall be deemed to be in default of payment (VERZUG) as of that point in time.

- b) Other payments to be made by the Lessee shall be payable 10 days after the receipt of an invoice of the Lessor. The Lessor and the Lessee have agreed that the Lessee shall be deemed in default of payment as of the date of receipt of a reminder, but in any case as of the 30th day after the due date.
3. If the Lessee fails to make payments when due, the Lessor shall be entitled to charge default interest in the amount of the applicable current account borrowing rate of Commerzbank AG on any unpaid balance, unless the Lessee provides evidence that no damage or damage in a lower

amount has been caused; any payment of default interest shall be without prejudice to any further claim for damages the Lessor may have.

4. The Lessee authorises the Lessor to collect due payments owed to the Lessor's account referred to in V by using debit entries.
5. If payments of the Lessee are not sufficient to meet all its payment obligations towards the Lessor, the Lessor may decide to which claims any payment made shall be credited.

SEC 7

LIABILITY, MAINTENANCE, REPAIR WORK AND ALLOCATION OF THE RISKS

1. The Lessor shall only be liable for damage caused with intent or through gross negligence, unless otherwise stipulated in this Agreement.
2. The Lessee shall maintain the Object of the Lease in a good condition at its own expense at any time so that it is fit for an can be used for its contractual purpose at any time. The costs of the operation, maintenance, servicing and of all repairs, including decorative repairs shall be borne by the Lessee. After a fruitless reminder to the Lessee, the Lessor shall be entitled to arrange for necessary repairs at the expense of the Lessee.

If the Object of the Lease is destroyed, in full or in part, the Lessee shall be obliged to repair or rebuild it at its expense, unless the Lessee is not responsible for the full or partial destruction of the Object of the Lease. The risk of the accidental loss of the Object of the Lease, or any part thereof, shall be borne by the Lessee.

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In the event that third parties (insurance companies, parties liable for damage etc.) make compensation payments for damages to the Lessor, the Lessor shall reimburse the Lessee for any amounts already spent by the Lessee with respect to the relevant damage, or shall be used to finance repairs the Lessee is still required to make.

3. The Lessee shall comply with all statutory regulations and obligations imposed by a competent authority. The Lessee shall also meet all obligations which the Lessor has in its capacity as owner of the property or principal to any building contract (BAUHERR) such as the duty to ensure that the property is safe (VERKEHRSSICHERUNGSPFLICHT) or in a condition which is in accordance with the contractual requirements.

The Lessee shall hold the Lessor harmless with respect to any claims of third parties, including public authorities that arise during the period in which the Lessee is in possession of the Object of the Lease or during the term of this Agreement - as of the date of its conclusion - in connection with the planning, the construction, possession or use of the Object of the Lease. This release from liability shall apply in particular to all claims in connection with the avoidance or removal of substances harmful to the environment (in particular soil contamination, existing pollution or warfare agents). The Lessee shall bear all costs of any facilities or equipment that may be required under statutory regulations or obligations imposed by a competent authority. Any amounts paid by the Lessor in this respect shall be reimbursable by the Lessee immediately upon submission of appropriate evidence.

The claim for release from liability of the Lessor against the Lessee shall not exist in the event that the Lessee has not caused the damage in question. The claims for release from liability of the Lessor in the event of extraordinary termination of this Agreement prior to the transfer of possession of the Object of the Lease are regulated in Sec 11 no. 5.

SEC 8

WARRANTIES

1. The Lessee shall not be entitled to assert claims against the Lessor because of any defects or restricted usability of the Object of the Lease, unless the Lessor is responsible for such defects or restricted usability or unless otherwise stipulated in this Agreement.
2. The Lessor hereby assigns all warranty claims it has against third parties as well as any claims due to faulty contractual performance (POSITIVE VERTRAGSVERLETZUNG) to the Lessee.

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The Lessee accepts the assignment and shall be obliged to assert such claims at its expense without delay; and to take legal action in due time if required. The Lessee shall be responsible for any contractual warranty periods being complied with and for any claim being asserted in due time. The Lessee shall consult the Lessor before agreeing to any changes to the agreed warranties.

In the event that the assigned warranty claims or the claims due to any faulty contractual performance are not enforceable or not fully enforceable against third parties, the Lessor shall meet these claims instead of the third party concerned.

The Lessee hereby assigns any such claims back to the Lessor effective as of the point in time the Agreement ends. To the extent that the Lessor met the relevant contractual obligation, the Lessee shall be obliged to assign such claims back to the Lessor as of an earlier point in time.

3. The Lessee shall request any third party to make payments due with respect to warranties or faulty contractual performance to the Lessor and shall keep the Lessor up-to-date on the progress of efforts made to enforce such claims.

The Lessor shall be obliged to use payments received by it under warranty claims or due to faulty contractual performance at its discretion either for the restitution of the Object of the Lease or the amounts payable by the Lessee shall be re-assessed as may be appropriate.

4. The right of the Lessee to reduce the rent arises from Sec 6 and has priority over the provisions of Sec 8.

SEC 9

INSURANCES

1. The Lessor shall take out the following insurances:

- a) Fire insurance with extended coverage, including insurance against non-stated risks at replacement value with a premium escalator clause (WERTZUSCHLAGSKLAUSEL) or at sliding replacement value (GLEITENDER NEUWERT). Cover for costs of clean up or demolition work shall be included in the insurance.

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- b) liability insurance for house and property holders (HAUS- UND GRUNDBESITZERHAFTPFLICHTVERSICHERUNG) as well as liability insurance for damage caused to bodies of water or to the environment (GEWASSERSCHADEN- BZW. UMWELTHAFTPFLICHTVERSICHERUNG).

The costs of such insurance shall be invoiced by the Lessor to the Lessee as ancillary costs in accordance with Sec 5 no. 1.

The Lessee shall inform the Lessor of any missing or insufficient insurance cover without delay. The Lessee shall be obliged to inform the Lessor in particular of any additions of fittings or fixtures, changes in the building structure or changes in the use of the Object of the Lease. If the Lessee intends make such changes, it shall inform the Lessor thereof prior to their implementation.

The Lessee agrees to comply with the terms of insurance and the security regulations of the insurance companies.

2. The Lessee shall inform the Lessor without delay of any damage and shall ensure that the place at which the damage occurred remains unchanged until it is inspected by representatives of the insurance company. However, this shall not apply to measures required to reduce damage or to avoid consequential damage. The Lessee shall commission in its own name at its own expense specialised enterprises to carry out any necessary work required to limit damage and to then repair it in good time. After having examined and paid the invoices issued by such specialised enterprises for their services, the Lessee shall submit these invoices to the Lessor for further transmission to the insurance company.

3. The Lessor shall be obliged to use the full amount of the compensation received from the insurer for the restitution of the Object of the Lease or the Lessor shall make such compensation available to the Lessee for this purpose. Any additional costs that may be incurred in connection with the full restitution of the Object of the Lease, including the fees of any experts, exceeding the amount of the insurance benefits shall be borne by the Lessee, unless it is not responsible for the full or partial destruction of the Object of the Lease.

Any such additional costs that may have to be borne by the Lessee shall not give the Lessee any right to subsequently remove any fixtures that may be installed by it or to claim compensation for such additional expenses.

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SEC 10

1. Any addition of fixtures or changes in the building structure - as well as changes in the use of the Object of the Lease - shall be subject to the prior written consent of the Lessor, irrespective of whether they affect the value or the usability of the Object of the Lease. All permits required under public law must be obtained prior to the carrying out of such measures. The Lessor may refuse its consent for cause only.
2. The Object of the Lease shall be used for the purposes described in I. The Lessee shall evidence such use in appropriate form to the Lessor; this shall also apply in the event of sub-letting. The Lessee shall notify the Lessor without delay of any changes in use or if the Object of the Lease is vacated prematurely.
3. The Lessee shall be entitled to remove fixtures, provided that it shall restore the Object of the Lease to its original condition at the end of the lease. Upon termination of this Real Property Leasing Agreement, the Lessee shall be obliged to restore the Object of the Lease to its original condition at its expense, provided that the costs of this shall not be disproportionate to the market value of the fixtures to be removed.

SEC 11

PREMATURE TERMINATION OF THE AGREEMENT

1. Any termination of this Agreement shall be ruled out in principle.
2. However, either party shall be entitled to terminate the Agreement without notice for cause. Such cause shall be deemed to exist, in particular, if
 - a) the Object of the Lease is not purchased or built for reasons for which the party terminating this Agreement is not responsible;
 - b) in the event that insolvency proceedings are instituted against the other party or the institution of such proceedings has been refused for lack of assets;
 - c) in the event that any other judicial or out-of-court proceedings are instituted against the assets of the other party for the purpose of settling debts or in the event that the other party discontinues its payments;
 - d) in the event that the financial soundness of the other party deteriorates materially compared to the situation existing at the time of the conclusion of the Agreement and that this may jeopardise claims of the Lessee against the Lessor;
 - e) one contracting party fails to meet material contractual obligations (e.g. the obligation to maintain the Object of the Lease referred to in Sec 7 in a state of good repair) within two months as of the receipt of a written warning issued by the other contracting party or in the event that material consequences of breaches of contractual provisions are not repaired or cured without delay.
3. In addition, the Lessor shall be entitled to terminate this Agreement without notice in the event that
 - a) the Lessee is in delay of payments owed under this Agreement in the amount of at least two rent instalments;
 - b) a third party which has assumed liability for the obligations of the Lessee as guarantor, joint and several debtor or in any other capacity comes to be in a situation described in 2 b) to e) above.
4. The Lessor shall be obliged to withdraw an extraordinary termination pursuant to no. 2 d) or 3 a) and to continue the Agreement at the existing terms and conditions in the event that the Lessee pays the amounts in arrears within a period of six weeks as of the receipt of the termination statement or in the event that the Lessee provides sufficient collateral security. The same shall apply accordingly in the event that the Lessee continues to meet its other material contractual obligations without delay, repairs or cures any material consequences of breaches of contract within a period of six weeks as of the receipt of a termination statement. The Lessor shall draw the Lessee's attention to this provision if any extraordinary termination occurs.
5. In the event that this Agreement is terminated prior to the transfer of possession for reasons for which the Lessee is responsible, the Lessee shall reimburse the Lessor for any TIC already incurred or still to be incurred in connection with the implementation of this Agreement. Moreover, the Lessee shall reimburse the Lessor for any necessary one-off or permanent expenses incurred, e.g. in connection with the possession of the real property. In

addition, the Lessee shall reimburse the Lessor for any costs incurred, because the Lessor does not actually use any financing facilities obtained by it, provided only that evidence shall be provided for such costs having been incurred by the Lessor. The Lessor may require the Lessee to take its place as a party to any agreements concluded by the Lessor in connection with the implementation of this Agreement and to indemnify the Lessor from any obligations arising in connection with this Agreement.

In addition, the Lessee shall pay the Lessor compensation for any own costs incurred by the Lessor due to a premature termination of the Agreement in an amount equivalent to 2 % of the estimated TIC referred to in III. Any general fee already paid shall be set-off against this amount. The Lessor may demand a higher compensation if it provides evidence that the damage suffered was higher than the compensation amount provided for above. The Lessee shall be entitled to provide evidence that the own costs of the Lessor were lower than the compensation amount provided for above.

In the event that the Lessor assumed any obligation in connection with this Agreement at the explicit request of and in coordination with the Lessee in accordance with Sec 3, the Lessee shall be obliged to fully indemnify the Lessor in this respect even in the event that neither the Lessee nor the Lessor are responsible for the termination.

6. In the event that the Agreement is terminated subsequently to the transfer of possession of the Object of the Lease to the Lessee for reasons for which the Lessee is responsible, the Lessee shall be obliged to indemnify the Lessor for any damage incurred by the latter due to the premature termination of the Agreement, including especially any damage that may be incurred if the Lessor is not able to lease or dispose of the Object of the Lease at all or only at less favourable conditions. Any benefits realised by the Lessor by leasing or otherwise disposing of the Object of the Lease shall be set-off against the Lessor's claims for damages.
7. Any reimbursement of contributions to building costs made by the Lessee shall be ruled out irrespective of whether this Agreement is terminated prematurely or as of the end of its contractual term.

SEC 12

MISCELLANEOUS

1. Sub-letting

Sub-letting shall be permissible subject to the Lessor's prior consent; the Lessor may refuse its consent to sub-letting for cause only.

2. Assignments of the Lessee/Consent of the Lessor

In order to provide collateral security for any current or future claims under this Agreement, the Lessee hereby and as of now assigns to the Lessor all its current and future rights under sub-lease agreements (including any dispositive rights (GESTALTUNGSRECHTE)), such as the right to terminate sub-lease agreements, as well as rights of lien (VERMIETERPFANDRECHT)). The Lessor accepts this assignment. The Lessor shall be entitled to disclose this assignment to any interested third party, provided that it has informed the Lessee of this intention in writing no later than one week before the date of disclosure.

After the due implementation of this Agreement, the Lessor shall assign its claims under para 1 of this Sec back to the Lessee.

The Lessee may assign its rights and claims under this Agreement to third parties only with the prior consent of the Lessor.

3. Assignment of the Lessor

The Lessor shall be entitled to assign its rights and claims under this Agreement to third parties for financing purposes. The Lessee hereby and as of now consents to such assignment to third parties and agrees that the Lessor allows such third parties to inspect any records or documents the Lessee may have provided to the Lessor in connection with any claims or rights to be assigned in accordance with this provision.

4. Collateral security

The Lessee and the Lessor agree as of now that the Lessor shall have a right of lien on any current or future claims of the Lessee against the Lessor. The lien shall serve a collateral security for all current or future claims, including contingent claims which the Lessor has or will have against the Lessee.

5. Right of inspection

After prior arrangement with the Lessee, the Lessor shall be entitled to inspect the Object of the Lease or to have it inspected by agents during normal business hours.

6. Electronic data processing/data protection

The Lessee agrees that the data included in this Agreement will be provided to and electronically recorded by CommerzLeasing und Immobilien AG, Dusseldorf.

7. Obligation to occupy the Object of the Lease

The Lessee shall be obliged to ensure that the Object of the Lease shall be occupied throughout the term of the lease.

8. Return of the Object of the Lease

Upon the termination of this Agreement, the Object of the Lease shall be returned to the Lessor in such a condition that it is ready for occupancy, free of any substances harmful to the environment (in particular soil contamination, existing pollution or warfare agents).

9. Provision of information

The Lessee shall be obliged to inform the Lessor on its financial situation in a manner in which a borrower is obliged to do this towards its lender in accordance with Sec 18 of the Banking Act (KREDITWESENSETZ, KWG). The Lessee shall provide the Lessor in particular with its annual financial statements, annual reports and/or reports of its auditor no later than six months after each balance sheet date. The Lessee shall inform the Lessor unrequested and without delay of any material changes in its financial or business situation or its corporate structure.

10. Legal succession

The Lessor and the Lessee shall be obliged to transfer their obligations under this Agreement to any legal successors.

11. Amendments and side agreements

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Any amendments to this Agreement or side agreements shall require written form. Any oral side agreements shall require written confirmation.

12. Severability clause

Should any provision of this Agreement be or become invalid, the other provisions shall nevertheless remain valid. In such an event, the parties shall replace the invalid provisions with valid provisions whose contents corresponds to the greatest possible extent to that of the invalid provisions.

13. Disposal of TIC

The Lessor may only dispose of funds earmarked as TIC when it is ensured that the transfer of the title of ownership of the land required for the Object of the Lease, as well as the heritable building right, will be entered in the respective land registers in the Lessor's favour, in each case without being subject to any encumbrances, provided only that appropriate evidence shall be provided showing that such real property and heritable building right shall be encumbered with mortgages in favour of the party providing the required financing facilities and further provided that the Lessor shall be in possession of all documents referred to in VI and VII. The Lessee shall advance any sums that may become payable before the Lessee may dispose of any TIC financing facilities granted to it.

14. Order of priority

To the extent that obligations under the heritable building right agreement (ERBBAURECHTSVERTRAG) between the Lessee and the Lessor are being assumed by the Lessee under this Agreement, the relevant provisions of this Agreement shall be definitive in this respect. Provisions contained in any addenda to this Agreement shall always have priority over the original provisions of this Agreement.

15. Offer of the Lessee

The Lessee hereby offers to the Lessor to conclude this Real Property Leasing Agreement. This offer shall be binding on the Lessee for a period of six weeks as of the date of receipt of this offer by the Lessor.

Dusseldorf, 29 June 2001	Hanover, 22 June 2001
ROSATA Grundstücks-Vermietungs- gesellschaft mbH & Co. Objekt Dischingen KG	VARTA Geratebatterie GmbH
	/signed/
/signed/ /signed/ Lessor	Lessee

ADDENDUM NO. 1

TO THE REAL PROPERTY LEASING AGREEMENT NO. 326-61 0038
OF 20 DECEMBER 2000

between ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co.
Objekt Dischingen KG, Dusseldorf

- hereinafter referred to as the "Lessor"

and VARTA Geratebatterie GmbH, Hanover

- hereinafter referred to as the "Lessee"

The version of the Real Property Leasing Agreement attached to this Addendum shall replace the Real Property Leasing Agreement No. 326-61 0038 of 20 December 2000, which applied up to now.

It was stipulated in the Leasing Agreement of 20 December 2000 that the Lessee would indemnify the Lessor with respect to all obligations assumed by it in the event that, within a deadline ending 31 March 2002, the Lessor would not receive a long-term financing commitment by a credit institution willing to provide refinancing facilities at the terms and conditions requested by the Lessor. This proviso was made in Annex 4 to the Agreement of 20 December 2000. Since then, however, the deadline for the issue of such a refinancing commitment was extended until 31 May 2001 on the basis of an addendum dated 28 March 2001.

Such a financing commitment has now been issued by a refinancing banking institution. However, this financing commitment is subject to the condition that the Leasing Agreement shall provide for an advance payment of rent and, in addition, for a second fixed term of the lease. The agreed total term of the lease is to be 22.5 years. For this reason, the existing Real Property Leasing Agreement is to be supplemented accordingly, i.e. certain minor changes are to be made to that Agreement. The attached new version of the Leasing Agreement was drawn up for considerations of clearness and transparency only.

Dusseldorf, 29 June 2001	Hanover, 22 June 2001
ROSATA Grundstücks-Vermietungs- gesellschaft mbH & Co. Objekt Dischingen KG	VARTA Geratebatterie GmbH
/SIGNATURES/ Lessor	/SIGNATURES/ Lessee

RECORD OF TRANSFER OF POSSESSION

IN ACCORDANCE WITH SECTION 1 OF THE REAL PROPERTY LEASING AGREEMENT

Lessee:	Varta Geratebatterie GmbH Am Leineufer 51, 30419 Hanover
Lessor:	ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. Objekt Dischingen KG Ludwig-Erhard-Allee 9, 40227 Dusseldorf
Real Property Leasing Agreement	No. 326-61 0038 of 20 December 2000 Addendum No. 1 of 29/22 June 2001
Object of the Lease:	Building with production, office and recreation/sanitary premises; here: the "new building"
Location:	Dossenberger Strasse and Zwinkelweg 2 89561 Dischingen
Land register details:	Land register for Dischingen

Possession of the Object of the Lease, as described above, was transferred to the Lessee on 30 September 2002 (beginning of the total term of the lease). The Lessee confirms that the Object of the Lease is in accordance with the provisions of the Real Property Leasing Agreement. The Lessee further confirms that the Object of the Lease is being used as described in no. I of the Real Property Leasing Agreement.

Dusseldorf, 30 September 2002 Hanover, 30 September 2002

/TWO SIGNATURES/
ROSATA Grundstücks-Vermietungs- Varta Geratebatterie GmbH
gesellschaft mbH & Co.
Objekt Dischingen KG

.....
.....

ADDENDUM NO. 1
TO THE SUPPLEMENTARY AGREEMENT NO. 1 "OPEN TERMS"
TO THE REAL PROPERTY LEASING AGREEMENT NO. 326-61 0038 OF 20 DECEMBER 2000

1. Open terms

The amount of the pre-rental payment, the commitment compensation, the rent and the advance payment of rent as provided for in sec. 4 nos. 2 and 3 of the Real Property Leasing Agreement shall be left open for the time being, but shall be definitively determined effective as of the beginning of the fixed term of the rent at the very latest (transfer of possession of the Object of the Lease to the Lessee in accordance with sec. 1 of the Real Estate Leasing Agreement). Up to that point in time, the Lessee may demand at any time that the Lessor shall fix the amount of the rent and the advance payments of rent on the basis of the long-term financing terms specified by the Lessor.

2. Long-term financing and assessment of the rent and advance payments of rent

When the total term of of the lease begins, or at any other point in time prior to that, the Lessor shall assess the rent and the advance payment of rent on the basis of the capital market situation existing at the time of such assessment. Annex 1 to the Real Property Leasing Agreement shall be amended as appropriate.

Beginning on 1 July 2002 and up to the end of the first fixed-rent period, the length of which shall be determined by the Lessee, the (net) aggregate total p.a. of the rent and the advance payment of rent shall be

Interest p.a.
in %; loan
principal Rent
and advance
payment of rent
(net) to be
paid out in
full p.a. in %
of the Total
Investment
Costs (TIC)
Year 1 to 10.5
Year 1 to 10.5
TIC of TIC of
EURO 6,056,000
EURO 2,300,000

- - - - -
- - - - -
- - - - -
- - - - -
- 6.00 % 11.17%
11.47% 6.50 %
11.53% 11.83%
(administration
costs
contribution in
acc. with sec.
4 para 5 not
included)

The rent and the advance payment of rent for the next fixed-rent period shall be determined by the Lessor on the basis of the same assessment method, taking into account the redemption payments, the residual duration of the relevant term of the lease and the interest rate agreed with the Lessee.

3. Pre-rental payments

The Lessor shall determine the amount the pre-rental payments to be made in accordance with sec. 4 para 2 of the Real Property Leasing Agreement on the basis of the interest rate applicable to the relevant financing facilities. If any short-term financing facilities with a fixed-interest period of less than 6 months are used, the Lessor shall make an extra allowance of 0.25% of the amount of any such short-term financing facility.

If the Lessee demands that the amount of the rent and the advance payment of rent be determined before possession of the Object of the Lease is transferred, the amount of the payments to be made under sec. 4 nos. 2 a) and b) of the Real Property Leasing Agreement as of the point in time the long-term financing funds are disbursed shall be determined on the basis of the same financing terms as those used to calculate the amount of the rent and of the advance payment of rent.

Dusseldorf, 29 June 2001

Hanover, 22 June 2001

ROSATA Grundstücks-Vermietungs-
gesellschaft mbH & Co.
Objekt Dischingen KG

Varta Geratebatterie GmbH

/SIGNATURES/
Lessor

/SIGNATURES/
Lessee

.....

APPENDIX 1 TO ADDENDUM NO. 1 OF 29/22 JUNE 2001
TO THE REAL PROPERTY LEASING AGREEMENT NO. 326-61 0038 OF 20 DECEMBER 2000

between ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co.
Objekt Dischingen KG, Dusseldorf

- hereinafter referred to as the "Lessor"

and Varta Geratebatterie GmbH, Hanover

- hereinafter referred to as the "Lessee"

ADVANCE PAYMENTS OF RENT

The advance payments of rent provided for in III.3 shall amount to

from 1 Jan. 2001 to 31 Dec. 2001	EUR	324,540.83
from 1 Jan. 2002 to 31 Dec. 2002	EUR	324,540.83
from 1 Jan. 2003 to 31 Dec. 2003	EUR	324,540.83
from 1 Jan. 2004 to 31 Dec. 2004	EUR	324,540.83
from 1 Jan. 2005 to 31 Dec. 2005	EUR	324,540.83
from 1 Jan. 2006 to 31 Dec. 2006	EUR	324,540.83
from 1 Jan. 2007 to 31 Dec. 2007	EUR	324,540.83
from 1 Jan. 2008 to 31 Dec. 2008	EUR	324,540.83
from 1 Jan. 2009 to 31 Dec. 2009	EUR	324,540.83
from 1 Jan. 2010 to 31 Dec. 2010	EUR	324,540.83
from 1 Jan. 2011 to 31 June 2011	EUR	162,270.41

SUM OF ADVANCE PAYMENTS OF RENT EUR 3.407.678.68

The above figures shall be adjusted as may be appropriate at the time of the initial assessment of the applicable interest rate and the figures thus calculated shall then be definitive until the end of the relevant fixed-interest period, after which sec. 4.4 of the Real Property Leasing Agreement (adjustments of the rent) shall apply.

.....

FIRST AMENDMENT TO THIRD AMENDED AND RESTATED CREDIT AGREEMENT

THIS FIRST AMENDMENT TO THIRD AMENDED AND RESTATED CREDIT AGREEMENT dated as of December 31, 2002 (this "AMENDMENT") amends the Third Amended and Restated Credit Agreement dated as of October 1, 2002 (the "CREDIT AGREEMENT") among RAYOVAC CORPORATION (the "COMPANY"), VARTA GERATEBATTERIE GmbH (the "SUBSIDIARY BORROWER"), various financial institutions (the "LENDERS") and BANK OF AMERICA, N.A., as administrative agent (in such capacity, the "ADMINISTRATIVE AGENT"). Capitalized terms but not defined herein have the respective meanings given thereto in the Credit Agreement.

WHEREAS, the parties hereto desire to amend the Credit Agreement in certain respects as set forth below;

NOW, THEREFORE, for good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged), the parties hereto agree as follows:

SECTION 1. AMENDMENT. Section 9.1(k) of the Credit Agreement is amended by deleting the words "within 90 days after the Effective Date" therein and substituting the words "on or before June 30, 2003" therefor.

SECTION 2. CONDITIONS PRECEDENT. This Amendment shall become effective when the Administrative Agent has received counterparts of this Amendment (which may be by facsimile), signed by the Company, the Subsidiary Borrower, the Administrative Agent and the Required Lenders.

SECTION 3. MISCELLANEOUS.

3.1 CONTINUING EFFECTIVENESS, ETC. The Credit Agreement, as amended hereby, shall remain in full force and effect and is hereby ratified, approved and confirmed in all respects.

3.2 HEADINGS. The headings in this Amendment are inserted for convenience only and shall not affect the meaning or interpretation of this Amendment.

3.3 EXECUTION IN COUNTERPARTS. This Amendment may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement.

3.4 GOVERNING LAW. THIS AMENDMENT SHALL BE DEEMED TO BE A CONTRACT MADE UNDER AND GOVERNED BY THE INTERNAL LAWS OF THE STATE OF NEW YORK.

[Signatures to Follow]

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

RAYOVAC CORPORATION

By: /s/ Kent J. Hussey

Name: Kent J. Hussey
Title: President and COO

VARTA GERATEBATTERIE GmbH

By: /s/ Remy Burel

Name: Remy Burel
Title: CEO

By: /s/ Andreas Rouve

Name: Andreas Rouve
Title: CFO

BANK OF AMERICA, N.A., as
Administrative Agent, and as a Lender

By: /s/ W. Thomas Bennett

Name: W. Thomas Bennett
Title: Managing Director

RAYOVAC CORPORATION
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

AMENDED AND RESTATED EFFECTIVE
JULY 1, 2002

RAYOVAC CORPORATION
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN

The Rayovac Corporation Supplemental Executive Retirement Plan was established effective October 1, 1999 as an unfunded pension plan to provide supplemental benefits to a select group of management or highly compensated employees within the meaning of the regulations under the Employee Retirement Income Security Act of 1974. The Plan is hereby amended and restated effective July 1, 2002.

ARTICLE I
DEFINITIONS

As used in the Plan, the following terms shall have the meanings set forth below.

- 1.1 ACCOUNT. For any Participant, the account established for such Participant under Section 3.1.
- 1.2 ACCOUNT BALANCE. For any Participant as of any date, the aggregate amount reflected in his Account.
- 1.3 ACTIVE PARTICIPANT. A key executive employee of the Company designated by the Board by resolution to be an Active Participant pursuant to Section 2.1 who has not lost that status pursuant to Section 2.2.
- 1.4 AFFILIATE. Any entity that, with the Company, constitutes a group of trades or businesses under common control, a controlled group of corporations, an affiliated service group or a group of corporations otherwise required to be aggregated as proved in sections 414(b), (c), (m) and (o) of the Code, respectively.
- 1.5 BENEFICIARY. The person or legal entity designated to receive benefits hereunder following the Participant's death, in accordance with Section 5.3.
- 1.6 BOARD. The Board of Directors of the Company.
- 1.7 CHANGE OF CONTROL. Any of the following events shall constitute a Change of Control:

- (a) the acquisition by any individual, entity or group (within the meaning of section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 ("Exchange Act") (a "Person") of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Exchange Act) of voting securities of (i) the Company or (ii) the surviving entity in any reorganization, merger or consolidation involving the Company (any such entity referred to

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herein as the "Surviving Company") where such acquisition causes such Person to own more than fifty percent (50%) of the combined voting power of the then outstanding voting securities of the Surviving Company entitled to vote generally in the election of directors, other than acquisitions by the Thomas H. Lee Company or its affiliates;

- (b) approval by the shareholders of the Company of a complete liquidation or dissolution of the Company; or

- (c) the acquisition by a third party not affiliated with the Company of all or substantially all of the Company's assets.

- 1.8 CODE. The Internal Revenue Code of 1986, as amended.

- 1.9 COMPANY. Rayovac Corporation.

- 1.10 COMPENSATION. The amount, as of October 1 of a Plan Year, established by the Company as the base salary for an Active Participant for such Plan Year without regard to any election made by such Active Participant pursuant to either section 125 or section 402(e)(3) of the Code. Compensation shall not include any irregular payments such as bonuses or incentive compensation or income, if any, derived from stock options or expense reimbursement arrangements and shall not include employer contributions under

any employee pension plan or employee welfare plan or arrangement. Compensation shall be determined as of October 1 of each Plan Year without regard to the amount actually paid to an Active Participant during such Plan Year.

1.11 DISABILITY. The disability of a Participant within the meaning of the Rayovac Long-Term Disability Plan for Salaried Employees.

1.12 PARTICIPANT. An Active Participant or any other individual who has an Account Balance under the Plan.

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1.13 PLAN. The Rayovac Corporation Supplemental Executive Retirement Plan, as amended.

1.14 PLAN YEAR. The twelve-month period commencing on each October 1 and ending on September 30.

1.15 YEAR OF SERVICE. A year of service within the meaning of the Rayovac Profit Sharing and Savings Plan.

ARTICLE II
PARTICIPATION

2.1 BECOMING AN ACTIVE PARTICIPANT. The Board shall designate by resolution each individual who is an Active Participant in the Plan and the effective date that he becomes an Active Participant.

2.2 LOSS OF STATUS AS AN ACTIVE PARTICIPANT. An individual who becomes an Active Participant shall remain an Active Participant until the earlier of the date on which such individual ceases to be a key executive employee of the Company or the date as of which the Board determines that such individual shall no longer be an Active Participant.

ARTICLE III
CONTRIBUTIONS

3.1 ACCOUNTS. The Company shall establish and maintain on its books an Account for each Participant.

3.2 AMOUNT OF ALLOCATION. As of October 1 of each Plan Year, the Company shall credit to the Account of each Active Participant as of that date an amount equal to 15 percent of such Active Participant's Compensation.

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3.3 EARNINGS. In addition to the amounts determined in accordance with Section 3.2 there shall be credited to a Participant's Account as of the last day of each calendar quarter an amount equal to 2% of the Participant's Account Balance as of the first day of the Plan Year containing such calendar quarter.

ARTICLE IV
VESTING

4.1 GENERAL RULES. The determination of whether a Participant has a fully vested and nonforfeitable interest in his Account shall be made in accordance with the following rules:

(a) FULL VESTING. A Participant shall have a fully vested and nonforfeitable interest in his Account upon the occurrence of any of the following while employed by the Company:

- (i) death;
- (ii) Disability;
- (iii) the completion of five (5) Years of Service after becoming a Participant in the Plan; and
- (iv) a Change in Control.

(b) PARTIAL VESTING. If a Participant is not fully vested pursuant to subparagraph (a) above, then the vested interest in his Account shall be determined in accordance with the following vesting schedule:

Years
of
Service
Percent
Vested

- Less
than 1
year
0% 1
year
but

less
than 2
years
20% 2
years
but
less
than 3
years
40% 3
years
but
less
than 4
years
60%

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4 years but less than 5 years	80%
5 or more years	100%

ARTICLE V
PAYMENT OF BENEFITS

5.1 FORM AND TIME OF PAYMENT. A Participant's vested Account Balance shall be paid to the Participant or his Beneficiary in accordance with this Section 5.1.

(a) All payments under the Plan shall be made in cash.

(b) Except as otherwise provided in Section 5.2, payment of a Participant's vested Account Balance shall be made or shall commence as soon as practicable after the January 1 on or next following the date determined pursuant to Section 5.1(c). Such payment shall be net of any amounts required to be withheld pursuant to federal, state or local tax laws. The forms of distribution available under the Plan shall be (a) a lump sum or (b) 5 annual installments, with earnings being credited as provided under Section 3.3 with respect to amounts remaining in the Participant's Account while installment payments are being made. In the case of the installment form of payment, each of the first four annual installment payments shall be equal to 20% of the Participant's Account Balance as of the date the first annual installment payment commences, and the fifth annual installment payment shall be equal to the Participant's remaining Account Balance as of the date on which the fifth annual installment payment is due.

(c) When an individual first becomes an Active Participant under the Plan, he must elect the date as of which distribution of his Account Balance is to be made or commence and which form of distribution described in Subsection (b) shall apply. Such election shall be irrevocable except that:

(i) a Participant who has not become entitled to a distribution

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of his Account Balance may make an election to defer receipt of any payment under the Plan to a future, specified date, provided, however, that such election shall not take effect unless it is made more than 180 days before the beginning of the Plan Year in which such payment is scheduled to be made or commenced; and

(ii) the Board, upon the request of a Participant, may approve a change in the Participant's election as to the date and/or form of distribution of his Account Balance, provided the Board determines, in its discretion, that the Participant has experienced a significant change in circumstances.

Notwithstanding any date elected pursuant to this Subsection (c), the distribution of a Participant's benefit will be made or commenced as soon as administratively practicable after the January 1 on or next following the later of: (i) the date on which the Participant attains age 62 or (ii) the date of the Participant's termination of employment, including termination by reason of the Participant's Disability.

5.2 PAYMENT IN THE EVENT OF PARTICIPANT'S DEATH. Notwithstanding any election made by a Participant pursuant to Section 5.1, any Account Balance that has not been paid to the Participant as of the date of his death shall be paid to the Participant's Beneficiary in a single lump sum as soon as administratively practicable after the date on which the Company receives notification of the Participant's death.

5.3 DESIGNATION OF BENEFICIARY. Each Participant shall file with the Board a written designation of one or more persons or entities as the Beneficiary who shall be entitled to

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receive benefits, if any, payable upon the Participant's death. Any such designation shall be made in such manner and form as the Board shall specify. A Participant may from time to time revoke or change the designation of a Beneficiary by filing a new written designation with the Board. The most recent designation on file with the Board shall be controlling. If the Participant does not designate a Beneficiary, or if the Beneficiary designated is not living at the time of the Participant's death, the Participant's estate shall be the Beneficiary.

ARTICLE VI ADMINISTRATION

6.1 DUTIES. The Board shall be the "named fiduciary" of the Plan. The Board shall from time to time establish rules for the administration of the Plan, including the designation of a committee or individual to which the Board may delegate its duties under the Plan. The Board may rely on the records of the Company or any Affiliate with respect to any and all factual matters dealing with participation or benefits under the Plan. In case of any dispute hereunder, the Board shall have the discretion to interpret the terms and intent of the Plan and shall determine all questions regarding entitlement to participation or benefits or any other questions arising in the administration, interpretation and application of the Plan, provided, however that no member of the Board shall participate in any decision with respect to a claim made by such member of the Board under the Plan. All such determinations shall be final, conclusive and binding except to the extent that they are appealed under the following claims procedure. Every decision and action of the Board shall be valid if concurred in by a majority of the members then in office, which concurrence may be had without a formal meeting. The Board shall adopt rules governing its procedures not inconsistent herewith.

6.2 Benefit Claims Procedure.

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(a) DENIAL OF CLAIM. In the event that the claim of any person to all or any part of any payment or benefit under the Plan shall be denied, the Board shall provide to the claimant, within sixty (60) days after receipt of such claim, a written notice setting forth, in a manner calculated to be understood by the claimant, (i) the specific reason or reasons for the denial; (ii) specific references to the pertinent Plan provisions on which the denial is based; (iii) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation as to why such material or information is necessary; and (iv) an explanation of the Plan's claim procedure.

6.3 REQUEST FOR REVIEW. Within sixty (60) days after receipt of the material described above, the claimant shall have a reasonable opportunity to appeal the denial of the claim to the Board for a full and fair review. The claimant or his duly authorized representative may (i) request a review upon written notice to the Board; (ii) review pertinent documents; and (iii) submit issues and comments in writing.

6.4 DECISION ON REVIEW. A decision by the Board will be made not later than sixty (60) days after receipt of a request for review, unless special circumstances require an extension of time for processing, in which event a decision shall be rendered as soon as possible, but in no event later than one hundred and twenty (120) days after such receipt. The Board's decision on review shall be written and shall include specific reasons for the decision written in a manner calculated to be understood by the claimant, with specific references to the pertinent Plan provisions on which the decision is based.

ARTICLE VII NATURE OF COMPANY OBLIGATION AND PARTICIPANT INTEREST

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7.1 PARTICIPANT INTEREST IN THE PLAN. The interest of the Participant or any person claiming by or through him under the Plan shall be solely that of an unsecured general creditor of the Company. Benefits payable under the Plan shall be payable solely from the general assets of the Company, and neither the Participant nor any person claiming by or through him shall have any right to any specific property or assets separate from such general assets in satisfaction of any claim for benefit payments. In the event the Company elects to set aside a reserve through the purchase of insurance or other means to enable it to fund the payment of retirement income benefits under the Plan, it is expressly understood that any such policies or other reserved assets shall be general assets of the Company and that no Participant shall have any right, claim, title to or interest in such policies or other reserved assets or their proceeds.

7.2 SUPPLEMENTAL NATURE OF BENEFITS. In all respects any retirement benefits shall be independent of, and in addition to, any other benefits or

compensation of any sort, payable to or on behalf of the Participant under any other arrangement sponsored by the Company or any Affiliate, or any other agreement between the Company or any Affiliate and the Participant in any capacity.

ARTICLE VIII
MISCELLANEOUS

8.1 PLAN AMENDMENT. The Plan may be amended or terminated by the Company at any time in whole or in part; provided, however, that the vested benefits of Participants under the Plan may not be canceled, reduced or diminished by any such amendment or termination.

8.2 NO CONTRACT OF EMPLOYMENT. The Plan shall not be deemed to constitute a contract between the Company and any Participant or employee for the continued employment

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of any such individual with the Company or any Affiliate. Nothing contained in this Plan shall be deemed to give any Participant or employee the right to be retained in the service of the Company or to interfere with the right of the Company to discharge any Participant or employee at any time regardless of the effect that such discharge shall or may have upon him under the Plan.

8.3 ASSIGNMENT OF BENEFIT AND CLAIMS OF CREDITORS. None of the benefits under the Plan are subject to the claims of creditors of a Participant or any person claiming by or through him and will not be subject to attachment, garnishment or any other legal process. Neither a Participant nor any person claiming by or through him may assign, sell, borrow on or otherwise encumber any of his beneficial interest under the Plan, nor shall any such interest be in any manner liable for or subject to the deeds, contracts, liabilities, engagements or torts of a Participant or any person claiming by or through him.

8.4 CONSTRUCTION OF PLAN. The Plan shall be construed in accordance with the laws of Wisconsin, except as such laws are superseded by any federal law, in which case such other federal law shall control.

8.5 GENDER AND NUMBER. The masculine gender, where appearing in the Plan, shall be deemed to include the feminine gender, unless the context clearly indicates to the contrary. Where appropriate, words used in the singular include the plural, and words used in the plural include the singular.

8.6 DISTRIBUTION TO MINOR OR INCOMPETENT PERSON. In making any distribution to or for the benefit of any minor or person declared legally incompetent, the Board, in its sole, absolute and uncontrolled discretion, may, but need not, direct such distribution to a legal or natural guardian or court-appointed committee of such incompetent, and any such

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guardian or committee shall have full authority and discretion to expend such distribution for the use and benefit of such minor or incompetent. The receipt of such distribution by such guardian or committee shall be a complete discharge to the Company without any responsibility on its part or on the part of the Board to see to the application thereof.

8.7 LEGALITY AND VALIDITY. If any provision of the Plan shall be held illegal or invalid for any reason, such illegality or invalidity shall not affect its remaining parts, and the Plan shall be construed and enforced as if such illegal and invalid provisions had never been inserted herein.

IN WITNESS WHEREOF, the Company has caused this Plan to be executed by its duly authorized officer this 13 day of June, 2002.

RAYOVAC CORPORATION

By: /s/ Kent J. Hussey

Title: President and CFO

Attest:
/s/ Thomas Weiss

Director, Compensation & Benefits
June 13, 2002

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RAYOVAC CORPORATION
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
BENEFICIARY DESIGNATION FORM

In accordance with the Rayovac Corporation Supplemental Executive Retirement Plan (the "Plan"), I _____ hereby designate _____ of _____ (full address) as the beneficiary of any benefits to

my credit under the Plan at the time of my death. I understand that I may revoke this beneficiary designation at any time by filing a new beneficiary designation form with _____. I also understand that if I do not make a valid beneficiary designation or if my designated beneficiary is not living at the time of my death any benefits under the Plan that are payable following my death will be paid to my estate.

Participant's Signature

Date

Sworn to and subscribed
before me this ____ day of
____, ____.

(SEAL)

Notary Public

RAYOVAC CORPORATION
SUPPLEMENTAL EXECUTIVE RETIREMENT PLAN
TIME AND FORM OF DISTRIBUTION DESIGNATION

I, _____, hereby acknowledge my participation in the Rayovac Corporation Supplemental Executive Retirement Plan (the "Plan") effective _____, _____. I understand that, in accordance with the terms of the Plan, I hereby irrevocably elect to receive my benefits under the Plan as follows:

TIMING OF DISTRIBUTION

NEW PARTICIPANTS (Participants commencing participation in the Plan must make an election below.)

_____ I wish to have the distribution of my benefits under the Plan commence as soon as administratively practicable after the January 1 on or next following:

_____ Termination of Employment (including by reason of disability)

_____ (Specified Date - Notwithstanding the date you select, the distribution of your benefits will commence as soon as administratively practicable after the January 1 on or next following the later of (i) the date on which you attain age 62 and (ii) the date of your termination of employment.)

CHANGE OF ELECTION (Participants who wish to change a prior election must make an election below.)

_____ I wish to defer the distribution of my account balance under the Plan to a future, specified date that is later than the date on which I am scheduled to receive a distribution. I understand that this change will take effect only if the change is made at least 180 days before the beginning of the Plan Year (which currently runs from October 1 to September 30) in which the payment of my account balance is presently scheduled to be made or commenced.

_____ (Specified Date - Notwithstanding the date selected, the distribution of your benefits will commence as soon as administratively practicable after the January 1 on or next following the later of (i) the date on which you attain age 62 and (ii) the date of your termination of employment.)

_____ Subject to approval by the Board of Directors, I wish to change the date and/or the form in which my Account Balance will be paid because I have experienced a significant change in my circumstances. (See the Plan Administrator for further details regarding this option.)

FORM OF DISTRIBUTION

(Participants commencing participation in the Plan must make an election under this Section.)

I wish to have the distribution of my benefits under the Plan made in the form of:

_____ a lump-sum payment

_____ 5 annual installments

Sworn to and subscribed before me
this ____ day of _____, 200__.
(SEAL)

Participant's Signature

Notary Public

Date

RAYOVAC CORPORATION
DEFERRED COMPENSATION PLAN

WHEREAS, Rayovac Corporation, a corporation duly organized and existing under the laws of the State of Wisconsin (the "Primary Sponsor"), and each of its affiliates adopting the plan embodied herein desire to attract and retain key employees and members of the Board of Directors by providing deferred cash compensation to those key employees and directors who qualify hereunder;

NOW, THEREFORE, the Primary Sponsor does hereby restate the Rayovac Corporation Deferred Compensation Plan (the "Plan"), effective July 1, 2001, as follows:

Section 1
DEFINITIONS

Wherever used herein, the masculine pronoun shall be deemed to include the feminine, and the singular to include the plural, unless the context clearly indicates otherwise, and the following words and phrases shall have the meanings set forth below:

1.1 "ACCOUNT" means the bookkeeping account established and maintained by the Plan Administrator to reflect the interest of a Member under the Plan, as adjusted to reflect hypothetical income, gains, losses and other credits or charges attributable to the investment benchmark selected by the Member for the investment of his Account.

1.2 "AFFILIATE" means (a) any corporation that is a member of the same controlled group of corporations (within the meaning of Code Section 414(b)) as is a Plan Sponsor and (b) any other trade or business (whether or not incorporated) under common control (within the meaning of Code Section 414(c)) with a Plan Sponsor.

1.3 "ANNUAL COMPENSATION" means the amount paid to an Employee by a Plan Sponsor during a Plan Year as base salary or as a bonus, disregarding for this purpose any elections under Code Section 125 or Code Section 401(k), or the amount paid to a Director by the Primary Sponsor during the Plan Year as fees for services rendered as a member of the Board of Directors.

1.4 "BENEFICIARY" means the person or trust that a Member designated most recently in writing to the Plan Administrator; provided, however, that if the Member has failed to make a designation, no person designated is alive, no trust has been established or no successor Beneficiary has been designated who is alive, the Beneficiary means (a) the Member's spouse or (b) if no spouse is exists, the Member's surviving children, or (c) if no children are alive, the Member's parents, or (d) if no parent is alive, the legal representative of the deceased Member's estate. Changes in designations of Beneficiaries may be made upon written notice to the Plan Administrator in such form as the Plan Administrator may prescribe

1.5 "BOARD OF DIRECTORS" means the Board of Directors of the Primary Sponsor.

1.6 "CODE" means the Internal Revenue Code of 1986, as amended.

1.7 "DISABILITY" means the disability of a Member within the meaning of the Rayovac Profit Sharing and Savings Plan.

1.8 "EFFECTIVE DATE" means, as to the Primary Sponsor, January 1, 1997 and as to each other Plan Sponsor that adopts the Plan, the date designated as such by the adopting Plan Sponsor.

1.9 "ELIGIBLE DIRECTOR" means any member of the Board of Directors who is not otherwise an Employee.

1.10 "ELIGIBLE EMPLOYEE" means any Employee of a Plan Sponsor who is employed at the level of Vice President or above.

1.11 "EMPLOYEE" means any person who is employed by a Plan Sponsor or an Affiliate for purposes of the Federal Insurance Contributions Act.

1.12 "ENTRY DATE" means January 1 and July 1 of each Plan Year, or in the event of the acquisition of substantially all of the stock or substantially all of the assets of an entity by a Plan Sponsor, such other date as the Plan Administrator determines. Upon initial adoption of the Plan, a Plan Sponsor may designate the Effective Date as an Entry Date.

1.13 "MEMBER" means any current or former Eligible Employee or Eligible Director who has become a participant in the Plan for so long as his benefits hereunder have not been paid out.

1.14 "NORMAL RETIREMENT AGE" means age 65.

1.15 "PLAN ADMINISTRATOR" means the organization or person(s) designated by the Primary Sponsor to administer the Plan.

1.16 "PLAN SPONSOR" means individually the Primary Sponsor and any

other Affiliate or other entity that has adopted the Plan.

1.17 "PLAN YEAR" means the calendar year.

1.18 "RETIREMENT DATE" means the date on which an Eligible Employee who is a Member retires on or after (a) attaining Normal Retirement Age or (b) becoming subject to a Disability. In the case of an Eligible Director who is a Member, Retirement Date means the date on which the Eligible Director ceases to be a member of the Board of Directors.

1.19 "VALUATION DATE" means the last day of March, June, September and December or any other day that the Plan Administrator declares to be a Valuation Date.

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Section 2 ELIGIBILITY

2.1 Each Eligible Employee or Eligible Director shall become a Member as of any Entry Date; provided, however, that an Eligible Employee or Eligible Director may also become a member as of the first day of the month following the date he first becomes an Eligible Employee or Eligible Director.

2.2 A Member who ceases to be an Eligible Employee or Eligible Director will no longer be eligible to make further deferrals under the Plan pursuant to Section 3 of the Plan but shall continue to be subject to all other terms of the Plan so long as he remains a Member of the Plan.

2.3 In the event a Member participates in a plan of a Plan Sponsor or Affiliate intended to qualify under Code Section 401(a) and containing a cash or deferred arrangement qualified under Code Section 401(k), the Member shall be suspended from continued participation under this Plan to the extent required by such other plan as a result of a hardship withdrawal made by such Member under such other plan.

Section 3 DEFERRAL ELECTIONS

3.1 The Plan Sponsor shall credit the Account of each Member who has elected to defer a portion of Annual Compensation otherwise payable to him for the Plan Year in the amount of Annual Compensation deferred by the Member under the Plan. The election to defer Annual Compensation under the Plan must be made before the services for which the Annual Compensation is payable are performed and may only be made pursuant to a written agreement between the Member and the Plan Sponsor that shall be in such form and subject to such rules and limitations as the Plan Sponsor may prescribe and shall specify the amount of the Annual Compensation of the Member that the Member desires to defer. The written agreement shall be irrevocable for the month in respect of which it is made, although it may be modified, revoked or suspended for subsequent months, effective as of the first day of the month coinciding with or immediately following thirty (30) days after the new election is made, and shall continue in effect for each subsequent month thereafter until modified, revoked or suspended. Notwithstanding the foregoing, an election may be modified, revoked or suspended only once each Plan Year, and a Member who revokes or suspends his election may not make an election to defer Annual Compensation until the next Entry Date following thirty (30) days after the Member notifies the Plan Administrator of recommencement of active participation.

The Plan Sponsor shall also credit the Account of each Member who has elected to defer all or a portion of a bonus otherwise payable to him in the amount of the bonus deferred by the Member under the Plan. The election to defer a bonus under the Plan must be made no later than the time determined by the Plan Administrator and may only be made pursuant to a written agreement between the Member and the Plan Sponsor that shall be in the form and subject to such rules and limitations as the Plan Sponsor may prescribe and shall specify the amount of the bonus of the Member that the Member desires to defer. The written agreement shall be irrevocable for the bonus payable in the Plan Year when made although it may be modified, revoked or suspended for bonuses paid in

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subsequent Plan Years and shall continue in effect for each subsequent Plan Year until a new election is made no later than the time determined by the Plan Administrator. For purposes of this Section 3.1, the term bonus shall mean the annual bonus paid to an Employee by a Plan Sponsor during the Plan Year disregarding any elections under Code Section 125 or Code Section 401(k).

3.2 Upon each election by a Member to make a deferral under Section 3.1 of the Plan, the Member shall specify in his written deferral agreement the date or events upon which his Account will be distributed. In no event shall the date or event upon which a Member's Account will be distributed be later than a Member's Retirement Date.

3.3 An Eligible Employee or Eligible Director who is a Member and who has not attained a Retirement Date may, with the consent of the Plan Sponsor, make an election to defer receipt of any payment under the Plan to a future, specified date or event, not later than the Member's Retirement Date. Such election must be made no later than 180 days before the beginning of the Plan Year in which such payment is scheduled to be made.

Section 4
EARNINGS

4.1 Pursuant to procedures determined by the Primary Sponsor, a Member may be permitted to select among a range of investment benchmarks designated by the Primary Sponsor for the purpose of determining an applicable rate of return to credit earnings to the Member's Account; provided, however, that at least one investment benchmark shall provide for the fixed rate of return equal to the average money market rate as reported from time to time in the WALL STREET JOURNAL, or if no longer published, as reported in a national recognized daily publication selected by the Plan Administrator (the "Fixed Rate"). A Member's Account shall be credited with interest at a rate equal to the Fixed Rate during any period in which no investment benchmarks are offered to the Member. A Member's Account shall be hypothetically invested in accordance with the most recent investment benchmark election properly and timely filed by the Member with the Plan Administrator in accordance with rules and procedures designated by the Primary Sponsor. If no election has been properly and timely filed with the Plan Administrator or the investment benchmarks selected by the Member in the election on file with the Plan Administrator are no longer offered under the Plan and the Member fails to deliver a new election to the Plan Administrator by the date specified for delivery thereof, the Member's Account shall be credited with interest at the Fixed Rate until a subsequent investment election has been properly and timely delivered to the Plan Administrator in accordance with the rules and procedures designated by the Primary Sponsor. An amount equal to the earnings that would be credited to the Member's Account under the investment benchmarks selected, in accordance with the rules and procedures designated by the Primary Sponsor, shall be credited to his Account as of each Valuation Date.

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Section 5
WITHDRAWALS

5.1 The Plan Administrator may distribute all or a portion of a Member's Account before the time the Account is otherwise distributable in accordance with the other provisions of the Plan only if the Member demonstrates that he is suffering from a hardship. For purposes of this Section, the Plan Administrator shall have the sole and absolute discretion, which shall be exercised in a nondiscriminatory and uniform manner, to determine if a hardship exists with respect to a Member.

5.2 Hardship distributions shall be made to a Member not more than once during each Plan Year and only in accordance with such rules, policies, procedures, restrictions and conditions as the Plan Administrator may from time to time adopt. Any determination of the existence of hardship and the amount to be distributed on account thereof shall be made by the Plan Administrator (or such other person as may be required to make such decisions) in accordance with the rules applied in a uniform and nondiscriminatory manner. A distribution under this Section shall be made in a lump sum to the Member.

5.3 In the event that all or a portion of a Member's Account is distributable while the Member is an Eligible Employee or Eligible Director as a result of the occurrence of the date or event specified by the Member in his written deferral agreement entered into pursuant to Section 3 of the Plan and the Member has not elected to defer the receipt of that portion of his Account in accordance with Section 3.3 of the Plan, the Member shall be entitled to the value of that portion of his Account, determined as of the immediately preceding Valuation Date, in one lump-sum payment. Notwithstanding the foregoing, a Member who receives a distribution of all or any portion of his Account pursuant to this Section 5.3 shall be suspended from making deferrals under Section 3 of the Plan for the calendar year immediately following the date the Member received a distribution under this Section 5.3

Section 6
DEATH BENEFITS

6.1 If a Member dies before the date on which he is entitled to the commencement of payments of his Account, his Beneficiary shall be entitled to the full value of the Member's Account.

6.2 If, subsequent to the death of a Member, the Member's Beneficiary dies while entitled to receive benefits under the Plan, the successor Beneficiary, if any, or the Beneficiary listed under Subsection 1.4(a), (b), (c) or (d) of the Plan shall generally be entitled to receive benefits under the Plan.

6.3 Any benefit payable under this Section 6 shall be paid in accordance with and subject to the provisions of Section 7 of the Plan after receipt by the Plan Administrator of notice of the death of the Member.

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Section 7
PAYMENT OF BENEFITS ON RETIREMENT,
DEATH OR TERMINATION OF EMPLOYMENT

7.1 (a) Upon the Member's death, termination of employment or attainment of a Retirement Date, the Member's Account, valued as of the immediately preceding Valuation Date, shall be paid to the Member according to this Section 7. Payment shall be made no

later than sixty (60) days following the Member's death, termination of employment or Retirement Date.

(b) The normal form of payment under the Plan to a Member or his Beneficiary under this Section 7 shall be in up to fifteen (15) annual installments, as elected by the Member at the time such amounts are deferred. While installments are being paid under the Plan, the unpaid Account of the Member shall continue to be credited with earnings based on the investment benchmark selected by the Member in the manner set forth in Section 4 of the Plan. Each installment shall be equal to the unpaid value of the Account as of the Valuation Date immediately preceding the date the installment is paid, divided by the number of unpaid installments payable to the Member pursuant to an election under this Subsection (b).

(c) A Member may elect, with the consent of the Plan Administrator, to have his Account distributed a single lump sum payment. No election under this Subsection (c) shall be effective unless such election is made with respect to the payment of a benefit that is to be made in the Plan Year that begins at least 180 days following the date the Plan Administrator receives written notice of the Member's election under this Subsection (c).

7.2 (a) If a Member dies at any time after benefit payments have commenced under Subsection 7.1(b) of the Plan, the Plan Sponsor shall continue payment of the unpaid balance of the Member's Account, if any, to his Beneficiary. These payments shall be made according to the manner and method by which payments were being made to the Member during his lifetime.

(b) If the Beneficiary is the estate of the Member, the Plan Sponsor shall make payment of the unpaid balance of the Member's Account in the form of a single lump sum payment equal to the unpaid balance of the Member's Account as of the Valuation Date immediately preceding payment.

Section 8 ADMINISTRATION OF THE PLAN

8.1 The Primary Sponsor shall be the Plan Administrator, unless it appoints another Plan Administrator. If an organization is appointed to serve as the Plan Administrator, then the Plan Administrator may designate in writing a person who may act on its behalf. The Primary Sponsor shall

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have the right to remove the Plan Administrator at any time by notice in writing. The Plan Administrator may resign at any time by written notice or resignation to the Primary Sponsor. Upon removal or resignation, or in the event of the dissolution of the Plan Administrator, the Primary Sponsor shall appoint a successor.

8.2 (a) The Plan Administrator shall make all payments under the terms of the Plan.

(b) The Plan Administrator shall from time to time establish rules, not contrary to the provisions of the Plan, for the administration of the Plan and the transaction of its business. All elections and designations under the Plan by a Participant or Beneficiary shall be made on forms prescribed by the Plan Administrator. The Plan Administrator shall have discretionary authority to construe the terms and intent of the Plan and shall determine all questions arising in the administration, interpretation and application of the Plan, including, but not limited to, those concerning eligibility for benefits, and it shall not act so as to discriminate in favor of any person. All determinations of the Plan Administrator shall be conclusive and binding on all Employees, Directors, Members and Beneficiaries, subject to the provisions of the Plan and subject to applicable law.

(c) The Plan Administrator shall furnish Members and Beneficiaries with all disclosures required by ERISA. The Plan Administrator shall file, as required, the various reports and disclosures concerning the Plan and its operations as required by ERISA and by the Code and shall be solely responsible for establishing and maintaining all records of the Plan.

(d) The statement of the specific duties of a Plan Administrator in this Section is not in derogation of any other duties of a Plan Administrator under the provisions of the Plan or under applicable law.

8.3 Any action to be taken by the Primary Sponsor or a Plan Sponsor shall be taken by resolution or written direction duly adopted by its board of directors or appropriate governing body, as the case may be; provided, however, that by such resolution or written direction, the board of directors or appropriate governing body, as the case may be, may delegate to any officer or other appropriate person of a Plan Sponsor the authority to take any such actions as may be specified in such resolution or written direction, other than

the power to amend, modify or terminate the Plan or to determine the basis of any Plan Sponsor contributions.

Section 9
CLAIM REVIEW PROCEDURE

9.1 In the event that a Member or Beneficiary is denied a claim for benefits under a Plan, the Plan Administrator shall provide to such claimant written notice of the denial which shall set forth:

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- (a) the specific reasons for the denial;
- (b) specific references to the pertinent provisions of the Plan on which the denial is based;
- (c) a description of any additional material or information necessary for the claimant to perfect the claim and an explanation of why such material or information is necessary; and
- (d) an explanation of the Plan's claim review procedure.

9.2 After receiving written notice of the denial of a claim, a claimant or his representative may:

- (a) request a full and fair review of such denial by written application to the Plan Administrator;
- (b) review pertinent documents; and
- (c) submit issues and comments in writing to the Plan Administrator.

9.3 If the claimant wishes such a review of the decision denying his claim to benefits under the Plan, he must submit such written application to the Plan Administrator within sixty (60) days after receiving written notice of the denial.

9.4 Upon receiving such written application for review, the Plan Administrator may schedule a hearing for purposes of reviewing the claimant's claim, which hearing shall take place not more than thirty (30) days from the date on which the Plan Administrator received such written application for review.

9.5 At least ten (10) days before the scheduled hearing, the claimant and his representative designated in writing by him, if any, shall receive written notice of the date, time and place of such scheduled hearing. The claimant or his representative, if any, may request that the hearing be rescheduled, for his convenience, on another reasonable date or at another reasonable time or place.

9.6 A claimant requesting a review of the decision denying a claim for benefits may employ counsel for purposes of the hearing.

9.7 No later than sixty (60) days following the receipt of the written application for review, the Plan Administrator shall submit its decision on the review in writing to the claimant involved and to his representative, if any; provided, however, a decision on the written application for review may be extended, in the event special circumstances such as the need to hold a hearing require an extension of time, to a day no later than one hundred twenty (120) days after the date of receipt of

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the written application for review. The decision shall include specific reasons for the decision and specific references to the pertinent provisions of the Plan on which the decision is based.

Section 10
LIMITATION OF ASSIGNMENT, PAYMENTS TO LEGALLY
INCOMPETENT DISTRIBUTE AND UNCLAIMED PAYMENTS

10.1 No benefit payable under the Plan to any person shall be subject in any manner to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance or charge, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge the same shall be void. No such benefit shall in any manner be liable for, or subject to, the debts, contracts, liabilities, engagements or torts of any person. Further, no such benefit shall be subject to attachment or legal process for, or against, such person, and the same shall not be recognized under the Plan, except to such extent as may be required by law.

10.2 If any person who shall be entitled to any benefit under the Plan shall become bankrupt or shall attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber or charge such benefit under the Plan, then the payment of any such benefit in the event a Member or Beneficiary is entitled to payment shall, in the discretion of the Plan Administrator, cease and terminate, and in that event the Plan Administrator shall apply the same for the benefit of such person, his spouse, children, other dependents or any of them in such manner and in such proportion as the Plan Administrator shall determine.

10.3 Whenever any benefit that shall be payable under the Plan is to be paid to or for the benefit of any person who is then a minor or determined to be incompetent by qualified medical advice, the Plan Administrator need not require the appointment of a guardian or custodian but shall be authorized to cause the same to be paid over to the person having custody of such minor or incompetent, or to cause the same to be paid to such minor or incompetent without the intervention of a guardian or custodian, or to cause the same to be paid to a legal guardian or custodian of such minor or incompetent if one has been appointed or to cause the same to be used for the benefit of such minor or incompetent.

10.4 Whenever the Plan Administrator cannot, within a reasonable time after payments are to commence, locate any person to or for the benefit of whom such payments are to be made, after making a reasonable effort to locate such person, the Plan Administrator may deposit the amount to be paid in a savings account of a bank or savings and loan association to be held in the name of such person, subject, however, to any applicable escheat laws.

Section 11 LIMITATION OF RIGHTS

Membership in the Plan shall not give any Employee or Director any right or claim except to the extent that such right is specifically fixed under the terms of the Plan. The adoption of the Plan by any Plan Sponsor shall not be construed to give any Employee a right to be continued in

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the employ of a Plan Sponsor or as interfering with the right of a Plan Sponsor to terminate the employment of any Employee at that time or as interfering with the right of any Director to continue to serve in such capacity.

Section 12 AMENDMENT TO OR TERMINATION OF THE PLAN

12.1 The Primary Sponsor or any successor thereto reserves the right at any time to modify or amend or terminate the Plan, including prior to or following a change of control. No such modifications or amendments shall have the effect of retroactively changing or depriving Members or Beneficiaries of benefits already accrued under the Plan. Notwithstanding anything contained in the Plan to the contrary, upon termination of the Plan each Member's Account shall be payable to the Member as soon thereafter as is reasonably practicable. No Plan Sponsor other than the Primary Sponsor shall have the right to so modify, amend or terminate the Plan. Notwithstanding the foregoing, each Plan Sponsor may terminate its own participation in the Plan.

12.2 Each Plan Sponsor other than the Primary Sponsor shall have the right to terminate its participation in the Plan by resolution of its board of directors or other appropriate governing body and notice in writing to the Primary Sponsor. Any termination by a Plan Sponsor shall not be a termination as to any other Plan Sponsor.

12.3 If the Plan is terminated by the Primary Sponsor it shall terminate as to all Plan Sponsors.

Section 13 ADOPTION OF PLAN BY AFFILIATES

Any corporation or other business entity related to the Primary Sponsor by function or operation and any Affiliate, if the corporation, business entity or Affiliate is authorized to do so by written direction adopted by the Board of Directors, may adopt the Plan by action of the board of directors or other appropriate governing body of such corporation, business entity or Affiliate. Any adoption shall be evidenced by certified copies of the resolutions of the foregoing board of directors or governing body indicating the adoption thereof by adopting corporation, or business entity or Affiliate. The resolution shall state and define the effective date of the adoption of the Plan by the Plan Sponsor.

Section 14 MISCELLANEOUS

14.1 All payments provided under the Plan shall be paid from the general assets of the applicable Plan Sponsor, and no separate fund shall be established to secure payment. Notwithstanding the foregoing, the Primary Sponsor may establish a grantor trust to assist it in funding its obligations under the Plan, and any payments made to a member or Beneficiary from such trust

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shall relieve the Plan Sponsor from any further obligations under the Plan only to the extent of such payment.

14.2 Each Plan Sponsor shall withhold from any benefits payable under the Plan all federal, state and local income taxes or other taxes required to be withheld pursuant to applicable law.

14.3 To the extent not preempted by applicable federal law, the Plan shall be governed by and construed in accordance with the laws of the State of Wisconsin.

IN WITNESS WHEREOF, the Primary Sponsor has caused this agreement to be executed on December 13, 2001.

ATTEST: RAYOVAC CORPORATION

/s/ James T. Lucke By: /s/ Kent J. Hussey

Title: Title: President and CFO

[CORPORATE SEAL]

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FIRST AMENDMENT
TO THE
RAYOVAC CORPORATION
DEFERRED COMPENSATION PLAN

THIS IS AN AMENDMENT to the Rayovac Corporation Deferred Compensation Plan (the "Plan") made this 21st day of March, 2002 by Rayovac Corporation (the "Primary Sponsor"):

1.

Section 1.7 of the Plan is amended effective as of March 1, 2002 by deleting the existing provision and by substituting the following:

"1.7 This Section is intentionally left blank."

2.

Section 1.18 of the Plan is amended effective as of March 1, 2002 by deleting the existing provision and by substituting the following:

"1.18 This Section is intentionally left blank."

3.

Section 3.2 of the Plan is amended effective with respect to distributions commencing on or after March 1, 2002 by deleting the second sentence of the existing provision and by substituting the following:

"In no event shall the date or event upon which a Member's Account will be distributed be after the later of (1) the date on which the Member attains Normal Retirement Age or (2) the date on which the Member terminates employment."

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4.

Section 3.3 of the Plan is amended effective as of March 1, 2002 by deleting the first sentence of the existing provision and by substituting the following:

"An Eligible Employee or Eligible Director who is a Member and who has not become entitled to a distribution of his Account may, with the consent of the Plan Sponsor, make an election to defer receipt of any payment under the Plan to a future, specified date or event that shall not be after the later of (1) the date on which the Member attains Normal Retirement Age or (2) the date on which the Member will terminate employment, including by reason of disability."

5.

Section 5.3 of the Plan is amended effective with respect to distributions commencing on or after March 1, 2002 by deleting the first sentence of the existing provision and by substituting the following:

"In the event that all or a portion of a Member's Account is distributable while the Member is an Eligible Employee or Eligible Director as a result of the occurrence of the date or event specified by the Member pursuant to Section 3 of the Plan, the Member will receive the value of that portion of his Account, determined as of the Valuation Date next following the date or event giving rise to the distribution, in one lump-sum payment as soon as practicable after such Valuation Date."

6.

Section 7.1 of the Plan is amended effective with respect to distributions commencing on or after March 1, 2002 by deleting subsection (a) of the existing provision and by substituting the following:

"(a) Upon the occurrence of the date or event specified by the Member pursuant to Section 3 of the Plan or, if earlier, the Member's death, the Member's Account, valued as of the Valuation Date next following

the date or event giving rise to the distribution, shall be paid to the Member or his Beneficiary according to this Section 7. Payment shall be made as soon as practicable following such Valuation Date."

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7.

Section 7.2 of the Plan is amended effective with respect to distributions commencing on or after March 1, 2002 by deleting subsection (b) of the existing section and by substituting the following:

"(b) If the Beneficiary is the estate of the Member, the Plan Sponsor shall make payment of the unpaid balance of the Member's Account in the form of a single lump-sum payment as soon as practicable after the Valuation Date next following the date of the Member's death, and such payment shall be equal to the unpaid balance of the Member's Account as of such Valuation Date."

IN WITNESS WHEREOF, the Primary Sponsor has caused this amendment to be executed by its duly authorized representative and its corporate seal to be hereto affixed the day and year first written above.

PRIMARY SPONSOR
(Corporate Seal)

RAYOVAC CORPORATION
By: /s/ Kent J. Hussey

Title: President and CFO

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[INSERT TO ELECTION FORM]

I elect to have my accounts under the Plan paid to me in the form of:

_____ annual installments for _____ (up to 15) years, or
_____ a single lump sum payment

I elect to have the payment(s) specified above made or commence as soon as administratively feasible after the next valuation date after:

_____ my termination of employment (including by reason of disability).
_____ (a date certain before I reach age 65).

_____ (a date certain on or after I reach age 65). I understand that if I terminate employment before this date certain, my accounts will be paid to me as soon as practicable after the later of (1) the date I reach age 65 or (2) terminate employment.

I understand that if I die before I begin receiving payments under the Plan, the full value of my accounts will be paid to my Beneficiary in the form I elect above as soon as administratively feasible after the next valuation date following my death.

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SECOND AMENDMENT
TO THE
RAYOVAC CORPORATION
DEFERRED COMPENSATION PLAN

THIS IS AN AMENDMENT to the Rayovac Corporation Deferred Compensation Plan (the "Plan") made this 27th day of September, 2002 by Rayovac Corporation (the "Primary Sponsor") and effective as of such date, except as otherwise provided below:

1.

Section 3.1 of the Plan is amended by adding the following at the end of the existing provision:

"The Plan Sponsor may credit the Account of any Member with an additional amount as a discretionary non-elective employer contribution at such time and in such amount as it may choose. At and after the time any such discretionary non-elective contribution is credited to the Account of a Member, the contribution shall be treated in the same manner as any deferral under this Section 3, including with respect to earnings, distribution elections, withdrawals and other payment of the benefit."

2.

The Plan is amended by deleting the existing Section 3.2 and by substituting the following:

"3.2 Upon each election by a Member to make a deferral under Section 3.1 or at the time the Account of a Member is credited with a discretionary non-elective contribution from the Primary Sponsor as specified in Section 3.1, the Member shall specify the date or events upon which his Account will be distributed on a form acceptable to the Plan Administrator. In no event shall the date or event upon which a Member's Account will be distributed be after the later of (1) the date on which the Member attains Normal Retirement Age or (2) the date on which the Member terminates employment."

3.

Section 7.1(b) of the Plan is amended by deleting the first sentence thereof and by substituting the following:

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"The normal form of payment under the Plan to a Member or his Beneficiary under this Section 7 shall be in up to fifteen (15) annual installments, as elected by the Member at the time such amounts are deferred or credited to his Account as an discretionary non-elective contribution under Section 3.1."

IN WITNESS WHEREOF, the Primary Sponsor has caused this amendment to be executed by its duly authorized representative and its corporate seal to be hereto affixed the day and year first written above.

PRIMARY SPONSOR
(Corporate Seal)

RAYOVAC CORPORATION

By: /s/ Kent J. Hussey

Title: President and COO

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RAYOVAC CORPORATION -- SUBSIDIARY LIST

SUBSIDIARY
 JURISDICTION
 OF
 ORGANIZATION

MINERA
 VIDALUZ, S.A.
 de C.V.
 Mexico
 ROVCAL, INC.
 USA (CA) ROV
 HOLDING, INC.
 USA (DE)
 RAYOVAC
 FOREIGN SALES
 CORPORATION
 Barbados
 RAYOVAC (UK)
 LIMITED U.K.
 RAYOVAC FAR
 EAST LIMITED
 Hong Kong
 ZOEPHOS
 INTERNATIONAL
 N.V.
 Netherlands
 RAYOVAC
 CANADA INC.
 Canada
 RAYOVAC
 EUROPE B.V.
 Netherlands
 RAYOVAC
 EUROPE
 LIMITED U.K.
 BRISCO
 ELECTRONICS
 B.V.
 Netherlands
 BRISCO
 ELECTRONICS
 GmbH Federal
 Republic of
 Germany
 RAYOVAC LATIN
 AMERICA, LTD.
 Cayman
 Islands
 RAYOVAC
 ARGENTINA
 S.R.L.
 Argentina
 RAYOVAC CHILE
 LTDA. Chile
 (Santiago)
 RAYOVAC
 OVERSEAS
 CORP. Panama
 RAYOVAC
 VENEZUELA,
 S.A.
 Venezuela
 DISTRIBUIDORA
 RAYOVAC
 GUATEMALA,
 S.A. (F/K/A
 M.A. NICOL)
 Guatemala
 RAYOVAC
 GUATEMALA,
 S.A. (F/K/A
 DURALUX,
 S.A.)
 Guatemala
 RAYOVAC EL
 SALVADOR,
 S.A. de C.V.
 El Salvador
 DISTRIBUIDORA
 RAYOVAC/VARTA
 S.A. de C.V.
 Mexico RAY-O-
 VAC DE
 MEXICO, S.A.
 de C.V.

Mexico
RAYOVAC COSTA
RICA, S.A.
(F/K/A
DICAPI) Costa
Rica RAYOVAC
HONDURAS,
S.A. (F/K/A
INDEPSA)
Honduras
DISTRIBUIDORA
RAYOVAC
HONDURAS,
S.A. (F/K/A
DIPILSA)
Honduras
RAYOVAC
DOMINICAN
REPUBLIC,
S.A.
Dominican
Republic
(Santo
Domingo)
RAYOVAC
COLOMBIA,
S.A. Colombia
ROV
INTERNATIONAL
FINANCE
COMPANY
Cayman
Islands VARTA
S.A. Colombia
VARTA S.A. de
C.V. Mexico
VARTA LTD.
England VARTA
B.V.
Netherlands
PILE D'ALSACE
S.A.S. France
VARTA
BATTERIE GmbH
Austria VARTA
PILLERI
TICARET LTD.
SIRKETI
Turkey ROV
GERMAN
GENERAL
PARTNER GmbH
Germany ROV
GERMAN
LIMITED GmbH
Germany ROV
GERMAN
FINANCE GmbH
Germany ROV
GERMAN
HOLDING GmbH
Germany VARTA
GERATEBATTERIE
GmbH Germany
VARTA S.A.
France VARTA
BATTERIE
S.p.A. Italy
VARTA-
HUNGARIA
KERESKEDELMI
ES
SZOLGALTATO
KFT Hungary
VARTA BATERIE
SP. ZO.O
Poland VARTA
BATERIE
SPOL.S R.O.
Czech
Republic
VARTA
CONSUMER
BATTERIES A/S
Denmark

CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Rayovac Corporation (the "Company") for the Quarterly Period ended December 29, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, David A. Jones, as Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David A. Jones

Name: David A. Jones

Title: Chief Executive Officer

Date: February 12, 2003

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Rayovac Corporation (the "Company") for the Quarterly period ended December 29, 2002 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Randall J. Steward, as Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Randall J. Steward

Name: Randall J. Steward
Title: Chief Financial Officer
Date: February 12, 2003

This certification accompanies the Report pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the Company for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended.