

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): March 30, 2018

SPECTRUM BRANDS HOLDINGS, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction
of incorporation)

001-34757
(Commission
File Number)

27-2166630
(I.R.S. Employer
Identification No.)

SB/RH HOLDINGS, LLC

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or other jurisdiction
of incorporation)

333-192634-03
(Commission
File Number)

27-2812840
(I.R.S. Employer
Identification No.)

3001 Deming Way
Middleton, Wisconsin 53562
(Address of principal executive offices)

(608) 275-3340
(Registrant's telephone number, including area code)

Not applicable
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§232.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Spectrum Brands Holdings, Inc.

SB/RH Holdings, LLC

If an emerging growth company, indicate by checkmark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Spectrum Brands
Holdings, Inc.
SB/RH Holdings, LLC

We are filing this Current Report on Form 8-K (the "Report") for the purpose of updating certain sections disclosed in our Form 10-K ("Annual Report") for the fiscal year ended September 30, 2017 filed with the Securities and Exchange Commission (the "SEC") on November 16, 2017.

In the first quarter of the fiscal year ending September 30, 2018, the Board of Directors of Spectrum Brands Holdings, Inc. (the "Company", "Spectrum", "we" or "us") approved a plan to explore strategic alternatives, including a planned sale of the Company's Global Batteries and Appliances ("GBA") segment. On January 15, 2018, we entered into a definitive acquisition agreement with Energizer Holdings, Inc. ("Energizer"). Pursuant to which we agreed to sell our global battery, lighting and portable power business to Energizer for an aggregate purchase price of \$2.0 billion. The Company expects a sale to be realized by December 31, 2018. We are also actively marketing our appliances business. As a result, the Company's assets and liabilities associated with the GBA segment have been classified as held for sale and the respective operations of the GBA segment have been classified as discontinued operations, and have been retrospectively presented for all periods presented.

The information contained in this Report updates certain schedules and supersedes the original filing of the Annual Report. Each Item updated in the Annual Report is filed as a separate exhibit to this Report. This Report does not modify or update other disclosures as presented in the original Annual Report. The financial statements included in our Quarterly Report on Form 10-Q for the quarter ended December 31, 2017 reflected the presentation of the GBA segment as discontinued operations.

This filing includes updates only to the portions of Part 1 Item 1, Part 1 Item 1A, Part 1 Item 2, Part 2 Item 6, Part 2 Item 7, Part 2 Item 7A and Part 2 Item 8 of the Annual Report that specifically relate to the aforementioned items, as applicable. The updated items included in this Report have not been updated for any information, events or circumstances occurring or existing after the date the Annual Report was originally filed, except for the aforementioned items.

Furnished as Exhibit 99.7 hereto is additional information regarding the presentation of discontinued operations in the statement of financial position during the fiscal quarters within the years ended September 30, 2017 and 2016.

This Report should be read in conjunction with the Annual Report (except for the portion of Part 1 Item 1, Part 1 Item 1A, Part 1 Item 2, Part 2 Item 6, Part 2 Item 7, Part 2 Item 7A and Part 2 Item 8 updated in this Report), Form 10-Q for the three-month period ended December 31, 2018 and other reports on Form 8-K filed during the fiscal year ending September 30, 2018.

Forward-Looking Statements

We have made or implied certain forward-looking statements in this report. All statements, other than statements of historical facts included in this report, including the statements under *Management's Discussion and Analysis of Financial Condition and Results of Operations* regarding our business strategy, future operations, financial condition, estimated revenues, projected costs, projected synergies, prospects, plans and objectives of management, as well as information concerning expected actions of third parties, are forward-looking statements. When used in this report, the words anticipate, intend, plan, estimate, believe, expect, project, could, will, should, may and similar expressions are also intended to identify forward-looking statements, although not all forward-looking statements contain such identifying words.

Since these forward-looking statements are based upon our current expectations of future events and projections and are subject to a number of risks and uncertainties, many of which are beyond our control and some of which may change rapidly, actual results or outcomes may differ materially from those expressed or implied herein, and undue reliance should not be placed on these statements. Important factors that could cause our actual results to differ materially from those expressed or implied herein include, without limitation: (1) the impact of our indebtedness on our business, financial condition and results of operations; (2) the impact of restrictions in our debt instruments on our ability to operate our business, finance our capital needs or pursue or expand business strategies; (3) any failure to comply with financial covenants and other provisions and restrictions of our debt instruments; (4) the impact of actions taken by significant stockholders; (5) the impact of fluctuations in commodity prices, costs or availability of raw materials or terms and conditions available from suppliers, including suppliers' willingness to advance credit; (6) interest rate and exchange rate fluctuations; (7) the loss of, significant reduction in, or dependence upon, sales to any significant retail customer(s); (8) competitive promotional activity or spending by competitors, or price reductions by competitors; (9) the introduction of new product features or technological developments by competitors and/or the development of new competitors or competitive brands; (10) the effects of general economic conditions, including inflation, recession or fears of a recession, depression or fears of a depression, labor costs and stock market volatility or changes in trade, monetary or fiscal policies in the countries where we do business; (11) changes in consumer spending preferences and demand for our products; (12) our ability to develop and successfully introduce new products, protect our intellectual property and avoid infringing the intellectual property of third parties; (13) our ability to successfully implement, achieve and sustain manufacturing and distribution cost efficiencies and improvements, and fully realize anticipated cost savings; (14) the seasonal nature of sales of certain of our products; (15) the effects of climate change and unusual weather activity; (16) the cost and effect of unanticipated legal, tax or regulatory proceedings or new laws or regulations (including environmental, public health and consumer protection regulations); (17) public perception regarding the safety of products that we manufacture and sell, including the potential for environmental liabilities, product liability claims, litigation and other claims related to products manufactured by us and third parties; (18) the impact of pending or threatened litigation; (19) the impact of cybersecurity breaches or our actual or perceived failure to protect company and personal data; (20) changes in accounting policies applicable to our business; (21) our ability to utilize our net operating loss carry-forwards to offset tax liabilities from future taxable income; (22) government regulations; (23) the impact of expenses resulting from the implementation of new business strategies, divestitures or current and proposed restructuring activities; (24) our inability to successfully integrate and operate new acquisitions at the level of financial performance anticipated; (25) the unanticipated loss of key members of senior management; (26) the effects of political or economic conditions, terrorist attacks, acts of war or other unrest in international markets; and (27) the special committee's exploration of strategic alternatives and the terms of any strategic transaction, if any.

Some of the above-mentioned factors are described in further detail in the sections entitled *Risk Factors* in our annual and quarterly reports (including this report), as applicable. You should assume the information appearing in this report is accurate only as of the end of the period covered by this report, or as otherwise specified, as our business, financial condition, results of operations and prospects may have changed since that date. Except as required by applicable law, including the securities laws of the United States ("U.S.") and the rules and regulations of the United States Securities and Exchange Commission ("SEC"), we undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise, to reflect actual results or changes in factors or assumptions affecting such forward-looking statements.

Item 9.01**Financial Statements and Exhibits**

Exhibit No.	Description
23.1	<u>Consent of KPMG LLP</u>
99.1	<u>Updated Part I, Item 1 (Business) to adjust for the GBA segment as discontinued operations</u>
99.2	<u>Updated Part I, Item 1A (Risk Factors)</u>
99.3	<u>Updated Part I, Item 2 (Properties)</u>
99.4	<u>Updated Part II, Item 6 (Selected Financial Data) to recast the GBA segment as discontinued operations</u>
99.5	<u>Updated Part II, Item 7 (Management's Discussion and Analysis of Financial Condition and Results of Operations) and Updated Part II Item 7A (Quantitative and Qualitative Disclosures About Market Risk), which updates the discussion of our results of operations for the year ended September 30, 2017 compared to the year ended September 30, 2016 and for the year ended September 30, 2016 compared to the year ended September 30, 2015 to recast the GBA segment as discontinued operations.</u>
99.6	<u>Updated Part II, Item 8 (Financial Statements and Supplementary Data) to recast the GBA segment as discontinued operations</u>
99.7	<u>Supplementary Financial Information for the four fiscal quarters in the year ended September 30, 2017 and 2016</u>

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

Date: March 30, 2018

SPECTRUM BRANDS HOLDINGS, INC.

By: /s/ Douglas L. Martin
Name: Douglas L. Martin
Title: Executive Vice President, Chief Financial Officer

Consent of Independent Registered Public Accounting Firm

The Board of Directors
Spectrum Brands Holdings, Inc.:

We consent to the incorporation by reference in the registration statements (No. 333 167569, No. 333 167574, No. 333-172598 and No. 333 194139) on Form S-8 and the registration statement (No. 333-203919) on Form S-3 ASR of Spectrum Brands Holdings, Inc. of our report dated November 16, 2017, except for the effects of changes in discontinued operations, as discussed in Notes 1, 3, 13, and 14, and subsequent events, as discussed in Note 23, as to which the date is March 30, 2018, with respect to the consolidated statements of financial position of Spectrum Brands Holdings, Inc. and subsidiaries as of September 30, 2017 and 2016, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three year period ended September 30, 2017, which appears in this Current Report on Form 8-K of Spectrum Brands Holdings, Inc.

/s/KPMG LLP

Milwaukee, Wisconsin
March 30, 2018

PART I

ITEM 1. BUSINESS

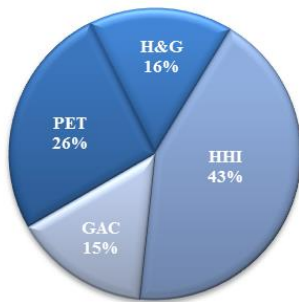
General

We are a diversified global branded consumer products company. The Company manufactures, markets and/or distributes its products in multiple countries in the North America ("NA"); Europe, Middle East & Africa ("EMEA"); Latin America ("LATAM") and Asia-Pacific ("APAC") regions through a variety of trade channels, including retailers, wholesalers and distributors, original equipment manufacturers ("OEMs"), construction companies and hearing aid professionals. We enjoy strong name recognition in our regions under our various brands and patented technologies across multiple product categories. We manage the business in five vertically integrated, product-focused segments: (i) Global Batteries & Appliances ("GBA"), (ii) Hardware & Home Improvement ("HHI"), (iii) Global Pet Supplies ("PET"), (iv) Home and Garden ("H&G") and (v) Global Auto Care ("GAC"). Global and geographic strategic initiatives and financial objectives are determined at the corporate level. Each segment is responsible for implementing defined strategic initiatives and achieving certain financial objectives and has a president responsible for sales and marketing initiatives and the financial results for all product lines within that segment.

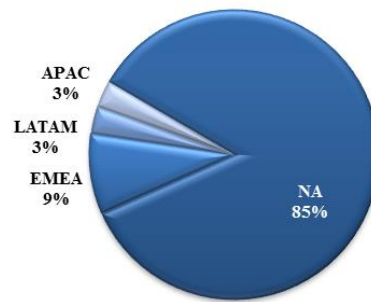
Effective December 29, 2017, the Company's Board of Directors approved a plan to explore strategic alternatives, including a planned sale of the Company's GBA segment. The Company expects a sale to be realized by December 31, 2018. As a result, the Company's assets and liabilities associated with the GBA segment have been classified as held for sale and the respective operations of the GBA segment have been classified as discontinued operations; and reported separately for all periods presented as the disposition represents a strategic shift that will have a major effect on the Company's operations and financial results.

The following is an overview of the consolidated business showing the net sales from continuing operations by segment and geographic region sold (based upon destination) as a percentage of consolidated net sales for the year ended September 30, 2017:

Net Sales By Segment



Net Sales By Geography



Our operating performance is influenced by a number of factors including: general economic conditions; foreign exchange fluctuations; trends in consumer markets; consumer confidence and preferences; our overall product line mix, including pricing and gross margin, which vary by product line and geographic market; pricing of certain raw materials and commodities; energy and fuel prices; and our general competitive position, especially as impacted by our competitors' advertising and promotional activities and pricing strategies. See *Management's Discussion and Analysis of Financial Condition and Results of Operations*, included in Item 7 to this Annual Report, for further discussion of the consolidated operating results.

Our Strategy

Our mission is to achieve superior shareholder returns through above-market organic growth, with a focus on building sustainable free cash flow and further acquisitions. Our vision is to be the preferred strategic partner to our customers with an expanding portfolio of innovative and superior-value consumer products and brands. We believe that building loyalty and success over the long-term is fundamental to executing on this strategy. To transition to the next performance level and deliver long-term value to our key stakeholders, we will seek to realize our vision by pursuing the “Spectrum First” growth strategy across all of our divisions and regions.

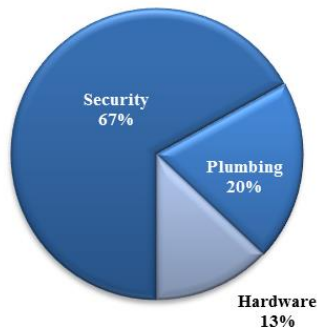
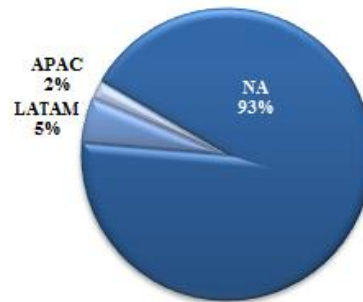


The Spectrum First growth accelerators - *Customer*, *Process*, and *People* - provide the roadmap for how we intend to execute this strategy. Each growth accelerator has three drivers. These accelerators and their respective drivers are collectively known as the “Spectrum First 3x3.”

- *Customer* – Our first growth accelerator focuses on strengthening strategic partnerships with customers. Our objective is for our retail partners to think of Spectrum Brands first when identifying how best to compete for consumers’ attention to bring them into their stores and online platforms with exciting product innovation, converting interest to sales through value products, and being a strategic supplier through total-cost reduction initiatives.
- *Process* – Our process growth accelerator is intended to drive continuous improvements in our products, costs and processes to generate healthy margins through sales growth with our “more-more-more” strategy to achieve above-market sales growth, which means entering into more countries, serving more channels and launching more categories. We also seek to drive continuous improvement over performance, quality and costs, and provide superior and efficient services through our shared services and “Centers of Excellence” model.
- *People* – Employees represent the third Spectrum First growth accelerator. We are working to be a preferred employer by empowering our teams and providing long-term career opportunities and pay-for-performance through focusing on retention and collaboration; driving empowered teams with trust, competence and speed; supporting alignment and providing more paths for employees to embrace new challenges and advance their careers across the global organization.

Hardware and Home Improvement (HHI)

The following is an overview of HHI net sales by product category and geographic region sold (based upon destination) as a percentage of net sales for the segment for the year ended September 30, 2017:

Net Sales By Product Category**Net Sales By Geography**

The *security* product category includes a broad range of locksets and door hardware including knobs, levers, deadbolts and handle sets sold under four main brands: (i) Kwikset®, residential door hardware sold primarily in the U.S.; (ii) Weiser®, residential door hardware sold primarily in Canada; (iii) Baldwin®, luxury residential door hardware sold primarily in the U.S.; and (iv) Tell®, commercial doors and hardware sold primarily in the U.S. Our residential lockset products incorporate patented SmartKey® technology that provides advanced security and easy rekeying. The security segment also includes electronic and connected locks allowing customers more convenience and protection including remote security features as part of many home automation solutions. We also supply product to some customers who have private label offerings.

The *plumbing* product category includes kitchen and bath faucets and accessories under the Pfister® brand, which delivers best in class designs at a value. Pfister® offers a wide range of styles and finishes to meet a variety of consumer, plumber and builder needs.

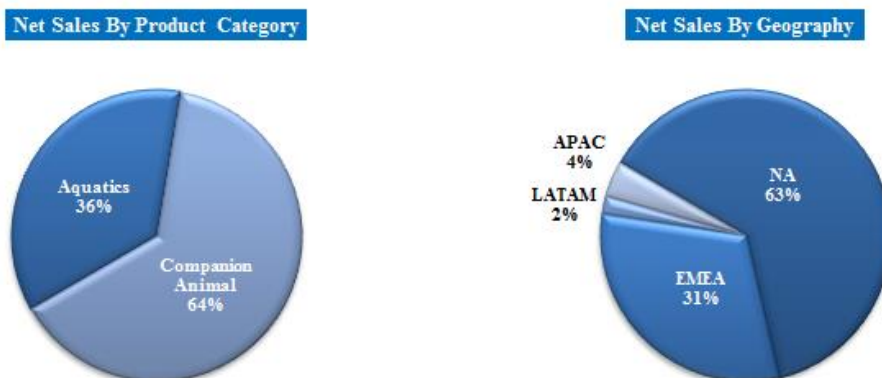
The *hardware* product category includes a broad range of products such as hinges, metal shapes, security hardware, track and sliding door hardware and gate hardware sold primarily under the National Hardware® brand in the U.S. We also sell some products under the Stanley® brand subject to a licensing arrangement.

The sales force of the HHI business is aligned by brands, customers and geographic regions. We have strong partnerships with a variety of customers including large home improvement centers, wholesale distributors, home builders, plumbers, home automation providers, and commercial contractors.

See *Management's Discussion and Analysis of Financial Condition and Results of Operations*, included in Item 7 to this Annual Report, for further discussion of the segment's operating results.

Global Pet Supplies (PET)

The following is an overview of PET net sales by product category and geographic region sold (based upon destination) as a percentage of net sales for the segment for the year ended September 30, 2017:



The *aquatics* product category includes a broad line of products, including fully integrated consumer and commercial aquarium kits, stand-alone tanks, aquatics equipment such as filtration systems, heaters and pumps, and aquatics consumables such as fish food, water management and care. Our largest aquatics brands are Tetra®, Marineland® and Instant Ocean®. On May 12, 2017, we entered into an asset purchase agreement with Yorktown Technologies LP, for the acquisition of assets consisting of the GloFish operation, including transfer of the GloFish® brand, its related intellectual property and operating agreements. The GloFish operations consist of the development and licensing of multiple species and color combinations of fluorescent fish sold through retail and online channels.

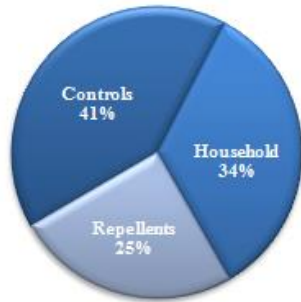
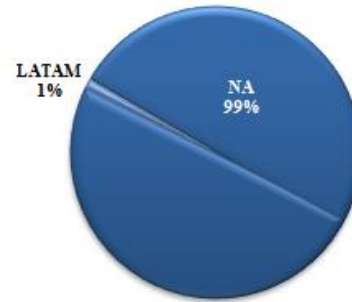
The *companion animal* product category includes a variety of specialty pet products, including rawhide chews, dog and cat clean-up, training, health and grooming products, and small animal food and care products. Our largest specialty pet brands include Dingo®, FURminator®, Nature's Miracle®, Wild Harvest®, 8-in-1®, Littermaid® and Healthy-Hide®, marketed across the Good'n'Fun®, and Good'n'Tasty® family of brands. On June 1, 2017, we acquired PetMatrix LLC, a manufacturer and marketer of rawhide-free dog chews consisting primarily of the DreamBone® and SmartBones® brands. PetMatrix will provide the segment with complementary product offerings, as well as entrance into an expanding business of raw-hide free treats in the product category. The product category also includes wet and dry pet food for dogs and cats under the IAMS®, Eukanuba® and 8-in-1® brand names in European markets.

We sell primarily to pet superstores, mass merchandisers, e-tailers, grocery stores and drug chains, warehouse clubs and other specialty retailers. International distribution varies by region and is often executed on a country-by-country basis.

See *Management's Discussion and Analysis of Financial Condition and Results of Operations*, included in Item 7 to this Annual Report, for further discussion of the segment's operating results.

Home and Garden (H&G)

The following is an overview of H&G net sales by product category and geographic region sold (based upon destination) as a percentage of net sales for the segment for the year ended September 30, 2017:

Net Sales By Product Category**Net Sales By Geography**

The *controls* product category includes a variety of outdoor insect and weed control solutions, and animal repellents under the brand names Spectracide®, Black Flag®, Garden Safe®, EcoLogic® and Liquid Fence®. Our lines of outdoor control solutions are designed to assist consumers in controlling insects, weeds and animals when tackling lawn and landscaping projects. Our outdoor products are available as aerosols, granules, ready-to-use sprays or hose-end ready-to-sprays designed to fulfill a variety of consumer needs.

The *household* product category includes a broad array of household pest control solutions, such as spider and scorpion killers; ant and roach killers; flying insect killers; insect foggers; wasp and hornet killers; bedbug, flea and tick control products; and roach and ant baits. Our largest brands in the household insect control and rodenticide category are Hot Shot® and Black Flag®.

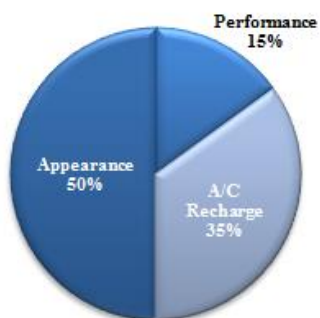
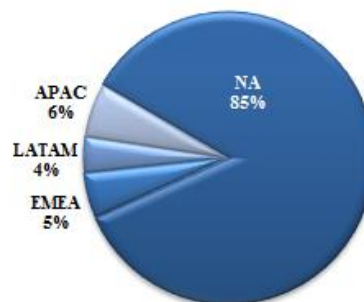
The *repellents* product category includes personal-use pesticides for protection from various outdoor nuisance pests, especially mosquitoes. These products include both personal repellents in a variety of formulas to meet consumer needs, such as aerosols, lotions, pump sprays and wipes, as well as area repellents, such as yard sprays and citronella candles to allow consumers to enjoy the outdoors without bothersome pests. Our brands in the insect repellents category are Cutter® and Repel®.

We sell primarily to home improvement centers, mass merchandisers, dollar stores, hardware stores, home and garden distributors, and food and drug retailers, primarily in the U.S.

See *Management's Discussion and Analysis of Financial Condition and Results of Operations*, included in Item 7 to this Annual Report, for further discussion of the segment's operating results.

Global Auto Care (GAC)

The following is an overview of GAC net sales by product category and geographic region sold (based upon destination) as a percentage of net sales for the segment for the year ended September 30, 2017:

Net Sales By Product Category**Net Sales By Geography**

The *appearance* product category includes protectants, waxes, tire and wheel care products, glass cleaners, leather care products, air fresheners and washes designed to clean, shine, refresh and protect interior and exterior automobile surfaces under the brand name Armor All®. Armor All® is a leader in the automotive aftermarket appearance products category based upon its recognized brand name, convenient application methods and product innovation.

The *performance* product category includes STP® branded fuel and oil additives, functional fluids and automotive appearance products that benefit from a rich heritage in the car enthusiast and racing scenes, characterized by a commitment to technology, performance and motor sports partnerships for over 60 years. The strong brand equity of STP® also provides for attractive licensing opportunities that augment our presence in our core performance categories.

The *A/C recharge* product category includes do-it-yourself automotive air conditioner recharge products under the A/C PRO® brand name, along with other refrigerant and oil recharge kits, sealants and accessories.

The GAC business sales force is geographically aligned with key customers and supply chains. We sell primarily to big-box auto, auto specialty retail, mass retailers, food and drug retailers, and small regional and convenience store retailers. Our small regional and convenience store customers are serviced by brokers and distributors. International distribution varies by region and is often executed on a country-by-country basis.

See *Management's Discussion and Analysis of Financial Condition and Results of Operations*, included in Item 7 to this Annual Report, for further discussion of the segment's operating results.

Other Information

Sales, Distribution and Competition

We sell our products through a variety of trade channels, including retailers, e-commerce and online retailers, wholesalers and distributors, construction companies and OEMs. Our sales generally are made through the use of individual purchase orders, consistent with industry practice. Retail sales of the consumer products we market have been increasingly consolidated on a worldwide basis into a small number of regional and national mass merchandisers and e-commerce companies that generally have strong negotiating power with their suppliers. A significant percentage of our sales are attributable to a limited group of retailer customers, including (in alphabetical order), Amazon, Autozone, Dollar General, Home Depot, Lowe's, Menards, O'Reilly, PetCo, PetSmart, and Wal-Mart. The Company has three customers, Home Depot, Lowe's, and Wal-Mart, that each account for more than 10% of our consolidated net sales and collectively represent 38% of our consolidated net sales for the fiscal year ended September 30, 2017.

Factors influencing product sales include brand name recognition, perceived quality, price, performance, product packaging, design innovation, and consumer confidence and preferences as well as creative marketing, promotion and distribution strategies. We compete for limited shelf space and consumer acceptance based on location and product segment. We also compete with our retail customers, who use their own private label brands, and with distributors and foreign manufacturers of unbranded products, typically at lower prices. The Company addresses competitive challenges with the following factors:

- *Strong Diversified Global Brand Portfolio.* We have a global portfolio of well-recognized consumer product brands. We believe that the strength of our brands positions us to extend our product lines and provide our retail customers with strong sell-through to consumers.
- *Strong Global Retail Relationships.* We have well-established business relationships with many of the top global retailers, distributors and wholesalers, which have assisted us in our efforts to expand our overall market penetration and promote sales.
- *Expansive Distribution Network.* We distribute our products through a variety of international trade channels, including retailers, wholesalers and distributors, construction companies and OEMs.
- *Innovative New Products, Packaging and Technologies.* We have a long history of product and packaging innovations in each of our product categories and continually seek to introduce new products both as extensions of existing product lines and as new product categories.
- *Experienced Management Team.* Our management team has substantial consumer products experience. On average, each senior management team member has more than 20 years of experience at Spectrum Brands or other branded consumer product companies such as Newell Brands and Honeywell.

Within HHI, primary competitors in security and residential locksets include Allegion (Schlage), Assa Abloy (Emtek, Yale) and private label import brands such as Defiant. Primary competitors for hardware include The Hillman Group, Hampton Hardware and private labels such as Crown Bolt. Primary competitors for plumbing include Masco (Delta), Fortune Brands (Moen), Kohler, American Standard and private label brands such as Glacier Bay.

Primary competitors in PET are Mars Corporation, the Hartz Mountain Corporation and Central Garden & Pet Company which all sell a comprehensive line of pet supplies that compete across our product categories. The pet supplies product category is highly fragmented with no competitor holding a substantial market share and consists of small companies with limited product lines.

Primary competitors in H&G are The Scotts Miracle-Gro Company (Scotts, Ortho, Roundup, Miracle-Gro, Tomcat); Central Garden & Pet (AMDRO, Sevin), Bayer A.G. (Bayer Advanced), S.C. Johnson & Son, Inc. (Raid, OFF!); and Henkel AG & Co. KGaA (Combat).

Within GAC, primary competitors for appearance products are Meguiars, Turtle Wax, Black Magic, Mothers, and private label brands. Primary competitors in performance chemical products include Lucas, Gumout, Chevron, Prestone, and private label brands. Primary competitors for A/C recharge products primarily consist of private label brands. We also encounter competition from similar and alternative products, many of which are produced and marketed by major multinational or national companies such as Mothers, Meguiars, Lucas, and Sea Foam.

Seasonality

Sales of certain product categories tend to be seasonal and may impact our financial results on a consolidated basis. Sales in our HHI segment primarily increase during the spring and summer construction period (the Company's third and fourth fiscal quarters). Sales in our PET segment remain fairly consistent throughout the year with little variation. Sales in our H&G segment and GAC segment typically peak during the first six months of the calendar year (the Company's second and third fiscal quarters) due to customer seasonal purchasing patterns and timing of promotional activities. Our sales by quarter as a percentage of annual net sales during the years ended September 30, 2017, 2016 and 2015 are as follows:

	2017	2016	2015
First Quarter	20%	20%	17%
Second Quarter	25%	26%	24%
Third Quarter	29%	30%	30%
Fourth Quarter	26%	24%	29%

Manufacturing, Raw Materials and Suppliers

The principal raw materials used in manufacturing include brass and steel used in our HHI products, and refrigerant R-134a used in our GAC A/C recharge products, that are sourced either on a global or regional basis. The prices of these raw materials are susceptible to fluctuations due to supply and demand trends, energy costs, transportation costs, government regulations and tariffs, changes in currency exchange rates, price controls, general economic conditions and other unforeseen circumstances. We have regularly engaged in forward purchase and hedging derivative transactions in an attempt to effectively manage certain raw material costs we expect to incur over the next 12 to 24 months.

Substantially all of our rawhide alternative products from our recent PetMatrix acquisition are manufactured by third party suppliers that are primarily located in the Asia-Pacific region. We maintain ownership of most of the tooling and molds used by our suppliers.

We continually evaluate our manufacturing facilities' capacity and related utilization. As a result of such analyses, we have closed a number of manufacturing facilities during the past five years. In general, we believe our existing facilities are adequate for our present and foreseeable needs.

Patents and Trademarks

We use and maintain a number of patents, trademarks, brand names and trade names that are, in the aggregate, important to our businesses. We seek trademark protection in the U.S. and in foreign countries. The Company's most significant registered trademarks are:

Segment	Trademarks
HHI	Kwikset®, Weiser®, Baldwin®, National Hardware®, Stanley®, Fanal®, Pfister®, Tell®
PET	Tetra®, 8-in-1®, Dingo®, Nature's Miracle®, Wild Harvest®, Marineland®, Furminator®, Littermaid®, Birdola®, Healthy Hide®, Digest-eeze®, Iams®, Eukanuba®, SmartBone®, DreamBones®, GloFish®
H&G	Spectracide®, Cutter®, Hot Shot®, Real Kill®, Ultra Kill®, Black Flag®, Liquid Fence®, Rid-a-bug®, TAT®, Garden Safe®, Repel®
GAC	Armor All®, STP®, A/C PRO®

We license the Stanley® and Black & Decker® marks and logos in the HHI segment for such products as residential locksets, builder's hardware, padlocks, and door hardware through a transitional trademark license agreement with Stanley Black & Decker Corporation ("SBD"). Under the agreement and as part of the acquisition of the HHI Business in December 2012, Spectrum has a royalty-free, fully paid license to use certain trademarks, brand names and logos in marketing our products and services for five years after the completion of the HHI Business acquisition. The Company has amended the license agreement with SBD to extend the license agreement and allow for the continued use of the respective trademarks, brand names and logos in the HHI segment through December 2018. During this extension period, Spectrum will pay to SBD royalties based on a percentage of sales.

We own or license from third parties patents and patent applications throughout the world relating to products we sell and manufacturing equipment we use. Through our HHI segment, we own the patented SmartKey® technology, which enables customers to easily rekey their locks without hiring a locksmith. Through our acquisition of PetMatrix on June 1, 2017, we own patented technology for the development of edible rawhide-free pet treats. Through our acquisition of GloFish on May 12, 2017, we own patented technology used in the development and breeding of fluorescent ornamental fish.

Research and Development

Our research and development strategy is focused on new product development and performance enhancements of our existing products. We plan to continue to use our strong brand names, established customer relationships and significant research and development efforts to introduce innovative products that offer enhanced value to consumers through new designs and improved functionality. During the years ended September 30, 2017, 2016 and 2015, we invested \$27.2 million, \$27.0 million and \$21.1 million, respectively, in product research and development.

Governmental Regulations and Environmental Matters

Due to the nature of our operations, our facilities are subject to a broad range of federal, state, local and foreign legal and regulatory provisions relating to the environment, including those regulating the discharge of materials into the environment, the handling and disposal of solid and hazardous substances and wastes and the remediation of contamination associated with the releases of hazardous substances at our facilities. We believe that compliance with the federal, state, local and foreign laws and regulations to which we are subject will not have a material effect upon our capital expenditures, financial condition, earnings or competitive position.

From time to time, we have been required to address the effect of historic activities on the environmental condition of our properties. We have not conducted invasive testing at all facilities to identify all potential environmental liability risks. Given the age of our facilities and the nature of our operations, it is possible that material liabilities may arise in the future in connection with our current or former facilities. If previously unknown contamination of property underlying or in the vicinity of our manufacturing facilities is discovered, we could incur material unforeseen expenses, which could have a material adverse effect on our financial condition, capital expenditures, earnings and competitive position. Although we are currently engaged in investigative or remedial projects at some of our facilities, we do not expect that such projects, taking into account established accruals, will cause us to incur expenditures that are material to our business, financial condition or results of operations; however, it is possible that our future liability could be material.

We have been, and in the future may be, subject to proceedings related to our disposal of industrial and hazardous material at off-site disposal locations or similar disposals made by other parties for which we are held responsible as a result of our relationships with such other parties. In the U.S., these proceedings are under the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 ("CERCLA") or similar state laws that hold persons who "arranged for" the disposal or treatment of such substances strictly liable for costs incurred in responding to the release or threatened release of hazardous substances from such sites, regardless of fault or the lawfulness of the original disposal. Liability under CERCLA is typically joint and several, meaning that a liable party may be responsible for all costs incurred in investigating and remediating contamination at a site. As a practical matter, liability at CERCLA sites is shared by all of the viable responsible parties. We occasionally are identified by federal or state governmental agencies as being a potentially responsible party for response actions contemplated at an off-site facility. At the existing sites where we have been notified of our status as a potentially responsible party, it is either premature to determine whether our potential liability, if any, will be material or we do not believe that our liability, if any, will be material. We may be named as a potentially responsible party under CERCLA or similar state laws for other sites not currently known to us, and the costs and liabilities associated with these sites may be material.

It is difficult to quantify with certainty the potential financial impact of actions regarding expenditures for environmental matters, particularly remediation, and future capital expenditures for environmental control equipment. See *Note 19 - Commitments and Contingencies* in the Notes to the Consolidated Financial Statements included elsewhere within the Annual Report for further discussion on estimated liabilities arising from such environmental matters. Nevertheless, based upon the information currently available, we believe that our ultimate liability arising from such environmental matters should not be material to our business or financial condition.

Electronic and electrical products that depend on electric current to operate (“EEE”) that we sell in Europe are subject to regulation in European Union (“EU”) markets under two key EU directives. Among our brands, this includes a limited range of products, such as aquarium pumps, heaters, and lighting. The first directive is the Restriction of the Use of Hazardous Substances in Electrical and Electronic Equipment (“RoHS”) which took effect in EU member states beginning July 1, 2006. RoHS prohibits companies from selling EEE products which contain certain specified hazardous materials in EU member states. We believe that compliance with RoHS does not have a material effect on our capital expenditures, financial condition, earnings or competitive position. The second directive is entitled the Waste of Electrical and Electronic Equipment (“WEEE”). WEEE makes producers or importers of particular classes of EEE goods financially responsible for specified collection, recycling, treatment and disposal of past and future covered products. WEEE assigns levels of responsibility to companies doing business in EU markets based on their relative market share. WEEE calls on each EU member state to enact enabling legislation to implement the directive. To comply with WEEE requirements, we have partnered with other companies to create a comprehensive collection, treatment, disposal and recycling program as specified within the member countries we conduct business. As EU member states pass enabling legislation we currently expect our compliance system to be sufficient to meet such requirements. Our current estimated costs associated with compliance with WEEE are not significant based on our current market share. However, we continue to evaluate the impact of the WEEE legislation and implementing regulations as EU member states implement guidance and as our market share changes and, as a result, actual costs to our company could differ from our current estimates and may be material to our business, financial condition or results of operations.

Certain of our products and facilities in each of our business segments are regulated by the United States Environmental Protection Agency (the “EPA”) and the United States Food and Drug Administration (the “FDA”) or other federal consumer protection and product safety agencies and are subject to the regulations such agencies enforce, as well as by similar state, foreign and multinational agencies and regulations. For example, in the U.S., all products containing pesticides must be registered with the EPA and, in many cases, similar state and foreign agencies before they can be manufactured or sold. Our inability to obtain, delay in receipt or the cancellation of any registration could have an adverse effect on our business, financial condition and results of operations. The severity of the effect would depend on which products were involved, whether another product could be substituted and whether our competitors were similarly affected. We attempt to anticipate regulatory developments and maintain registrations of, and access to, substitute chemicals and other ingredients. We may not always be able to avoid or minimize these risks.

The Food Quality Protection Act (“FQPA”) established a standard for food-use pesticides, which is that a reasonable certainty of no harm will result from the cumulative effect of pesticide exposures. Under the FQPA, the EPA is evaluating the cumulative effects from dietary and non-dietary exposures to pesticides. The pesticides in certain of our products continue to be evaluated by the EPA as part of this program. It is possible that the EPA or a third party active ingredient registrant may decide that a pesticide we use in our products will be limited or made unavailable to us. We cannot predict the outcome or the severity of the effect of the EPA’s continuing evaluations of active ingredients used in our products.

Certain of our products and packaging materials are subject to regulations administered by the FDA. Among other things, the FDA enforces statutory prohibitions against misbranded and adulterated products, establishes ingredients and manufacturing procedures for certain products, establishes standards of identity for certain products, determines the safety of products and establishes labeling standards and requirements. In addition, various states regulate these products by enforcing federal and state standards of identity for selected products, grading products, inspecting production facilities and imposing their own labeling requirements.

Certain A/C products containing R-134a are subject to regulation in the U.S. markets under the EPA’s Significant New Alternative Policy (“SNAP Program”), which implements international agreements restricting the use of certain refrigerants. The EPA has identified use of R-134a in new automotive air conditioning systems as an approved use up to the 2020 automotive model year. The EPA has not yet approved a replacement refrigerant under the SNAP program for sale in small cans for automotive use for automobiles produced beginning with the 2021 model year, and future rulemakings from the agency are anticipated. In addition, in 2017 the Court of Appeals for the District of Columbia issued a decision that may remove R-134a from regulation under the SNAP program, and that decision may be subject to *en banc* review or a writ of certiorari filed with the U.S. Supreme Court. We currently believe that compliance with current and future SNAP regulations will not have a material effect on our capital expenditures, financial condition, earnings or competitive position. However, until such time as future regulations are issued and future alternate refrigerants are approved for sale in small cans, a full evaluation of these costs cannot be completed. We will continue to evaluate the impact of the SNAP Program as the EPA issues additional guidance.

The fish sold under the GloFish brand can be classified as an intragenic or transgenic species due to the addition of their bioluminescent genes, which means the FDA has the authority to regulate as the luminescence is caused by intentional altered genomic DNA. Additional regulatory agencies, including the EPA, as well as agencies in U.S. and foreign states have authority to regulate these types of species. It is possible that EPA, FDA, or another U.S. or foreign state or federal agency could in the future seek to exercise authority over the distribution and/or sale of GloFish. We will continue to monitor the development of any regulations that might apply to our bioluminescent fish.

Certain of our products may be regulated under programs within the United States, Canada, or in other countries that may require that those products and the associated product packaging be recycled or managed for disposal through a designated recycling program. Some programs are funded through assessment of a fee on the manufacturer and suppliers, including Spectrum Brands. We do not expect that such programs will cause us to incur expenditures that are material to our business, financial condition or results of operations; however, it is possible that our future liability could be material.

The United States Toxic Substances Control Act (“TSCA”) was amended in 2016, and the EPA is currently evaluating additional chemicals for regulation under that amended law. Certain of our products may be manufactured using chemicals or other ingredients that may be subject to regulation under current TSCA regulations, and other chemicals or ingredients may be regulated under the law in the future. We do not expect that compliance with current or future TSCA regulations will cause us to incur expenditures that are material to our business, financial condition or results of operations; however, it is possible that our future liability could be material.

Employees

We have approximately 13,000 full-time employees worldwide as of September 30, 2017 associated with our continuing operations. Approximately 4% of our total labor force is covered by collective bargaining agreements. There are 2 collective bargaining agreements that will expire during our fiscal year ending September 30, 2018, which cover approximately 63% of the labor force under collective bargaining agreements, or approximately 2% of our total labor force. We believe that our overall relationship with our employees is good.

Discontinued Operations

As previously discussed, the Company's assets and liabilities associated with the GBA segment have been classified as held for sale and the respective operations of the GBA segment have been classified as discontinued operations; and reported separately for all periods presented. The GBA segment consists of (i) consumer batteries products including alkaline batteries, zinc carbon batteries, nickel metal hydride (NiMH) rechargeable batteries, hearing aid batteries, battery chargers, battery-powered portable lighting products including flashlights and lanterns, and other specialty battery products primarily under the Rayovac® and VARTA® brand, and other proprietary brand names pursuant to licensing arrangements with third parties; (ii) small appliances products consisting of small kitchen appliances under the Black & Decker®, Russell Hobbs®, George Foreman®, Juiceman® and Breadman® brands, including toaster ovens, toasters, sandwich makers, coffeemakers, coffee grinders, can openers, electric knives, grills, deep fryers, food choppers, food processors, slow cookers, hand mixers, blenders, juicers, bread makers, kettles, rice cookers and steamers; and (iii) personal care products including a broad line of electric shaving and grooming products under the Remington® brand name, including men's rotary and foil shavers, beard and mustache trimmers, body groomers, nose and ear trimmers, women's shavers, haircut kits and intense pulsed light hair removal systems.

GBA products are sold primarily to large retailers, online retailers, wholesalers, distributors, warehouse clubs, food and drug chains and specialty trade or retail outlets such as consumer electronics stores, department stores, discounters and other specialty stores. GBA maintains separate sales teams to service (i) retail sales and distribution channels; (ii) hearing aid professionals channel; and (iii) industrial distributors and OEM sales and distribution channel. International distribution varies by region and is often executed on a country-by-country basis. GBA also utilizes a network of independent brokers to service participants in selected distribution channels.

Primary competitors for consumer batteries include Energizer Holdings, Inc. (Energizer), Berkshire Hathaway (Duracell), Montana Tech Components AG (PowerOne), Matsushita (Panasonic) and private label brands of major retailers. Primary competitors for small appliances include Newell Brands (Sunbeam, Mr. Coffee, Crockpot, Oster), De'Longhi America (De'Longhi, Kenwood, Braun), SharkNinja (Shark, Ninja), Hamilton Beach Holding Co. (Hamilton Beach, Proctor Silex), Sensio, Inc. (Bella); SEB S.A. (T-fal, Krups, Rowenta), Whirlpool Corporation (Kitchen Aid), Conair Corporation (Cuisinart, Waring), Koninklijke Philips N.V. (Philips), Glen Dimplex (Morphy Richards) and private label brands for major retailers. Primary competitors in personal care include Koninklijke Philips Electronics N.V. (Norelco), The Procter & Gamble Company (Braun), Conair Corporation, Wahl Clipper Corporation and Helen of Troy Limited.

Sales in our GBA segment, primarily from consumer battery and electric personal care product categories tend to increase during the December holiday season (the Company's first fiscal quarter), while small appliances sales increase from July through December primarily due to the increased demand by customers in the late summer for "back-to-school" sales (the Company's fourth fiscal quarter) and in December for the holiday season.

The principal raw materials used in manufacturing include zinc and electrolytic manganese dioxide used in consumer batteries products that are sourced either on a global or regional basis. The prices of these raw materials are susceptible to fluctuations due to supply and demand trends, energy costs, transportation costs, government regulations and tariffs, changes in currency exchange rates, price controls, general economic conditions and other unforeseen circumstances. GBA regularly engaged in forward purchase and hedging derivative transactions in an attempt to effectively manage certain raw material costs we expect to incur over the next 12 to 24 months. Substantially all of our rechargeable batteries and chargers, portable lighting products, and personal care and small appliances are manufactured by third party suppliers that are primarily located in the Asia-Pacific region. GBA maintains ownership of most of the tooling and molds used by our suppliers.

GBA maintains a number of patents, trademarks brands names that are, in the aggregate, important to the business. The most significant trademarks associated with the business are Rayovac®, Varta®, Remington®, Black & Decker®, George Foreman®, Russell Hobbs®, Farberware®, Toastmaster®, Breadman®, and Juiceman®. GBA acquired the rights to the VARTA® trademark in the consumer battery category and Johnson Controls Inc. acquired rights to the trademark in the automotive battery category from VARTA AG. VARTA AG continues to have rights to use the trademark with travel guides and industrial batteries and VARTA Microbattery GmbH has the right to use the trademark with micro batteries. GBA is party to a Trademark and Domain Names Protection and Delimitation Agreement that governs ownership and usage rights and obligations of the parties relative to the VARTA® trademark.

GBA licenses the Black & Decker® brand in North America, Latin America (excluding Brazil) and the Caribbean for four core categories of household appliances: beverage products, food preparation products, garment care products and cooking products through a trademark license agreement with The Black and Decker Corporation ("BDC") through December 2018. Under the agreement, GBA agreed to pay BDC royalties based on a percentage of sales, with minimum annual royalty payments of \$15.0 million through calendar year 2018. The agreement also requires us to comply with maximum annual return rates for products. If BDC does not agree to renew the license agreement, we have 18 months to transition out of the brand name with no minimum royalty payments during such transition period and BDC has agreed to not compete in the four categories for five years after the end of the transition period. Upon request, BDC may elect to extend the license to use the Black & Decker brand to certain additional product categories. BDC has approved several extensions of the license to additional categories and geographies.

GBA owns the right to use the Remington® trademark for electric shavers, shaver accessories, grooming products and personal care products; and Remington Arms Company, Inc. ("Remington Arms") owns the rights to use the trademark for firearms, sporting goods and products for industrial use, including industrial hand tools. The terms of a 1986 agreement between Remington Products, LLC and Remington Arms provides for the shared rights to use the trademark on products which are not considered "principal products of interest" for either company. GBA retains the trademark for nearly all products which we believe can benefit from the use of the brand name in our distribution channels.

GBA holds a license that expires in March 2022 for certain alkaline battery designs, technology and manufacturing equipment from Matsushita Electrical Industrial Co., Ltd. ("Matsushita"), to whom we pay a royalty. Through ownership of Shaser, Inc., we have patented technology that is used in our i-Light and i-Light Reveal product line.

ITEM 1A. RISK FACTORS

Any of the following factors could materially and adversely affect our business, financial condition and results of operations. The risks described below are not the only risks that we may face. Additional risks and uncertainties not currently known to us or that we currently view as immaterial may also materially and adversely affect our business, financial condition or results of operations.

Our substantial indebtedness may limit our financial and operating flexibility, and we may incur additional debt, which could increase the risks associated with our substantial indebtedness.

We have, and we expect to continue to have, a significant amount of indebtedness. See *Note 11 – Debt* to the Notes to the Consolidated Financial Statements included elsewhere in this Annual Report for additional detail. Our substantial indebtedness has had, and could continue to have, material adverse consequences for our business, and may:

- require us to dedicate a large portion of our cash flow to pay principal and interest on our indebtedness, which will reduce the availability of our cash flow to fund working capital, capital expenditures, research and development expenditures and other business activities;
- increase our vulnerability to general adverse economic and industry conditions;
- limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- restrict our ability to make strategic acquisitions, dispositions or to exploit business opportunities;
- place us at a competitive disadvantage compared to our competitors that have less debt; and
- limit our ability to borrow additional funds (even when necessary to maintain adequate liquidity) or dispose of assets.

Under the senior secured facilities and the indentures governing the notes (together, the “Indentures”), we may incur additional indebtedness. If new debt is added to our existing debt levels, the related risks that we now face would increase.

Furthermore, a portion of our debt bears interest at variable rates. If market interest rates increase, the interest rate on our variable rate debt will increase and will create higher debt service requirements, which would adversely affect our cash flow and could adversely impact our results of operations. While we may enter into agreements limiting our exposure to higher debt service requirements, any such agreements may not offer complete protection from this risk.

Restrictive covenants in the senior secured facilities and the Indentures may restrict our ability to pursue our business strategies.

The senior secured facilities and the Indentures each restrict, among other things, asset dispositions, mergers and acquisitions, dividends, stock repurchases and redemptions, other restricted payments, indebtedness and preferred stock, loans and investments, liens and affiliate transactions. The senior secured facilities and the Indentures also contain customary events of default. These covenants could, among other things, limit our ability to fund future working capital and capital expenditures, engage in future acquisitions or development activities, or otherwise realize the value of our assets and opportunities fully. In addition, the senior secured facilities and the Indentures require us to dedicate a portion of cash flow from operations to payments on debt and also contain borrowing restrictions based on, among other things, our fixed charge coverage ratio. Furthermore, the credit agreement governing our senior secured facilities contains a financial covenant relating to maximum leverage. Such requirements and covenants could limit the flexibility of our restricted entities in planning for, or reacting to, changes in the industries in which they operate. Our ability to comply with these covenants is subject to certain events outside of our control. If we are unable to comply with these covenants, the lenders under our senior secured facilities could terminate their commitments and the lenders under our senior secured facilities or the holders of the notes could accelerate repayment of our outstanding borrowings and, in either case, we may be unable to obtain adequate refinancing of outstanding borrowings on favorable terms or at all. If we are unable to repay outstanding borrowings when due, the lenders under the senior secured facilities will also have the right to proceed against the collateral granted to them to secure the indebtedness owed to them. If our obligations under the senior secured facilities are accelerated, we cannot assure you that our assets would be sufficient to repay in full such indebtedness.

We are subject to significant international business risks that could hurt our business and cause our results of operations to fluctuate.

Approximately 15% of our net sales for the fiscal year ended September 30, 2017 was to customers outside of the U.S. Our pursuit of international growth opportunities may require significant investments for an extended period before returns on these investments, if any, are realized. Our international operations are subject to risks including, among others:

- currency fluctuations, including, without limitation, fluctuations in the foreign exchange rate of the Euro, British Pound, Brazilian Real, Canadian Dollar, Australian Dollar, Japanese Yen and the Mexican Peso;
- changes in the economic conditions or consumer preferences or demand for our products in these markets;
- the risk that because our brand names may not be locally recognized, we must spend significant amounts of time and money to build brand recognition without certainty that we will be successful;
- labor unrest;
- political and economic instability, as a result of war, terrorist attacks, pandemics, natural disasters or otherwise;
- lack of developed infrastructure;
- longer payment cycles and greater difficulty in collecting accounts;
- restrictions on transfers of funds;
- import and export duties and quotas, as well as general transportation costs;
- changes in domestic and international customs and tariffs;
- changes in foreign labor laws and regulations affecting our ability to hire and retain employees;
- inadequate protection of intellectual property in foreign countries;
- unexpected changes in regulatory environments;
- difficulty in complying with foreign law; and
- adverse tax consequences.

The foregoing factors may have a material adverse effect on our ability to increase or maintain our supply of products, financial condition or results of operations.

As a result of our international operations, we face a number of risks related to exchange rates and foreign currencies.

Our international sales and certain of our expenses are transacted in foreign currencies. During the fiscal year ended September 30, 2017, approximately 15% of our net sales and operating expenses were denominated in foreign currencies. We expect that the amount of our revenues and expenses transacted in foreign currencies will increase as our Latin American, European and Asian operations grow and as a result of acquisitions in these markets and, as a result, our exposure to risks associated with foreign currencies could increase accordingly. Significant changes in the value of the U.S. dollar in relation to foreign currencies will affect our cost of goods sold and our operating margins and could result in exchange losses or otherwise have a material effect on our business, financial condition and results of operations. Changes in currency exchange rates may also affect our sales to, purchases from, and loans to, our subsidiaries, as well as sales to, purchases from, and bank lines of credit with, our customers, suppliers and creditors that are denominated in foreign currencies.

While we may enter into hedging transactions in the future, the availability and effectiveness of these transactions may be limited, and we may not be able to successfully hedge our exposure to currency fluctuations. Further, we may not be successful in implementing customer pricing or other actions in an effort to mitigate the impact of currency fluctuations and, thus, our results of operations may be adversely impacted.

Our international operations may expose us to risks related to compliance with the laws and regulations of foreign countries

We are subject to two EU Directives that may have a material impact on our business that include the Restriction of the Use of Hazardous Substances in Electrical and Electronic Equipment ("RoHS") and the Waste of Electrical and Electronic Equipment ("WEEE"). RoHS requires us to eliminate specified hazardous materials from products we sell in EU member states. WEEE requires us to collect and treat, dispose of or recycle certain products we manufacture or import into the EU at our own expense. The costs associated with maintaining compliance or failing to comply with the EU Directives may harm our business. For example:

- Although contracts with our suppliers address related compliance issues, we may be unable to procure appropriate RoHS compliant material in sufficient quantity and quality and/or be able to incorporate it into our product procurement processes without compromising quality and/or harming our cost structure.
- We may face excess and obsolete inventory risk related to non-compliant inventory that we may hold for which there is reduced demand, and we may need to write down the carrying value of such inventories.

Many of the developing countries in which we operate do not have significant governmental regulation relating to environmental safety, occupational safety, employment practices or other business matters routinely regulated in the U.S. and EU or may not rigorously enforce such regulation. As these countries and their economies develop, it is possible that new regulations or increased enforcement of existing regulations may increase the expense of doing business in these countries. In addition, social legislation in many countries in which we operate may result in significantly higher expenses associated with labor costs, terminating employees or distributors and closing manufacturing facilities. Increases in our costs as a result of increased regulation, legislation or enforcement could materially and adversely affect our business, results of operations and financial condition.

We face risks related to the impact on foreign trade agreements and relations from the current administration.

Recent changes in the United States federal government have caused uncertainty about the future of trade partnerships and treaties, such as the North American Free Trade Agreement ("NAFTA"). The current administration has formally withdrawn the United States from the Trans Pacific Partnership Agreement ("TPPA"), which may affect the Company's ability to leverage lower cost facilities in territories outside of the U.S. The current administration has also initiated negotiations with Canada and Mexico aimed at re-negotiating term of NAFTA. It is uncertain what the outcome of the negotiations will be, but it is possible that revisions to NAFTA could adversely affect the Company's existing production operations in Mexico and the current and future levels of sales and earnings of the Company in all three countries. Furthermore, the current administration has threatened tougher trade terms with China and other countries. Media and political reactions in the affected countries could potentially impact the ability of the Company's operations in those countries. Foreign countries may impose additional burdens on U.S. companies through the use of local regulations, tariffs or other requirements which could increase our operating costs in those foreign jurisdictions. It remains unclear what additional actions, if any, the current administration will take. If the United States were to materially modify NAFTA or other international trade agreements to which it is a party, or if tariffs were raised on the foreign-sourced goods that we sell, such goods may no longer be available at a commercially attractive price, which in turn could have a material adverse effect on our business, financial condition and results of operations.

We face risks relating to the United Kingdom's 2016 referendum, which called for its exit from the European Union.

The announcement of the referendum regarding the United Kingdom's ("UK") membership in the European Union ("EU") on June 23, 2016 (referred to as "Brexit"), advising for the exit of the UK from the EU, and subsequent notification of intention to withdraw given on March 29, 2017, has adversely impacted global markets and foreign currencies. In particular, the value of the Pound Sterling has sharply declined as compared to the US Dollar and other currencies. This volatility in foreign currencies is expected to continue as the UK negotiates and executes its exit from the EU, but there is uncertainty over what time period this will occur. A significantly weaker Pound Sterling compared to the US Dollar could have a significant negative effect on the Company's business, financial condition and results of operations. The decrease in value to the Pound Sterling and impacts across global markets and foreign currencies may influence trends in consumer confidence and discretionary spending habits, but given the lack of precedent and uncertainty, it is unclear how the implications will affect us.

The intention to withdraw begins a two-year negotiating period to establish the withdrawal terms. Even if no agreement is reached, the UK's separation still becomes effective unless all EU members unanimously agree on an extension. Negotiations have commenced to determine the future terms of the UK relationship with the EU, including, among other things, the terms of trade between the UK and the EU. The effects of Brexit will depend on many factors, including any agreements that the UK makes to retain access to EU markets either during a transitional period or more permanently. Brexit could lead to legal uncertainty and potentially divergent national laws and regulations as the UK determines which EU laws to replace or replicate. Any of these effects of Brexit and others we cannot anticipate, Transactions between the UK and the EU, as well as the UK and non-EU countries, such as the United States will be affected because the UK currently operates under the EU's tax treaties. The UK will need to negotiate its own tax treaties with countries all over the world, which could take years to complete. While we cannot anticipate the outcome of these future negotiations, effects could include uncertainty regarding tax exemptions and reliefs within the EU, as well as expected changes in tax laws or regulations which could materially and adversely affect our business, business opportunities, results of operations, financial condition, liquidity and cash flows.

We participate in very competitive markets and we may not be able to compete successfully, causing us to lose market share and sales.

We compete for consumer acceptance and limited shelf space based upon brand name recognition, perceived product quality, price, performance, product features and enhancements, product packaging and design innovation, as well as creative marketing, promotion and distribution strategies, and new product introductions. Additional discussion over the segments, product categories and markets in which we compete are included under Item 1 above, along with discussion over primary competitors included under caption *Sales, Distribution and Competition*. Our ability to compete in these consumer product markets may be adversely affected by a number of factors, including, but not limited to, the following:

- We compete against many well-established companies that may have substantially greater financial and other resources, including personnel and research and development, and greater overall market share than us.
- In some key product lines, our competitors may have lower production costs and higher profit margins than us, which may enable them to compete more aggressively in offering retail discounts, rebates and other promotional incentives.
- Technological advancements, product improvements or effective advertising campaigns by competitors may weaken consumer demand for our products.
- Consumer purchasing behavior may shift to distribution channels, including to online retailers, where we and our customers do not have a strong presence.
- Consumer preferences may change to lower margin products or products other than those we market.
- We may not be successful in the introduction, marketing and manufacture of any new products or product innovations or be able to develop and introduce, in a timely manner, innovations to our existing products that satisfy customer needs or achieve market acceptance.

In addition, in a number of our product lines, we compete with our retail customers, who use their own private label brands, and with distributors and foreign manufacturers of unbranded products. Significant new competitors or increased competition from existing competitors, including specifically private label brands, may adversely affect our business, financial condition and results of our operations.

Some competitors may be willing to reduce prices and accept lower profit margins to compete with us. As a result of this competition, we could lose market share and sales, or be forced to reduce our prices to meet competition. If our product offerings are unable to compete successfully, our sales, results of operations and financial condition could be materially and adversely affected. In addition, we may be unable to implement changes to our products or otherwise adapt to changing consumer trends. If we are unable to respond to changing consumer trends, our operating results and financial condition could be adversely affected.

Changes in consumer shopping trends and changes in distribution channels could significantly harm our business

We sell our products through a variety of trade channels with a significant portion dependent upon retail partnerships, through both traditional brick-and-mortar retail channels and e-commerce channels. We are seeing the emergence of strong e-commerce channels generating more online competition and declining in-store traffic in brick-and-mortar retailers. Consumer shopping preferences have shifted, and may continue to shift in the future to distribution channels other than traditional retail that may have more limited experience, presence and developed, such as e-commerce channels. If we are not successful in developing and utilizing e-commerce channels that future consumers may prefer, we may experience lower than expected revenues.

We are also seeing more traditional brick-and-mortar retailers closing physical stores, and filing for bankruptcy, which could negatively impact our distribution strategies and/or sales if such retailers decide to significantly reduce their inventory levels for our products or to designate more floor space to our competitors. Further consolidation, store closures and bankruptcies could have a material adverse effect on our business, prospects, financial condition, results of operations, cash flows, as well as the trading price of our securities.

Additionally, consolidation in retail has occurred during the last several years, particularly in developed markets such as the U.S. and Western Europe, resulting in us becoming increasingly dependent on relationships with fewer key retailers that control an increasing percentage of retail locations, which trend may continue. Our success is dependent on our ability to manage our retailer relationships, including offering trade terms on mutually acceptable terms. We generally do not have long-term sales contracts or other sales assurances with our retail customers.

Consolidation of retailers and our dependence on a small number of key customers for a significant percentage of our sales may negatively affect our business, financial condition and results of operations.

As a result of consolidation of retailers and consumer trends toward national mass merchandisers, a significant percentage of our sales are attributable to a limited group of customers. As these mass merchandisers and retailers grow larger and become more sophisticated, they may demand lower pricing, special packaging or impose other requirements on product suppliers. These business demands may relate to inventory practices, logistics or other aspects of the customer-supplier relationship. Because of the importance of these key customers, demands for price reductions or promotions, reductions in their purchases, changes in their financial condition or loss of their accounts could have a material adverse effect on our business, financial condition and results of operations.

Although we have long-established relationships with many of our customers, we do not have long-term agreements with them and purchases are generally made through the use of individual purchase orders. Any significant reduction in purchases, failure to obtain anticipated orders or delays or cancellations of orders by any of these major customers, or significant pressure to reduce prices from any of these major customers, could have a material adverse effect on our business, financial condition and results of operations. Additionally, a significant deterioration in the financial condition of the retail industry in general, the bankruptcy of any of our customers or any of our customers ceasing operations could have a material adverse effect on our sales and profitability.

As a result of retailers maintaining tighter inventory control, we face risks related to meeting demand and storing inventory.

As a result of the desire of retailers to more closely manage inventory levels, there is a growing trend among them to purchase products on a “just-in-time” basis. Due to a number of factors, including (i) manufacturing lead-times, (ii) seasonal purchasing patterns and (iii) the potential for material price increases, we may be required to shorten our lead-time for production and more closely anticipate our retailers’ and customers’ demands, which could in the future require us to carry additional inventories and increase our working capital and related financing requirements. This may increase the cost of warehousing inventory or result in excess inventory becoming difficult to manage, unusable or obsolete. In addition, if our retailers significantly change their inventory management strategies, we may encounter difficulties in filling customer orders or in liquidating excess inventories, or may find that customers are cancelling orders or returning products, which may have a material adverse effect on our business.

Furthermore, we primarily sell branded products and a move by one or more of our large customers to sell significant quantities of private label products, which we do not produce on their behalf and which directly compete with our products, could have a material adverse effect on our business, financial condition and results of operations.

Sales of certain of our products are seasonal and may cause our operating results and working capital requirements to fluctuate.

On a consolidated basis our financial results are approximately equally weighted across our quarters, however, sales of certain product categories tend to be seasonal. Further discussion over the seasonality of sales is included under the caption *Seasonality* under Item 1 above. As a result of this seasonality, our inventory and working capital needs fluctuate significantly throughout the year. In addition, orders from retailers are often made late in the period preceding the applicable peak season, making forecasting of production schedules and inventory purchases difficult. If we are unable to accurately forecast and prepare for customer orders or our working capital needs, or there is a general downturn in business or economic conditions during these periods, our business, financial condition and results of operations could be materially and adversely affected.

Adverse weather conditions during our peak selling seasons for our home and garden control and auto care products could have a material adverse effect on our home and garden business and auto care business.

Weather conditions have a significant impact on the timing and volume of sales of certain of our lawn and garden and household insecticide and repellent products. For example, periods of dry, hot weather can decrease insecticide sales, while periods of cold and wet weather can slow sales of herbicides. Adverse weather conditions during the first six months of the calendar year (the Company’s second and third fiscal quarters), when demand for home and garden control products typically peaks, could have a material adverse effect on our home and garden business and our financial results during such period. Weather can also influence customer behavior for our auto care products, especially with appearance and A/C recharge products, which sell best during warm, dry weather. There could be a material adverse effect on the auto care segment if the weather is cold or wet, during the spring and summer seasons when demand typically peaks.

Our products utilize certain key raw materials; any significant increase in the price of, or change in supply and demand for, these raw materials could have a material and adverse effect on our business, financial condition and profits.

The principal raw materials used to produce our products—including brass, petroleum-based plastic materials and corrugated materials (for packaging)—are sourced either on a global or regional basis by us or our suppliers, and the prices of those raw materials are susceptible to price fluctuations due to supply and demand trends, energy costs, transportation costs, government regulations, duties and tariffs, changes in currency exchange rates, price controls, general economic conditions and other unforeseen circumstances. Although we may increase the prices of certain of our goods to our customers, we may not be able to pass all of these cost increases on to our customers. As a result, our margins may be adversely impacted by such cost increases. We cannot provide any assurance that our sources of supply will not be interrupted due to changes in worldwide supply of or demand for raw materials or other events that interrupt material flow, which may have an adverse effect on our profitability and results of operations.

We regularly engage in forward purchase and hedging derivative transactions in an attempt to effectively manage and stabilize some of the raw material costs we expect to incur over the next 12 to 24 months. However, our hedging positions may not be effective, or may not anticipate beneficial trends, in a particular raw material market or may, as a result of changes in our business, no longer be useful for us. See *Note 13 – Derivatives* in the Notes to the Consolidated Financial Statements included elsewhere in the Annual Report for further discussion over our effective hedging strategies over certain commodity costs. In addition, for certain of the principal raw materials we use to produce our products there are no available effective hedging markets. If these efforts are not effective or expose us to above average costs for an extended period of time, and we are unable to pass our raw materials costs on to our customers, our future profitability may be materially and adversely affected. Furthermore, with respect to transportation costs, certain modes of delivery are subject to fuel surcharges which are determined based upon the current cost of diesel fuel in relation to pre-established agreed upon costs. We may be unable to pass these fuel surcharges on to our customers, which may have an adverse effect on our profitability and results of operations.

In addition, we have exclusivity arrangements and minimum purchase requirements with certain of our suppliers for the home and garden business, which increase our dependence upon and exposure to those suppliers. Some of those agreements include caps on the price we pay for our supplies and in certain instances these caps have allowed us to purchase materials at below market prices. When we attempt to renew those contracts, the other parties to the contracts may not be willing to include or may limit the effect of those caps and could even attempt to impose above market prices in an effort to make up for any below market prices paid by us prior to the renewal of the agreement. Any failure to timely obtain suitable supplies at competitive prices could materially adversely affect our business, financial condition and results of operations.

Our dependence on a few suppliers for certain of our products makes us vulnerable to a disruption in the supply of our products.

Although we have long-standing relationships with many of our suppliers, we generally do not have long-term contracts with them. An adverse change in any of the following could have a material adverse effect on our business, financial condition and results of operations:

- our ability to identify and develop relationships with qualified suppliers;
- the terms and conditions upon which we purchase products from our suppliers, including applicable exchange rates, transport and other costs, our suppliers' willingness to extend credit to us to finance our inventory purchases and other factors beyond our control;
- the financial condition of our suppliers;
- political and economic instability in the countries in which our suppliers are located, as a result of war, terrorist attacks, pandemics, natural disasters or otherwise;
- our ability to import outsourced products;
- our suppliers' noncompliance with applicable laws, trade restrictions and tariffs; or
- our suppliers' ability to manufacture and deliver outsourced products according to our standards of quality on a timely and efficient basis.

If our relationship with one of our key suppliers is adversely affected, we may not be able to quickly or effectively replace such supplier and may not be able to retrieve tooling, molds or other specialized production equipment or processes used by such supplier in the manufacture of our products. The loss of one or more of our suppliers, a material reduction in their supply of products or provision of services to us or extended disruptions or interruptions in their operations could have a material adverse effect on our business, financial condition and results of operations.

We manufacture the majority of our residential door locks at our Subic Bay, Philippines facility. Our home and garden products are mainly manufactured from our St. Louis, Missouri, facility. GAC's manufacturing facility consists of one site which is located in Dayton, Ohio and is dependent upon the continued safe operation of this facility.

Our facilities are subject to various hazards associated with the manufacturing, handling, storage, and transportation of chemical materials and products, including human error, leaks and ruptures, explosions, floods, fires, inclement weather and natural disasters, power loss or other infrastructure failures, mechanical failure, unscheduled downtime, regulatory requirements, the loss of certifications, technical difficulties, labor disputes, inability to obtain material, equipment or transportation, environmental hazards such as remediation, chemical spills, discharges or releases of toxic or hazardous substances or gases, and other risks. Many of these hazards could cause personal injury and loss of life, severe damage to, or destruction of, property and equipment and environmental contamination. In addition, the occurrence of material operation problems at our facilities due to any of these hazards could cause a disruption in the production of products. We may also encounter difficulties or interruption as a result of the application of enhanced manufacturing technologies or changes to production lines to improve throughput or to upgrade or repair its production lines. The Company's insurance policies have coverage in case of significant damage to its manufacturing facility but may not fully compensate for the cost of replacement for any such damage and any loss from business interruption. As a result, we may not be adequately insured to cover losses resulting from significant damage to its manufacturing facility. Any damage to its facility or interruption in manufacturing could result in production delays and delays in meeting contractual obligations which could have a material adverse effect on relationships with customers and on its results of operations, financial condition or cash flows in any given period.

A change in governmental regulations regarding the use of refrigerant gas R-134a or its potential future substitutes could have a material adverse effect on GAC's ability to sell its aftermarket A/C products.

The refrigerant R-134a is critical component of the Company's aftermarket A/C products and is used in products which comprised approximately 35% of GAC's net sales, or approximately 5% of the Company's net sales, in the year ended September 30, 2017. Older generation refrigerants such as R-12 (Freon) have been regulated for some time in the United States and elsewhere, due to concerns about their potential to contribute to ozone depletion. In recent years, refrigerants such as R-134a, which is an approved substitute for R-12, have also become the subject of regulatory focus due to their potential to contribute to global warming.

The European Union has passed regulations that require the phase out of R-134a in automotive cooling systems in new vehicles by 2017. In the United States, the Company cannot predict what future action, if any, the EPA will take on the regulation of R-134a. But based on currently available information, it believes that it would take some time for suitable alternatives to R-134a to come into full scale commercial production and therefore such alternatives would not be readily available for wide spread use in new car models. If the future use of R-134a is phased out or is limited or prohibited in jurisdictions in which we do business, the future market for GAC's products containing R-134a may be limited, which could have a material adverse impact on its results of operations, financial condition, and cash flows.

In addition, regulations may be enacted governing the packaging, use and disposal of the Company's products containing refrigerants. For example, regulations are currently in effect in California that governs the sale and distribution of products containing R-134a. While the Company has reported that it is not aware of any noncompliance with such regulations, its failure to comply with these or possible future regulations in California, or elsewhere, could result in material fines or costs or the inability to sell its products in those markets, which could have a material adverse impact on the results of operations, financial condition and cash flows. If substitutes for R-134a become widely used in A/C systems and their use for DIY and retrofit purposes are not approved by the EPA, it could have a material adverse effect on GAC's results of operations, financial condition, and cash flows. In addition, the cost of HFO-1234yf, the leading long-term alternative to R-134a being proposed in the United States and the European Union for use in the A/C systems of new vehicles, will likely be higher than that of R-134a and access to supply of HFO-1234yf may be limited. If HFO-1234yf becomes widely used and the Company is able to develop products using HFO-1234yf, but is unable to price its products to reflect the increased cost of HFO-1234yf, it could have a material adverse effect on its results of operations, financial condition and cash flow.

We face risks related to our sales of products obtained from third-party suppliers.

We sell products that are manufactured by third party suppliers over which we have no direct control. While we have implemented processes and procedures to try to ensure that the suppliers we use are complying with all applicable regulations, there can be no assurances that such suppliers in all instances will comply with such processes and procedures or otherwise with applicable regulations. Noncompliance could result in our marketing and distribution of contaminated, defective or dangerous products which could subject us to liabilities and could result in the imposition by governmental authorities of procedures or penalties that could restrict or eliminate our ability to purchase products. Any or all of these effects could adversely affect our business, financial condition and results of operations.

In addition, the Dodd-Frank Wall Street Reform and Consumer Protection Act includes provisions regarding certain minerals and metals, known as conflict minerals, mined from the Democratic Republic of Congo and adjoining countries. These provisions require companies to undertake due diligence procedures and report on the use of conflict minerals in its products, including products manufactured by third parties. Compliance with these provisions will cause us to incur costs to certify that our supply chain is conflict free and we may face difficulties if our suppliers are unwilling or unable to verify the source of their materials. Our ability to source these minerals and metals may also be adversely impacted. In addition, our customers may require that we provide them with a certification and our inability to do so may disqualify us as a supplier.

We may not be able to adequately establish and protect our intellectual property rights, and the infringement or loss of our intellectual property rights could harm our business.

To establish and protect our intellectual property rights, we rely upon a combination of national, foreign and multi-national patent, trademark and trade secret laws, together with licenses, confidentiality agreements and other contractual arrangements. The measures that we take to protect our intellectual property rights may prove inadequate to prevent third parties from infringing or misappropriating our intellectual property. We may need to resort to litigation to enforce or defend our intellectual property rights. If a competitor or collaborator files a patent application claiming technology also claimed by us, or a trademark application claiming a trademark, service mark or trade dress also used by us, in order to protect our rights, we may have to participate in expensive and time consuming opposition or interference proceedings before the U.S. Patent and Trademark Office or a similar foreign agency. Similarly, our intellectual property rights may be challenged by third parties or invalidated through administrative process or litigation. The costs associated with protecting intellectual property rights, including litigation costs, may be material. Furthermore, even if our intellectual property rights are not directly challenged, disputes among third parties could lead to the weakening or invalidation of our intellectual property rights, or our competitors may independently develop technologies that are substantially equivalent or superior to our technology. Obtaining, protecting and defending intellectual property rights can be time consuming and expensive, and may require us to incur substantial costs, including the diversion of the time and resources of management and technical personnel.

Moreover, the laws of certain foreign countries in which we operate or may operate in the future do not protect, and the governments of certain foreign countries do not enforce, intellectual property rights to the same extent as do the laws and government of the U.S., which may negate our competitive or technological advantages in such markets. Also, some of the technology underlying our products is the subject of nonexclusive licenses from third parties. As a result, this technology could be made available to our competitors at any time. If we are unable to establish and then adequately protect our intellectual property rights, our business, financial condition and results of operations could be materially and adversely affected.

We license various trademarks, trade names and patents from third parties for certain of our products. Further discussion and detail on licensed trademarks, trade names and patents are included under the caption *Patents and Trademarks* under Item 1 above. These licenses generally place marketing obligations on us and require us to pay fees and royalties based on net sales or profits. Typically, these licenses may be terminated if we fail to satisfy certain minimum sales obligations or if we breach the terms of the license. The termination of these licensing arrangements, failure to renew or enter into a new agreement on acceptable terms could adversely affect our business, financial condition and results of operations. When our right to use these trademarks, brand names and logos expires, we may not be able to maintain or enjoy comparable name recognition or status under our new brand. If we are unable to successfully manage the transition of our business to new brands, our reputation among our customers could be adversely affected, and our revenue and profitability could decline.

If we are unable to protect the confidentiality of our proprietary information and know-how, the value of our technology, products and services could be harmed significantly.

We rely on trade secrets, know-how and other proprietary information in operating our business. If this information is not adequately protected, then it may be disclosed or used in an unauthorized manner. To the extent that consultants, key employees or other third parties apply technological information independently developed by them or by others to our proposed products, disputes may arise as to the proprietary rights to such information, which may not be resolved in our favor. The risk that other parties may breach confidentiality agreements or that our trade secrets become known or independently discovered by competitors, could harm us by enabling our competitors, who may have greater experience and financial resources, to copy or use our trade secrets and other proprietary information in the advancement of their products, methods or technologies. The disclosure of our trade secrets would impair our competitive position, thereby weakening demand for our products or services and harming our ability to maintain or increase our customer base.

Claims by third parties that we are infringing their intellectual property and other litigation could adversely affect our business.

From time to time in the past we have been subject to claims that we are infringing the intellectual property of others. We currently are the subject of such claims and it is possible that third parties will assert infringement claims against us in the future. An adverse finding against us in these or similar trademark or other intellectual property litigations may have a material adverse effect on our business, financial condition and results of operations. Any such claims, with or without merit, could be time consuming and expensive, and may require us to incur substantial costs, including the diversion of the resources of management and technical personnel, cause product delays or require us to enter into licensing or other agreements in order to secure continued access to necessary or desirable intellectual property. If we are deemed to be infringing a third party's intellectual property and are unable to continue using that intellectual property as we had been, our business and results of operations could be harmed if we are unable to successfully develop non-infringing alternative intellectual property on a timely basis or license non-infringing alternatives or substitutes, if any exist, on commercially reasonable terms. In addition, an unfavorable ruling in intellectual property litigation could subject us to significant liability, as well as require us to cease developing, manufacturing or selling the affected products or using the affected processes or trademarks. Any significant restriction on our proprietary or licensed intellectual property that impedes our ability to develop and commercialize our products could have a material adverse effect on our business, financial condition and results of operations.

Class action and derivative action lawsuits and other investigations, regardless of their merits, could have an adverse effect on our business, financial condition and results of operations.

We and certain of our officers and directors have been named in the past, and, may be named in the future, as defendants of class action and derivative action lawsuits. In the past, we have also received requests for information from government authorities. Regardless of their subject matter or merits, class action lawsuits and other government investigations may result in significant cost to us, which may not be covered by insurance, may divert the attention of management or may otherwise have an adverse effect on our business, financial condition and results of operations.

The Company may be subject to product liability claims and product recalls, which could negatively impact its profitability

In the ordinary course of our business, the Company may be named as a defendant in lawsuits involving product liability claims. In any such proceedings, plaintiffs may seek to recover large and sometimes unspecified amounts of damages, and the matters may remain unresolved for several years. Any such matters could have a material adverse effect on our business, results of operations and cash flows if we are unable to successfully defend against or settle these matters or if our insurance coverage is insufficient to satisfy any judgments against us or settlement related to these matters. The Company sells perishable treats for animal consumption, which involves risks such as product contamination or spoilage, product tampering, and other adulteration of food products. The Company may be subject to liability if the consumption of any of its products causes injury, illness, or death. In addition, the Company will voluntarily recall products in the event of contamination or damage. For example, on June 10, 2017, the Company initiated a voluntary safety recall of various rawhide chew products for dogs sold by the Company's PET segment due to possible chemical contamination. The costs of the recall negatively impacted Net Sales, Gross Margin, and Adjusted EBITDA in the PET segment and the Company expects ongoing impacts to its business. A significant product liability judgment or a widespread product recall may negatively impact the Company's sales and profitability for a period of time depending on product availability, competitive reaction, and consumer attitudes. Even if a product liability claim is unsuccessful or is not fully pursued, the negative publicity surrounding any assertion that Company products caused illness or injury could adversely affect the Company's reputation with existing and potential customers and its corporate and brand image. Although we have product liability insurance coverage and an excess umbrella policy, our insurance policies may not provide coverage for certain, or any, claims against us or may not be sufficient to cover all possible liabilities. We may not be able to maintain such insurance on acceptable terms, if at all, in the future. See *Note 19 - Commitments and Contingencies* in the Notes to the Consolidated Financial Statements included elsewhere for further discussion on product liability and product recalls.

Public perceptions that some of the products we produce and market are not safe could adversely affect us.

On occasion, customers have alleged that some products failed to perform up to expectations or have caused damage or injury to individuals or property. Public perception that any of our products are not safe, whether justified or not, could impair our reputation, damage our brand names and have a material adverse effect on our business, financial condition and results of operations. In addition, we rely on certain third party trademarks, brand names and logos of which we do not have exclusive use of. Public perception that any such third party trademarks, brand names and logos used by us are not safe, whether justified or not, could have a material adverse effect on our business, financial condition and results of operations.

We may incur material capital and other costs due to environmental liabilities.

We are subject to a broad range of federal, state, local, foreign and multi-national laws and regulations relating to the environment. These include laws and regulations that govern:

- discharges to the air, water and land;
- the handling and disposal of solid and hazardous substances and wastes; and
- remediation of contamination associated with release of hazardous substances at our facilities and at off-site disposal locations.

Moreover, there are adopted and proposed international accords and treaties, as well as federal, state and local laws and regulations, that would attempt to control or limit the causes of climate change, including the effect of greenhouse gas emissions on the environment. In the event that the U.S. government or foreign governments enact new climate change laws or regulations or make changes to existing laws or regulations, compliance with applicable laws or regulations may result in increased manufacturing costs for our products, such as by requiring investment in new pollution control equipment or changing the ways in which certain of our products are made. We may incur some of these costs directly and others may be passed on to us from our third-party suppliers. Although we believe that we are substantially in compliance with applicable environmental laws and regulations at our facilities, we may not always be in compliance with such laws and regulations or any new laws and regulations in the future, which could have a material adverse effect on our business, financial condition and results of operations.

From time to time, we have been required to address the effect of historic activities on the environmental condition of our properties or former properties. We have not conducted invasive testing at all of our facilities to identify all potential environmental liability risks. Given the age of our facilities and the nature of our operations, material liabilities may arise in the future in connection with our current or former facilities. If previously unknown contamination of property underlying or in the vicinity of our manufacturing facilities is discovered, we could be required to incur material unforeseen expenses. If this occurs, it may have a material adverse effect on our business, financial condition and results of operations. We are currently engaged in investigative or remedial projects at a few of our facilities and any liabilities arising from such investigative or remedial projects at such facilities may have a material effect on our business, financial condition and results of operations.

In addition, in connection with certain business acquisitions, we have assumed, and in connection with future acquisitions may assume in the future, certain potential environmental liabilities. To the extent we have not identified such environmental liabilities or to the extent the indemnifications obtained from our counterparties are insufficient to cover such environmental liabilities, these environmental liabilities could have a material adverse effect on our business.

We are also subject to proceedings related to our disposal of industrial and hazardous material at off-site disposal locations or similar disposals made by other parties for which we are responsible as a result of our relationship with such other parties. These proceedings are under the Comprehensive Environmental Response, Compensation, and Liability Act ("CERCLA") or similar state or foreign jurisdiction laws that hold persons who "arranged for" the disposal or treatment of such substances strictly liable for costs incurred in responding to the release or threatened release of hazardous substances from such sites, regardless of fault or the lawfulness of the original disposal. Liability under CERCLA is typically joint and several, meaning that a liable party may be responsible for all of the costs incurred in investigating and remediating contamination at a site. We occasionally are identified by federal or state governmental agencies as being a potentially responsible party for response actions contemplated at an off-site facility. At the existing sites where we have been notified of our status as a potentially responsible party, it is either premature to determine if our potential liability, if any, will be material or we do not believe that our liability, if any, will be material. We may be named as a potentially responsible party under CERCLA or similar state or foreign jurisdiction laws in the future for other sites not currently known to us, and the costs and liabilities associated with these sites may have a material adverse effect on our business, financial condition and results of operations.

It is difficult to quantify with certainty the potential financial impact of actions regarding expenditures for environmental matters, particularly remediation, and future capital expenditures for environmental control equipment. See *Note 19 - Commitments and Contingencies* in the Notes to the Consolidated Financial Statements included elsewhere within the Annual Report for further discussion on estimated liabilities arising from such environmental matters. Nevertheless, based upon the information currently available, we believe that our ultimate liability arising from such environmental matters should not be material to our business or financial condition.

Compliance with various public health, consumer protection and other regulations applicable to our products and facilities could increase our cost of doing business and expose us to additional requirements with which we may be unable to comply.

Certain of our products sold through, and facilities operated under, each of our business segments are regulated by the Environmental Protection Agency (“EPA”), the Food and Drug Administration (“FDA”), the United States Department of Agriculture or other federal or state consumer protection and product safety agencies and are subject to the regulations such agencies enforce, as well as by similar state, foreign and multinational agencies and regulations. For example, in the U.S., all products containing pesticides must be registered with the EPA and, in many cases, similar state and foreign agencies before they can be manufactured or sold. Our inability to obtain, or the cancellation of, any registration could have an adverse effect on our business, financial condition and results of operations. The severity of the effect would depend on which products were involved, whether another product could be substituted and whether our competitors were similarly affected. We attempt to anticipate regulatory developments and maintain registrations of, and access to, substitute chemicals and other ingredients, but we may not always be able to avoid or minimize these risks.

As a distributor of consumer products in the U.S., certain of our products are also subject to the Consumer Product Safety Act, which empowers the U.S. Consumer Product Safety Commission (the “Consumer Commission”) to exclude from the market products that are found to be unsafe or hazardous. Under certain circumstances, the Consumer Commission could require us to repair, replace or refund the purchase price of one or more of our products, or we may voluntarily do so. Any additional repurchases or recalls of our products could be costly to us and could damage the reputation or the value of our brands. If we are required to remove, or we voluntarily remove our products from the market, our reputation or brands could be tarnished and we may have large quantities of finished products that could not be sold. Furthermore, failure to timely notify the Consumer Commission of a potential safety hazard can result in significant fines being assessed against us. Additionally, laws regulating certain consumer products exist in some states, as well as in other countries in which we sell our products, and more restrictive laws and regulations may be adopted in the future.

The Food Quality Protection Act (“FQPA”) established a standard for food-use pesticides, which is that a reasonable certainty of no harm will result from the cumulative effect of pesticide exposures. Under the FQPA, the EPA is evaluating the cumulative effects from dietary and non-dietary exposures to pesticides. The pesticides in certain of our products that are sold through the Home and Garden Business continue to be evaluated by the EPA as part of this program. It is possible that the EPA or a third party active ingredient registrant may decide that a pesticide we use in our products will be limited or made unavailable to us. We cannot predict the outcome or the severity of the effect of the EPA’s continuing evaluations of active ingredients used in our products.

In addition, the use of certain pesticide products that are sold through our Home and Garden Business may, among other things, be regulated by various local, state, federal and foreign environmental and public health agencies. These regulations may require that only certified or professional users apply the product, that users post notices on properties where products have been or will be applied or that certain ingredients may not be used. Compliance with such public health regulations could increase our cost of doing business and expose us to additional requirements with which we may be unable to comply.

Any failure to comply with these laws or regulations, or the terms of applicable environmental permits, could result in us incurring substantial costs, including fines, penalties and other civil and criminal sanctions or the prohibition of sales of our pest control products. Environmental law requirements and the enforcement thereof, change frequently, have tended to become more stringent over time and could require us to incur significant expenses.

Most federal, state and local authorities require certification by Underwriters Laboratory, Inc. (“UL”), an independent, not-for-profit corporation engaged in the testing of products for compliance with certain public safety standards, or other safety regulation certification prior to marketing electrical appliances. Foreign jurisdictions also have regulatory authorities overseeing the safety of consumer products. Our products may not meet the specifications required by these authorities. A determination that any of our products are not in compliance with these rules and regulations could result in the imposition of fines or an award of damages to private litigants.

A cybersecurity breach or failure of one or more key information technology systems could have a material adverse impact on our business or reputation.

We rely extensively on information technology (IT) systems, networks and services, including internet sites, data hosting and processing facilities and tools and other hardware, software and technical applications and platforms, some of which are managed, hosted, provided and/or used by third-parties or their vendors, to assist in conducting our business.

Our IT systems have been, and will likely continue to be, subject to computer viruses or other malicious codes, unauthorized access attempts, phishing and other cyber-attacks. We continue to assess potential threats and make investments seeking to address these threats, including monitoring of networks and systems and upgrading skills, employee training and security policies for the Company and its third-party providers. However, because the techniques used in these attacks change frequently and may be difficult to detect for periods of time, we may face difficulties in anticipating and implementing adequate preventative measures. To date, we have seen no material impact on our business or operations from these attacks; however, we cannot guarantee that our security efforts will prevent breaches or breakdowns to our or our third-party providers’ databases or systems. If the IT systems, networks or service providers we rely upon fail to function properly, or if we or one of our third-party providers suffer a loss, significant unavailability of or disclosure of our business or stakeholder information, and our business continuity plans do not effectively address these failures on a timely basis, we may be exposed to reputational, competitive and business harm as well as litigation and regulatory action. The costs and operational consequences of responding to breaches and implementing remediation measures could be significant.

Disruption or failures of our information technology systems could have a material adverse effect on our business.

Our information technology systems are susceptible to security breaches, operational data loss, general disruptions in functionality, and may not be compatible with new technology. We depend on our information technology systems for the effectiveness of our operations and to interface with our customers, as well as to maintain financial records and accuracy. Disruption or failures of our information technology systems could impair our ability to effectively and timely provide our services and products and maintain our financial records, which could damage our reputation and have a material adverse effect on our business.

Our actual or perceived failure to adequately protect personal data could adversely affect our business, financial condition and results of operations.

A variety of state, national, foreign, and international laws and regulations apply to the collection, use, retention, protection, disclosure, transfer, and other processing of personal data. These privacy and data protection-related laws and regulations are evolving, with new or modified laws and regulations proposed and implemented frequently and existing laws and regulations subject to new or different interpretations. Compliance with these laws and regulations can be costly and can delay or impede the development of new products.

We historically have relied upon adherence to the U.S. Department of Commerce's Safe Harbor Privacy Principles and compliance with the U.S.-EU Safe Harbor Framework under Directive 95/46/EC (commonly referred to as the "Data Protection Directive") agreed to by the U.S. Department of Commerce and the EU. The U.S.-EU Safe Harbor Framework, which established means for legitimizing the transfer of personal data by U.S. companies from the European Economic Area, or EEA, to the U.S., recently was invalidated by a decision of the European Court of Justice (or the "ECJ").

On July 12, 2016, the European Commission adopted the EU-U.S. Privacy Shield, which provides a framework for the transfer of personal data of EU data subjects, and on May 4, 2016, the EU General Data Protection Regulation ("GDPR"), which will replace Directive 95/46/EC, was formally published. The GDPR will go into effect on May 25, 2018 and as a regulation as opposed to a directive will be directly applicable in EU member states. Among other things, the GDPR applies to data controllers and processors outside of the EU whose processing activities relate to the offering of goods or services to, or monitoring the behavior within the EU of, EU data subjects.

In light of these developments, we are reviewing our business practices and may find it necessary or desirable to make changes to our personal data handling to cause our transfer and receipt of EEA residents' personal data to be legitimized under applicable European law. The regulation of data privacy in the EU continues to evolve, and it is not possible to predict the ultimate content, and therefore the effect, of data protection regulation over time.

Our actual or alleged failure to comply with applicable laws and regulations, or to protect personal data, could result in enforcement actions and significant penalties against us, which could result in negative publicity, increase our operating costs, subject us to claims or other remedies and have a material adverse effect on our business, financial condition, and results of operations.

If we are unable to negotiate satisfactory terms to continue existing or enter into additional collective bargaining agreements, we may experience an increased risk of labor disruptions and our results of operations and financial condition may suffer.

See discussion over the Company's labor force subject to collective bargaining agreements under the caption *Employees* in Item 1 above. While we currently expect to negotiate continuations to the terms of these agreements, there can be no assurances that we will be able to obtain terms that are satisfactory to us or otherwise to reach agreement at all with the applicable parties. In addition, in the course of our business, we may also become subject to additional collective bargaining agreements. These agreements may be on terms that are less favorable than those under our current collective bargaining agreements. Increased exposure to collective bargaining agreements, whether on terms more or less favorable than our existing collective bargaining agreements, could adversely affect the operation of our business, including through increased labor expenses. While we intend to comply with all collective bargaining agreements to which we are subject, there can be no assurances that we will be able to do so and any noncompliance could subject us to disruptions in our operations and materially and adversely affect our results of operations and financial condition.

Significant changes in actual investment return on pension assets, discount rates and other factors could affect our results of operations, equity and pension contributions in future periods.

Our results of operations may be positively or negatively affected by the amount of income or expense we record for our defined benefit pension plans. Accounting Principles Generally Accepted in the United States ("GAAP") requires that we calculate income or expense for the plans using actuarial valuations. These valuations reflect assumptions about financial markets and other economic conditions, which may change based on changes in key economic indicators. The most significant assumptions we use to estimate pension income or expense are the discount rate and the expected long-term rate of return on plan assets. In addition, we are required to make an annual measurement of plan assets and liabilities, which may result in a significant change to equity. Although pension expense and pension funding contributions are not directly related, key economic factors that affect pension expense would also likely affect the amount of cash we would contribute to pension plans as required under the Employee Retirement Income Security Act of 1974, as amended.

We depend on key personnel and may not be able to retain those employees or recruit additional qualified personnel.

We are highly dependent on the continuing efforts of our senior management team and other key personnel. Our business, financial condition and results of operations could be materially adversely affected if we lose any of these persons and are unable to attract and retain qualified replacements.

We may not be able to fully utilize our U.S. tax attributes.

The Company has accumulated a substantial amount of U.S. federal and state net operating loss ("NOLs") carryforwards, capital loss carryforwards, and federal and state tax credits that will expire if unused. We have concluded that it is more likely than not that the majority of the federal and state deferred tax assets will create tax benefits in the future. As a consequence of earlier business combinations and issuances of common stock, the Company and its subsidiaries have had various changes of ownership that continue to subject a significant amount of the Company's U.S. NOLs and other tax attributes to certain limitations; and therefore a valuation allowance is still recognized on certain federal and state tax asset carryforwards that are expected to expire due to the ownership change limitations or because we do not believe we will earn enough taxable income to utilize. Further, if we are unable to fully utilize our NOLs to offset taxable income generated in the future, our future cash taxes could be materially and negatively impacted. For further detail over the Company's federal and state NOLs, credits, and applicable valuation allowance, see *Note 15 – Income Taxes* in the Notes to the Consolidated Financial Statements included elsewhere in this Annual Report.

Our acquisition and expansion strategy may not be successful.

Our growth strategy is based in part on growth through acquisitions, which poses a number of risks. We may not be successful in identifying appropriate acquisition candidates, consummating acquisitions on satisfactory terms or integrating any newly acquired or expanded business with our current operations. We may issue additional equity, incur long-term or short-term indebtedness, spend cash or use a combination of these for all or part of the consideration paid in future acquisitions or expansion of our operations. The execution of our acquisition and expansion strategy could entail repositioning or similar actions that in turn require us to record impairments, restructuring and other charges. Any such charges would reduce our earnings. We cannot guarantee that any future business acquisitions will be pursued or that any acquisitions that are pursued will be consummated.

Significant costs have been incurred and are expected to be incurred in connection with the consummation of recent and future business acquisitions and the integration of such acquired businesses with Spectrum into a combined company, including legal, accounting, financial advisory and other costs.

We expect to incur one-time costs in connection with integrating our operations, products and personnel and those of businesses we acquire into a combined company, in addition to costs related directly to completing such acquisitions. We would expect similar costs to be incurred with any future acquisition. These costs may include expenditures for:

- employee redeployment, relocation or severance;
- integration of operations and information systems;
- combination of research and development teams and processes; and
- reorganization or closures of facilities.

In addition, we expect to incur a number of non-recurring costs associated with combining our operations with those of acquired businesses. Additional unanticipated costs may yet be incurred as we integrate our business with acquired businesses. Although we expect that the elimination of duplicative costs, as well as the realization of other efficiencies related to the integration of our operations with those of acquired businesses, may offset incremental transaction and transaction-related costs over time, this net benefit may not be achieved in the near term. Additionally, while we expect to benefit from leveraging distribution channels and brand names among the Company and the businesses we acquire, we cannot assure you that we will achieve such benefits.

We may not realize the anticipated benefits of, and synergies from, our business acquisitions and may become responsible for certain liabilities and integration costs as a result.

Business acquisitions involve the integration of new businesses that have previously operated independently from us. The integration of our operations with those of acquired businesses is frequently expected to result in financial and operational benefits, including increased top line growth, margins, revenues and cost savings and be accretive to earnings per share, earnings before interest, taxes, depreciation and amortization and free cash flow before synergies. There can be no assurance, however, regarding when or the extent to which we will be able to realize these increased top line growth, margins, revenues, cost savings or accretions to earnings per share, earnings before interest, taxes, depreciation and amortization or free cash flow or other benefits. Integration may also be difficult, unpredictable, and subject to delay because of possible company culture conflicts and different opinions on technical decisions and product roadmaps. We will often be required to integrate or, in some cases, replace, numerous systems, including those involving management information, purchasing, accounting and finance, sales, billing, employee benefits, payroll and regulatory compliance, many of which may be dissimilar. In some instances, we and certain acquired businesses have served the same customers, and some customers may decide that it is desirable to have additional or different suppliers. Difficulties associated with the integration of acquired businesses could have a material adverse effect on our business.

We may also acquire partial or full ownership in businesses or may acquire rights to market and distribute particular products or lines of products. The acquisition of a business or the rights to market specific products or use specific product names may involve a financial commitment by us, either in the form of cash or equity consideration. In the case of a new license, such commitments are usually in the form of prepaid royalties and future minimum royalty payments. There is no guarantee that we will acquire businesses or product distribution rights that will contribute positively to our earnings. Anticipated synergies may not materialize, cost savings may be less than expected, sales of products may not meet expectations and acquired businesses may carry unexpected liabilities.

In addition, in connection with business acquisitions, we have assumed, and may assume in connection with future acquisitions, certain potential liabilities. To the extent such liabilities are not identified by us or to the extent the indemnifications obtained from third parties are insufficient to cover such liabilities, these liabilities could have a material adverse effect on our business.

Integrating our business with acquired businesses may divert our management's attention away from operations.

Successful integration of acquired businesses' operations, products and personnel with us may place a significant burden on our management and other internal resources. The diversion of management's attention, and any difficulties encountered in the transition and integration process, could harm our business, financial condition and operating results.

As a result of business acquisitions, we may not be able to retain key personnel or recruit additional qualified personnel, which could materially affect our business and require us to incur substantial additional costs to recruit replacement personnel.

We are highly dependent on the continuing efforts of our senior management team and other key personnel. As a result of business acquisitions, our current and prospective employees could experience uncertainty about their future roles. This uncertainty may adversely affect our ability to attract and retain key management, sales, marketing and technical personnel. Any failure to attract and retain key personnel could have a material adverse effect on our business. In addition, we currently do not maintain "key person" insurance covering any member of our management team.

If any of our key personnel or those of our acquired businesses were to join a competitor or form a competing company, existing and potential customers or suppliers could choose to form business relationships with that competitor instead of us. There can be no assurance that confidentiality, non-solicitation, non-competition or similar agreements signed by former directors, officers, employees or stockholders of us, our acquired businesses or our transactional counterparties will be effective in preventing a loss of business.

General customer uncertainty related to our business acquisitions could harm us.

Our customers may, in response to the announcement or consummation of a business acquisition, delay or defer purchasing decisions. If our customers delay or defer purchasing decisions, our revenues could materially decline or any anticipated increases in revenue could be lower than expected.

If our goodwill, indefinite-lived intangible assets or other long-term assets become impaired, we will be required to record additional impairment charges, which may be significant.

A significant portion of our long-term assets consist of goodwill, other indefinite-lived intangible assets and finite-lived intangible assets recorded as a result of past acquisitions as well as through fresh start reporting. We do not amortize goodwill and indefinite-lived intangible assets, but rather review them for impairment on a periodic basis or whenever events or changes in circumstances indicate that their carrying value may not be recoverable. We consider whether circumstances or conditions exist which suggest that the carrying value of our goodwill and other long-lived intangible assets might be impaired. If such circumstances or conditions exist, further steps are required in order to determine whether the carrying value of each of the individual assets exceeds its fair value. If analysis indicates that an individual asset's carrying value does exceed its fair value, the next step is to record a loss equal to the excess of the individual asset's carrying value over its fair value.

The steps required by GAAP entail significant amounts of judgment and subjectivity. Events and changes in circumstances that may indicate that there may be an impairment and which may indicate that interim impairment testing is necessary include, but are not limited to: strategic decisions to exit a business or dispose of an asset made in response to changes in economic, political and competitive conditions; the impact of the economic environment on the customer base and on broad market conditions that drive valuation considerations by market participants; our internal expectations with regard to future revenue growth and the assumptions we make when performing impairment reviews; a significant decrease in the market price of our assets; a significant adverse change in the extent or manner in which our assets are used; a significant adverse change in legal factors or the business climate that could affect our assets; an accumulation of costs significantly in excess of the amount originally expected for the acquisition of an asset; and significant changes in the cash flows associated with an asset. As a result of such circumstances, we may be required to record a significant charge to earnings in our financial statements during the period in which any impairment of our goodwill, indefinite-lived intangible assets or other long-term assets is determined. Any such impairment charges could have a material adverse effect on our business, financial condition and operating results.

The successful execution of our operational efficiency and multi-year restructuring initiatives are key to the long-term growth of our business.

We continue to engage in targeted restructuring initiatives, such as the *HHI Distribution Center Consolidation* and *GAC Business Rationalization Initiatives*, to align our business operations in response to current and anticipated future market conditions and investment strategy. We will evaluate opportunities for additional initiatives to restructure or reorganize the business across our operating segments and functions with a focus on areas of strategic growth and optimizing operational efficiency. Significant risks associated with these actions may impair our ability to achieve the anticipated cost reduction or may disrupt our business including delays in shipping, implementation of workforce, redundant costs, and failure to meet operational targets. In addition, our ability to achieve the anticipated cost savings and other benefits from these actions within the expected timeframe is subject to many estimates and assumptions. These estimates and assumptions are subject to significant economic, competitive and other uncertainties, some of which are beyond our control. If these estimates and assumptions are incorrect, experience delays, or if other unforeseen events occur, our business and results of operation could be adversely affected. Refer to *Note 5 - Restructuring and Related Charges* in the Notes to the Consolidated Financial Statements included elsewhere in this Annual Report for additional detail over restructuring related activity.

Our Restated Bylaws provide that the Court of Chancery of the State of Delaware will be the exclusive forum for substantially all disputes between us and our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our restated bylaws provide that the Court of Chancery of the State of Delaware is the exclusive forum for any derivative action or proceeding brought on our behalf, any action asserting a breach of fiduciary duty, any action asserting a claim against us arising pursuant to the Delaware General Corporation Law, our amended and restated certificate of incorporation or our restated bylaws, any action to interpret, apply, enforce, or determine the validity of our amended and restated certificate of incorporation or bylaws, or any action asserting a claim against us that is governed by the internal affairs doctrine. The choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees. Alternatively, if a court were to find the choice of forum provision contained in our restated bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving such action in other jurisdictions, which could adversely affect our business and financial condition.

Even though the Company's common stock is currently traded on the NYSE, it has less liquidity than many other stocks quoted on a national securities exchange.

The trading volume in the Company's common stock on the NYSE has been relatively low when compared with larger companies listed on the NYSE or other stock exchanges. Because of this, it may be more difficult for stockholders to sell a substantial number of shares for the same price at which stockholders could sell a smaller number of shares. We cannot predict the effect, if any, that future sales of the Company's common stock in the market, or the availability of shares of its common stock for sale in the market, will have on the market price of the Company's common stock. We can give no assurance that sales of substantial amounts of the Company's common stock in the market, or the potential for large amounts of sales in the market, would not cause the price of the Company's common stock to decline or impair the Company's future ability to raise capital through sales of its common stock. Furthermore, because of the limited market and generally low volume of trading in the Company's common stock that could occur, the share price of its common stock could be more likely to be affected by broad market fluctuations, general market conditions, fluctuations in our operating results, changes in the market's perception of our business, and announcements made by the Company, its competitors or parties with whom the Company has business relationships. The lack of liquidity in the Company's common stock may also make it difficult for us to issue additional securities for financing or other purposes, or to otherwise arrange for any financing we may need in the future. In addition, we may experience other adverse effects, including, without limitation, the loss of confidence in us by current and prospective suppliers, customers, employees and others with whom we have or may seek to initiate business relationships.

The sale or other disposition by HRG Group, Inc. (“HRG”), the holder of a majority of the outstanding shares of our common stock, to non-affiliates of a sufficient amount of the common stock of the Company would constitute a change of control under the agreements governing the Company’s debt.

HRG owns a majority of the outstanding shares of the common stock of the Company. The sale or other disposition by HRG to non-affiliates of a sufficient amount of the common stock of the Company could constitute a change of control under certain of the agreements governing the Company’s debt, including any foreclosure on or sale of the Company’s common stock pledged as collateral by HRG pursuant to the indenture governing HRG’s 7.875% Senior Secured Notes due 2019. Under the senior secured facilities, a change of control is an event of default and, if a change of control were to occur, the Company would be required to amend these facilities to avoid a default. If the Company was unable to amend these facilities, the lenders could accelerate the maturity of any outstanding debt under these facilities. In addition, under the Indentures, upon a change of control of the Company, the Company is required to offer to repurchase such notes from the holders at a price equal to 101% of the principal amount of the notes plus accrued interest or obtain a waiver of default from the holders of such notes. If the Company were unable to make the change of control offer, or to obtain a waiver of default, it would be an event of default under the indentures that could allow holders of such notes to accelerate the maturity of the notes. See the risk factor entitled *HRG and its significant stockholders exercise significant influence over us and their interests in our business may be different from the interests of our stockholders* included elsewhere in this Annual Report.

HRG and its significant stockholders exercise significant influence over us and their interests in our business may be different from the interests of our stockholders.

HRG, as our majority stockholder, and its significant stockholders, have the ability to influence the outcome of any corporate action by us that requires stockholder approval, including, but not limited to, the election of directors, approval of merger transactions and the sale of all or substantially all of our assets. In addition, we are a party to a stockholder agreement with HRG and certain of its stockholders. This influence and actual control may have the effect of discouraging offers to acquire the Company because any such consummation would likely require the consent of HRG and perhaps certain of its stockholders. HRG may also delay or prevent a change in control of the Company.

In addition, because HRG owns more than 50% of the voting power of the Company, the Company is considered a controlled company under the NYSE listing standards. As such, the NYSE corporate governance rules requiring that a majority of the Company’s board of directors and the Company’s entire compensation committee or the nominating and corporate governance committee be independent do not apply. As a result, the ability of the Company’s independent directors to influence its business policies and affairs may be reduced.

If HRG were to sell substantial amounts of the Company’s common stock in the public market, or investors perceive that these sales could occur, the market price of the Company’s common stock could be adversely affected. The Company has entered into a registration rights agreement (the “Registration Rights Agreement”) with HRG, certain of HRG’s stockholders and certain other of our stockholders. If requested properly under the terms of the Registration Rights Agreement, these stockholders have the right to require the Company to register all or some of such shares for sale under the Securities Act in certain circumstances, and also have the right to include those shares in a registration initiated by the Company. If the Company is required to include the shares of its common stock held by these stockholders pursuant to these registration rights in a registration initiated by the Company, sales made by such stockholders may adversely affect the price of the Company’s common stock and ability to raise needed capital. In addition, if these stockholders exercise their demand registration rights and cause a large number of shares to be registered and sold in the public market or demand that the Company registers its shares on a shelf registration statement, such sales or shelf registration may have an adverse effect on the market price of the Company’s common stock.

As previously announced by HRG in November 2016, HRG disclosed that its Board of Directors had initiated a process to explore the strategic alternatives available to HRG with a view to maximizing shareholder value. In light of HRG’s announcement of its exploration of strategic alternatives in November 2016, the Company’s Board of Directors formed a special committee of independent directors and has hired independent financial and legal advisors. In connection therewith, the committee and HRG have made proposals to one another concerning a potential strategic transaction relating to HRG and the Company. On February 24, 2018, the Company entered into an Agreement and Plan of Merger with HRG. See *Note 23 – Subsequent Events* for further discussion on the proposed merger and agreement.

The agreement contains a number of conditions that must be fulfilled or, to the extent permitted by applicable law or the agreement, waived, to consummate the merger, including among other things, the approval of certain merger-related proposals by the stockholders of HRG and the Company, the absence of any applicable law or order being in effect restraining, enjoining, prohibiting or making illegal the consummation of the proposed transaction and the receipt of certain tax opinions. There can be no assurance that the conditions to closing the transaction will be satisfied or waived in a timely manner or at all.

The market price of the Company's common stock is likely to be highly volatile and could fluctuate widely in price in response to various factors, many of which are beyond our control.

Factors that may influence the price of the common stock include, without limitation, the following:

- loss of any of our key customers or suppliers;
- additions or departures of key personnel;
- sales of common stock;
- our ability to execute our business plan;
- announcements and consummations of business acquisitions;
- operating results that fall below expectations;
- additional issuances of common stock;
- low volume of sales due to concentrated ownership of common stock;
- intellectual property disputes;
- industry developments;
- economic and other external factors;
- period-to-period fluctuations in our financial results;
- market concerns with respect to the potential indirect impact of matters not directly involving the Company but impacting HRG or its affiliates; and
- market concerns about possible strategic transaction with HRG.

In addition, the securities markets have from time to time experienced significant price and volume fluctuations that are unrelated to the operating performance of particular companies. These market fluctuations may also materially and adversely affect the market price of the Company's common stock. You should also be aware that price volatility might be worse if the trading volume of shares of the common stock is low.

Additional issuances of the Company's common stock may result in dilution to its existing stockholders.

Under our equity incentive plan approved by the shareholders on March 1, 2011, called the Spectrum Brands Holdings, Inc. 2011 Omnibus Equity Award Plan (the "2011 Equity Plan"), 4,625,676 shares of common stock of the Company, net of cancellations, were authorized to be issued. At the 2014 annual shareholders meeting, the 2011 Equity Plan was amended to increase the shares issuable by 1,000,000, and further amended at the 2016 annual shareholders meeting to increase the shares by 1,500,000; therefore, a total of 7,125,676 shares, net of cancellations, are authorized to be issued under such plan. Increases to the number of shares issuable under the 2011 Equity Plan are subject to approval by the Board of Directors and shareholders. As of September 30, 2017, we have issued 5,210,307 restricted stock units (or the equivalent number of shares of common stock upon the lapsing of the applicable restrictions) under the 2011 Plan and have a remaining authorization to issue up to a total of 1,915,369 shares of our common stock, or options or restricted stock units exercisable for shares of common stock.

In addition, the Company's board of directors has the authority to issue additional shares of capital stock to provide additional financing or for other purposes in the future. The issuance of any such shares or exercise of any such options may result in a reduction of the book value or market price of the outstanding shares of common stock. If we do issue any such additional shares or any such options are exercised, such issuance or exercise also will cause a reduction in the proportionate ownership and voting power of all other stockholders. As a result of such dilution, the proportionate ownership interest and voting power of a holder of shares of common stock could be decreased. Further, any such issuance or exercise could result in a change of control. Under our certificate of incorporation, holders of 5% or more of the outstanding common stock or capital stock into which any shares of common stock may be converted have certain rights to purchase their pro rata share of certain future issuances of securities.

We are exploring strategic alternatives for a planned sale in our GBA segment, but there can be no assurance that we will be successful in identifying or completing any strategic alternative or that any such strategic alternative will yield additional value for stockholders.

We have commenced the process to dispose of the GBA segment through a planned sale. There can be no assurance that the exploration of strategic alternatives will result in the identification or consummation of any transaction. The strategic review process may be suspended or terminated at any time without notice. In addition, we may incur substantial expenses associated with identifying and evaluating potential strategic alternatives and transactions. Furthermore, any attractive strategic alternative may be limited or prohibited by applicable regulatory regimes. Any potential transaction would be dependent upon a number of factors that may be beyond our control. If we are unable to effectively manage the process, the business, financial condition, and results of operations of the Company and its subsidiaries could be adversely affected. We also cannot assure that any potential transaction or strategic alternative, if identified, evaluated and consummated, will be successful in enhancing our business or financial conditions, or provide greater value to our stockholders than that reflected in the current stock price.

We could consume resources in pursuing strategic alternatives for the potential sale in our GBA segment, which could materially adversely affect our business.

We anticipate the investigation of strategic alternatives for the potential sale of our GBA segment, and the negotiation, drafting and execution of relevant agreements, disclosure documents, and other instruments, with respect to such transactions, will require substantial management time and attention and substantial costs for financial advisors, accountants, attorneys and other advisors. The process of exploring strategic alternatives may be time consuming and disruptive to the business operations and the management teams of the Company and its subsidiaries. If a decision is made not to consummate a specific transaction, the costs incurred up to that point for the proposed transaction likely would not be recoverable. Furthermore, even if an agreement is reached relating to a specific transaction, we may fail to consummate the transaction for any number of reasons, including those beyond our control. Any such event could consume significant management time and result in a loss to us of the related costs incurred, which could adversely affect our financial position and our business.

ITEM 2. PROPERTIES

The following lists our principal owned or leased administrative, manufacturing and distribution facilities for continuing operations at September 30, 2017:

Corporate & Administrative

Location	Function / Use	Owned / Leased
U.S. Locations		
Middleton, Wisconsin	World Headquarters	Leased
Danbury, Connecticut	GAC Headquarters	Leased
Earth City, Missouri	Pet, Home & Garden Headquarters	Leased
Lake Forest, California	HHI Headquarters	Leased
Non-U.S. Locations		
Sulzbach, Germany	Europe Headquarters	Leased
Mississauga, Canada	Canada Headquarters	Leased

Shared Operations & Sales Offices

Location	Function / Use	Owned / Leased
U.S. Locations		
Alpharetta, Georgia	Platform sales	Leased
Bentonville, Arkansas	Platform sales	Leased
Mooresville, North Carolina	Platform sales	Leased
Non-U.S. Locations		
Concord, Canada	Distribution	Leased
Wolverhampton, England	Distribution	Owned
Shenzhen, China	Distribution	Leased

Home & Hardware Improvement (HHI)

Location	Function / Use	Owned / Leased
U.S. Locations		
Charlotte, North Carolina	Distribution	Leased
Edgerton, Kansas	Distribution	Leased
Houston, Texas	Manufacturing & Distribution	Leased
Lititz, Pennsylvania	Manufacturing & Distribution	Leased
Denison, Texas	Manufacturing	Leased
Birmingham, Alabama	Distribution	Leased
Dallas, Texas	Distribution	Leased
Denison, Texas	Distribution	Owned
Elkhart, Indiana	Distribution	Leased
Mira Loma, California	Distribution	Leased
Non-U.S. Locations		
Mexicali, Mexico	Manufacturing & Distribution	Leased
Chia-Yi, Taiwan	Manufacturing	Leased
Nogales, Mexico	Manufacturing	Owned
Subic Bay, Philippines	Manufacturing	Owned
Xiamen, China	Manufacturing	Leased
Xiaolan, China	Manufacturing	Leased
Brockville, Canada	Distribution	Leased

Global Pet Supplies (PET)

Location	Function / Use	Owned / Leased
U.S. Locations		
Blacksburg, Virginia	Manufacturing	Owned
Bridgeton, Missouri	Manufacturing	Leased
Noblesville, Indiana	Manufacturing	Owned
St. Louis, Missouri	Manufacturing	Leased
Edwardsville, Illinois	Distribution	Leased
Riverview, Florida	Research & Development	Leased
Non-U.S. Locations		
Bogota, Colombia	Manufacturing & Distribution	Leased
Melle, Germany	Manufacturing & Distribution	Owned
Ambato, Ecuador	Manufacturing	Leased
Coevorden, Netherlands	Manufacturing	Owned
Leon, Mexico	Manufacturing	Leased
Phnom Penh, Cambodia	Manufacturing	Leased

Home & Garden (H&G)

Location	Function / Use	Owned / Leased
U.S. Locations		
St. Louis, Missouri	Manufacturing	Leased
Edwardsville, Illinois	Distribution	Leased

Global Auto Care (GAC)

Location	Function / Use	Owned / Leased
U.S. Locations		
Dayton, Ohio	Manufacturing & Distribution	Leased
Non-U.S. Locations		
Ebbw Vale, Gwent, Wales	Manufacturing & Distribution	Leased

We also own, operate or contract with third parties to operate distribution centers, sales and other administrative offices throughout the world in support of our business. We believe that our existing facilities are suitable and adequate for our present purposes and that the productive capacity in such facilities is substantially being utilized or we have plans to utilize it.

Spectrum Brands Holdings, Inc.

The following selected historical financial data is derived from SBH's audited consolidated financial statements as of and for the years ended September 30. The summary has been derived in part from, and should be read in conjunction with, the Consolidated Financial Statements of the Company included elsewhere in this Annual Report. As discussed in *Note 1-Description of Business* included in the notes to the Consolidated Financial Statements of the Company included elsewhere in this annual report; effective December 29, 2017, the Company has recognized the GBA segment as discontinued operations for all periods presented in the accompany Consolidated Financial Statements for the fiscal years ended September 30, 2017, 2016 and 2015. For the fiscal years ended September 30, 2014 and 2013 included within the selected financial data below, the Company has not adjusted to reflect changes due to the recognition of GBA segment as discontinued operations and therefore certain financial information within the summarized financial information below may not be comparable for those respective periods.

(in millions, except per share data)	2017⁽¹⁾	2016⁽²⁾	2015⁽³⁾	2014⁽⁴⁾	2013⁽⁵⁾
Statement of Operations Data					
Net sales	\$ 3,009.5	\$ 3,029.4	\$ 2,598.2	\$ 4,429.1	\$ 4,085.6
Gross profit	1,176.0	1,237.7	978.5	1,568.9	1,390.3
Operating income	328.1	417.7	246.2	481.9	351.2
Interest expense	160.9	182.0	185.8	202.1	375.6
Income from continuing operations before income taxes	162.3	231.0	56.4	273.5	(27.9)
Income tax expense (benefit)	37.3	(50.0)	5.6	59.0	27.4
Net income from continuing operations	125.0	281.0	50.8		
Income from discontinued operations, net of tax	172.1	76.6	98.6		
Net income (loss)	297.1	357.6	149.4	214.5	(55.3)
Net income (loss) attributable to controlling interest	295.8	357.1	148.9	214.1	(55.2)
Restructuring and Related Charges					
Cost of goods sold	\$ 18.1	\$ 0.2	\$ 1.4	\$ 3.7	\$ 10.0
Operating expenses	42.3	13.8	18.1	19.2	24.0
Earnings (Loss) Per Share of Common Stock					
Basic earnings per share from continuing operations	\$ 2.13	\$ 4.72	\$ 0.90		
Basic earnings per share from discontinued operations	2.91	1.30	1.78		
Basic earnings per share	\$ 5.04	\$ 6.02	\$ 2.68	\$ 4.07	\$ (1.06)
Diluted earnings per share from continuing operations	\$ 2.12	\$ 4.70	\$ 0.90		
Diluted earnings per share from discontinued operations	2.90	1.29	1.76		
Diluted earnings per share	\$ 5.02	\$ 5.99	\$ 2.66	\$ 4.02	\$ (1.06)
Dividends per share	\$ 1.64	\$ 1.47	\$ 1.27	\$ 1.15	\$ 0.75
Weighted Average Shares Outstanding					
Basic	58.6	59.3	55.6	52.6	52.0
Diluted	59.0	59.6	55.9	53.3	52.0
Cash Flow and Related Data					
Net cash provided by operating activities	\$ 340.8	\$ 461.7	\$ 205.6	\$ 432.7	\$ 256.5
Purchase of property, plant and equipment	77.8	60.8	55.1	73.3	82.0
Depreciation and amortization	131.6	119.7	106.4	157.6	139.9
Statement of Financial Position Data					
Cash and cash equivalents	\$ 168.2	\$ 275.3	\$ 247.9	\$ 194.6	\$ 207.3
Working capital ⁽⁶⁾	493.7	537.3	660.6	485.0	497.5
Total assets	7,419.7	7,069.1	7,193.8	5,429.6	5,543.2
Total debt	3,771.7	3,560.0	3,905.9	2,939.7	3,153.6
Total equity	1,846.7	1,844.0	1,606.8	1,086.8	940.1

- (1) For the year ended September 30, 2017, the operating results include the PetMatrix operations since the acquisition date of June 1, 2017 and GloFish operations since the acquisition date of May 12, 2017. Operating income includes an impairment of indefinite lived intangible assets of \$16.3 million. Interest expense includes \$4.6 million of tender premium and a non-cash expense of \$1.9 million as a result of the write-off of unamortized debt issuance costs in connection with the redemption of the 6.375% Notes.
- (2) For the year ended September 30, 2016, operating income includes an impairment of indefinite lived intangible assets of \$2.7 million. Interest expense includes \$15.6 million of tender premium and a non-cash expense of \$5.8 million as a result of the write-off of unamortized debt issuance costs in connection with the redemption of the 6.375% Notes. Income tax expense includes a non-cash benefit of \$111.1 million from a decrease in the valuation allowance against net deferred tax asset.
- (3) For the year ended September 30, 2015, the operating results include the Armored AutoGroup operations since the acquisition date of May 21, 2015; Salix operations since the acquisition date of January 16, 2015; European IAMS and Eukanuba operations since the acquisition date of December 31, 2014; and Tell operations since the acquisition date of October 1, 2014. Interest expense of \$58.8 million was incurred related to the financing of the acquisition of AAG and the refinancing of the then-existing senior credit facility and asset based revolving loan facility. Income tax expense includes a non-cash benefit of \$20.2 million from a decrease in the valuation allowance against net deferred tax assets, and a \$22.8 million benefit due to the reversal of valuation allowance in conjunction with the acquisition of the AAG business.
- (4) For the year ended September 30, 2014, the operating results include the Liquid Fence operations since the acquisition date of January 2, 2014. Interest expense includes a non-cash charge of \$9.2 million as a result of the write-off of unamortized debt issuance costs and unamortized discounts in connection with the amendment of the Company's then existing term loans. Income tax expense includes a non-cash benefit of approximately \$115.6 million from a decrease in the valuation allowance against net deferred tax assets.
- (5) For the year ended September 30, 2013, the operating results include the HHI Business operations since the acquisition date of December 17, 2012, and the TLM Taiwan operations since the acquisition date of April 8, 2013. Interest expense includes \$105.6 million fees and expenses along with a \$10.9 million non-cash charge for the write-off of unamortized debt issuance cost and unamortized premiums in connection with the extinguishment and replacement of the Company's 9.5% Notes and then-existing term loan in conjunction with the acquisition of the HHI Business. Income taxes includes a non-cash charge of approximately \$64.4 million from an increase in the valuation allowance against net deferred tax assets, net of a \$49.8 million benefit due to the reversal of a portion of the valuation allowance in conjunction with the acquisition of the HHI Business.
- (6) Working capital is defined as current assets less current liabilities per the consolidated statements of financial position.

SB/RH Holdings, LLC

Omitted pursuant to General instruction I of Form 10-K.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following is management's discussion of the financial results, liquidity and other key items related to our performance and should be read in conjunction with our Consolidated Financial Statements and related notes included elsewhere in this Annual Report. The following is a combined report of SBH and SB/RH, and the following discussion includes SBH and certain matters related to SB/RH as signified below. Unless the context indicates otherwise, the terms the "Company," "Spectrum," "we," "our" or "us" are used to refer to SBH and its subsidiaries and SB/RH and its subsidiaries, collectively.

Business Overview

Refer to Item 1 - *Business* included elsewhere within this Annual Report for an overview of our business.

Divestitures

The assets and liabilities associated with the GBA segment have been classified as held for sale and the respective operations have been classified as discontinued operations and reported separately for all periods presented. The exclusion of the GBA segment from the results of operations from continuing operations may have a significant impact on the comparability of consolidated results of operations. See *Note 3 – Divestitures* to the Consolidated Financial Statements, included elsewhere in this Annual Report, for more information on the assets and liabilities classified as held for sale and discontinued operations.

Acquisitions

The following acquisition activity has a significant impact on the comparability of the financial results on the consolidated financial statements.

- *PetMatrix* – On June 1, 2017, the Company completed the acquisition of PetMatrix LLC, a manufacturer and marketer of rawhide-free dog chews consisting primarily of the DreamBone® and SmartBones® brands. The results of PetMatrix's operations since June 1, 2017 are included in the Company's Consolidated Statements of Income and reported within the PET reporting segment for the year ended September 30, 2017.
- *GloFish* – On May 12, 2017, the Company entered into an asset purchase agreement with Yorktown Technologies LP, for the acquisition of assets consisting of the GloFish operations, including transfer of the GloFish® brand, related intellectual property and operating agreements. The GloFish operations consist of the development and licensing of fluorescent fish for sale through retail and online channels. The results of GloFish's operations since May 12, 2017 are included in the Company's Consolidated Statement of Income and reported within the PET reporting segment for the year ended September 30, 2017.
- *Armored AutoGroup* - On May 21, 2015, the Company completed the acquisition of AAG, a consumer products company consisting primarily of Armor All® branded appearance products, STP® branded performance chemicals, and A/C PRO® branded do-it-yourself automotive air conditioner recharge products. The results of AAG's operations since May 21, 2015 are included in the Company's Consolidated Statements of Income as a separate GAC reporting segment for the years ended September 30, 2017, 2016 and 2015.
- *Salix* - On January 16, 2015, the Company completed the acquisition of Salix, a vertically integrated producer and distributor of natural rawhide dog chews, treats and snacks. The results of Salix's operations since January 16, 2015 are included in the Company's Consolidated Statements of Income as part of the PET segment for the years ended September 30, 2017, 2016 and 2015.
- *European IAMS and Eukanuba* - On December 31, 2014, the Company completed the acquisition of Procter & Gamble's European IAMS and Eukanuba pet food business ("European IAMS and Eukanuba"), including its brands for dogs and cats. The results of the European IAMS and Eukanuba's operations since December 31, 2014 are included in the Company's Consolidated Statements of Income as part of the PET segment for the years ended September 30, 2017, 2016 and 2015.

See *Note 4 - Acquisitions* in the Notes to the Consolidated Financial Statements, included elsewhere within this Annual Report, for additional detail regarding acquisition activity.

Restructuring Activity

We continually seek to improve our operational efficiency, match our manufacturing capacity and product costs to market demand and better utilize our manufacturing resources. We have undertaken various initiatives to reduce manufacturing and operating costs. The most significant of these initiatives are:

- *GAC Business Rationalization Initiatives*, which began during the third quarter of the year ended September 30, 2016 and anticipated to be incurred through September 30, 2018;
- *PET Rightsizing Initiative*, which began during the second quarter of the year ended September 30, 2017 and is anticipated to be incurred through September 30, 2018;
- *HHI Distribution Center Consolidation*, which began during the second quarter of the year ended April 2, 2017 and is anticipated to be incurred through September 30, 2018.
- *HHI Business Rationalization Initiatives*, which began during the second quarter of the year ended September 30, 2014 and was completed as of September 30, 2016.
- *Global Expense Rationalization Initiatives*, which began in the third quarter of the year ended September 30, 2013 and was completed as of September 30, 2016.

See *Note 5 - Restructuring and Related Charges* in the Notes to the Consolidated Financial Statements, included elsewhere within this Annual Report, for additional detail regarding restructuring and related activity.

Refinancing Activity

The following recent financing activity has a significant impact on the comparability of financial results on the consolidated financial statements.

- During the year ended September 30, 2017, we refinanced a portion of our debt to extend maturities and reduce borrowing costs including entering into various amendments to the Credit Agreement under its Term Loans resulting in an increase to its USD Term Loan, repayment of the Euro Term Loan, increase in the capacity of the Revolver Facility and changes to the applicable variable interest rates.
- During the year ended September 30, 2016, we refinanced a portion of our debt to extend maturities and reduce borrowing costs including the issuance of Euro denominated notes and repurchase of the 6.375% Notes.
- During the year ended September 30, 2015, we refinanced a portion of our debt to improve liquidity, extend maturities and reduce borrowing costs including the refinancing of the Senior Credit Agreement under its Term Loans resulting in an increase to its USD and Euro denominated Term Loan, decrease in its CAD denominated Term Loan, repayment of the 6.75% Notes and replacement of our then-existing asset based revolving loan ("ABL") facility with the Revolver Facility. Additionally, we issued the 5.75% Notes in connection with the acquisition of AAG and issued the 6.125% Notes to support additional acquisition activity during the year.

See *Note 11 - Debt* in the Notes to the Consolidated Financial Statements, included elsewhere within this Annual Report, for additional detail regarding debt.

Safety Recall

On June 10, 2017, the Company initiated a voluntary safety recall of various rawhide chew products for dogs sold by the Company's PET segment due to possible chemical contamination. The Company recognized a loss of \$35.8 million for the year ended September 30, 2017 associated with the recall, which comprised of inventory write-offs of \$15.0 million, customer losses of \$7.1 million and \$13.7 million of incremental costs to dispose of product and operational expenses due to a temporary shutdown of production facilities. The Company suspended production at facilities impacted by the product safety recall, completed a comprehensive manufacturing review and recommenced production during the fourth quarter ended September 30, 2017. See *Note 19 - Commitments and Contingencies* in the Notes to the Consolidated Financial Statements, included elsewhere within this Annual Report for additional detail.

Non-GAAP Measurements

Our consolidated and segment results contain non-GAAP metrics such as organic net sales, and Adjusted EBITDA (“Earnings Before Interest, Taxes, Depreciation, Amortization”). While we believe organic net sales and Adjusted EBITDA are useful supplemental information, such adjusted results are not intended to replace our financial results in accordance with Accounting Principles Generally Accepted in the United States (“GAAP”) and should be read in conjunction with those GAAP results.

Organic Net Sales. We define organic net sales as net sales excluding the effect of changes in foreign currency exchange rates and/or impact from acquisitions (where applicable). We believe this non-GAAP measure provides useful information to investors because it reflects regional and operating segment performance from our activities without the effect of changes in currency exchange rate and/or acquisitions. We use organic net sales as one measure to monitor and evaluate our regional and segment performance. Organic growth is calculated by comparing organic net sales to net sales in the prior year. The effect of changes in currency exchange rates is determined by translating the period’s net sales using the currency exchange rates that were in effect during the prior comparative period. Net sales are attributed to the geographic regions based on the country of destination. We exclude net sales from acquired businesses in the current year for which there are no comparable sales in the prior period. The following is a reconciliation of net sales to organic net sales of SBH and SB/RH for the year ended September 30, 2017 compared to net sales for the year ended September 30, 2016, and the net sales to organic net sales for the year ended September 30, 2016 compared to the year ended September 30, 2015 respectively:

Year Ended September 30, 2017

Year Ended (in millions, except %)	Net Sales				Organic Net Sales	Net Sales September 30, 2016	Variance	
	Net Sales	Effect of Changes in Currency	Excluding Effect of Changes in Currency	Effect of Acquisitions				
Hardware & Home Improvement	1,276.1	(2.7)	1,273.4	—	1,273.4	1,241.0	32.4	2.6%
Global Pet Supplies	793.2	6.7	799.9	(28.1)	771.8	825.7	(53.9)	(6.5%)
Home and Garden	493.3	—	493.3	—	493.3	509.0	(15.7)	(3.1%)
Global Auto Care	446.9	0.3	447.2	—	447.2	453.7	(6.5)	(1.4%)
Total	\$ 3,009.5	\$ 4.3	\$ 3,013.8	\$ (28.1)	\$ 2,985.7	\$ 3,029.4	(43.7)	(1.4%)

Year Ended September 30, 2016

Year Ended (in millions, except %)	Net Sales				Organic Net Sales	Net Sales September 30, 2015	Variance	
	Net Sales	Effect of Changes in Currency	Excluding Effect of Changes in Currency	Effect of Acquisitions				
Hardware & Home Improvement	1,241.0	14.7	1,255.7	—	1,255.7	1,205.5	50.2	4.2%
Global Pet Supplies	825.7	8.2	833.9	(74.5)	759.4	758.2	1.2	0.2%
Home and Garden	509.0	0.1	509.1	—	509.1	474.0	35.1	7.4%
Global Auto Care	453.7	0.7	454.4	(277.3)	177.1	160.5	16.6	10.3%
Total	\$ 3,029.4	\$ 23.7	\$ 3,053.1	\$ (351.8)	\$ 2,701.3	\$ 2,598.2	103.1	4.0%

Adjusted EBITDA. Adjusted EBITDA is a non-GAAP metric used by management that we believe provides useful information to investors because it reflects the ongoing operating performance and trends of our segments, excluding certain non-cash based expenses and/or non-recurring items during each of the comparable periods. It also facilitates comparisons between peer companies since interest, taxes, depreciation and amortization can differ greatly between organizations as a result of differing capital structures and tax strategies. Adjusted EBITDA is also used for determining compliance with the Company's debt covenant. See *Note 11 - Debt* in the Notes to the Consolidated Financial Statements, included elsewhere within this Annual Report, for additional detail.

EBITDA is calculated by excluding the Company's income tax expense, interest expense, depreciation expense and amortization expense (from intangible assets) from net income. Adjusted EBITDA further excludes:

- Stock based compensation expense, as it is a non-cash based compensation cost. See *Note 17 - Share Based Compensation* in the Notes to the Consolidated Financial Statements, included elsewhere within this Annual Report, for additional detail;
- Acquisition and integration charges that consist of transaction costs from acquisition transactions during the period, or subsequent integration related project costs directly associated with the acquired business. See *Note 4 - Acquisition* in the Notes to the Consolidated Financial Statements, included elsewhere within this Annual Report, for additional detail;
- Restructuring and related charges, which consist of project costs associated with restructuring initiatives across the segments. See *Note 5 - Restructuring and Related Charges* in the Notes to the Consolidated Financial Statements, included elsewhere within this Annual Report, for additional detail;
- Non-cash asset impairments or write-offs realized (when applicable);
- Non-cash purchase accounting inventory adjustments recognized in earnings subsequent to an acquisition (when applicable); and
- Other adjustments as further discussed.

During the year ended September 30, 2017, other adjustments consist of estimated costs for a non-recurring voluntary recall of rawhide product by the PET segment (See *Note 19 - Commitments and Contingencies* in the Notes to the Consolidated Financial Statements, included elsewhere within this Annual Report, for additional detail), professional fees associated with non-acquisition based strategic initiatives of the Company, and an adjustment for the devaluation of cash and cash equivalents denominated in Venezuelan currency. During the year ended September 30, 2016, other adjustments consist of the onboarding of a key executive and the involuntary transfer of inventory. During the year ended September 30, 2015, other adjustments consist of costs associated with the exiting of a key executive, coupled with onboarding a key executive, plus an adjustment for the devaluation of cash and cash equivalents denominated in Venezuelan currency.

The following is a reconciliation of net income to Adjusted EBITDA for the years ended September 30, 2017, 2016 and 2015 for SBH:

Spectrum Brands Holdings, Inc. (in millions)	HHI	PET	H&G	GAC	Corporate	Consolidated
For the Year Ended September 30, 2017						
Net income from continuing operations	\$ 184.0	\$ 28.8	\$ 114.4	\$ 100.8	\$ (303.0)	\$ 125.0
Income tax expense	—	—	—	—	37.3	37.3
Interest expense	—	—	—	—	160.9	160.9
Depreciation and amortization	38.3	43.1	17.6	21.1	11.5	131.6
EBITDA	222.3	71.9	132.0	121.9	(93.3)	454.8
Share based compensation	—	—	—	—	47.7	47.7
Acquisition and integration related charges	5.5	7.3	—	2.3	0.5	15.6
Restructuring and related charges	26.6	9.1	—	24.2	0.5	60.4
Write-off from impairment of intangible assets	—	15.3	1.0	—	—	16.3
Purchase accounting inventory adjustment	—	3.3	—	—	—	3.3
Pet safety recall	—	35.8	—	—	—	35.8
Venezuela devaluation	—	—	—	—	0.4	0.4
Other	—	—	—	—	4.9	4.9
Adjusted EBITDA	\$ 254.4	\$ 142.7	\$ 133.0	\$ 148.4	\$ (39.3)	\$ 639.2
For the Year Ended September 30, 2016						
Net income from continuing operations	\$ 190.6	\$ 84.2	\$ 121.2	\$ 116.6	\$ (231.6)	\$ 281.0
Income tax expense	—	—	—	—	(50.0)	(50.0)
Interest expense	—	—	—	—	182.0	182.0
Depreciation and amortization	35.4	42.7	15.2	17.5	8.9	119.7
EBITDA	226.0	126.9	136.4	134.1	(90.7)	532.7
Share based compensation	—	—	—	—	57.2	57.2
Acquisition and integration related charges	13.3	5.5	0.5	14.0	0.8	34.1
Restructuring and related charges	2.3	6.0	0.4	5.3	—	14.0
Write-off from impairment of intangible assets	—	1.7	1.0	—	—	2.7
Other	—	—	—	—	0.7	0.7
Adjusted EBITDA	\$ 241.6	\$ 140.1	\$ 138.3	\$ 153.4	\$ (32.0)	\$ 641.4
For the Year Ended September 30, 2015						
Net income from continuing operations	\$ 166.5	\$ 60.0	\$ 108.3	\$ 18.2	\$ (302.2)	\$ 50.8
Income tax expense	—	—	—	—	5.6	5.6
Interest expense	—	—	—	—	185.8	185.8
Depreciation and amortization	39.4	39.7	13.3	6.6	7.4	106.4
EBITDA	205.9	99.7	121.6	24.8	(103.4)	348.6
Share based compensation	—	—	—	—	41.0	41.0
Acquisition and integration related charges	9.1	13.7	2.3	3.8	25.3	54.2
Restructuring and related charges	9.7	8.9	0.6	—	0.3	19.5
Purchase accounting inventory adjustment	0.8	2.2	—	18.7	—	21.7
Venezuela devaluation	—	—	—	—	2.5	2.5
Other	—	—	—	—	6.1	6.1
Adjusted EBITDA	\$ 225.5	\$ 124.5	\$ 124.5	\$ 47.3	\$ (28.2)	\$ 493.6

The following is a reconciliation of net income to Adjusted EBITDA for the years ended September 30, 2017, 2016 and 2015 for SBRH:

SB/RH HOLDINGS, LLC (in millions)	HHI	PET	H&G	GAC	Corporate	Consolidated
For the Year Ended September 30, 2017						
Net income from continuing operations	\$ 184.0	\$ 28.8	\$ 114.4	\$ 100.8	\$ (298.9)	\$ 129.1
Income tax expense	—	—	—	—	41.3	41.3
Interest expense	—	—	—	—	161.3	161.3
Depreciation and amortization	38.3	43.1	17.6	21.1	11.5	131.6
EBITDA	222.3	71.9	132.0	121.9	(84.8)	463.3
Share based compensation	—	—	—	—	44.9	44.9
Acquisition and integration related charges	5.5	7.3	—	2.3	0.5	15.6
Restructuring and related charges	26.6	9.1	—	24.2	0.5	60.4
Write-off from impairment of intangible assets	—	15.3	1.0	—	—	16.3
Purchase accounting inventory adjustment	—	3.3	—	—	—	3.3
Pet safety recall	—	35.8	—	—	—	35.8
Venezuela devaluation	—	—	—	—	0.4	0.4
Adjusted EBITDA	\$ 254.4	\$ 142.7	\$ 133.0	\$ 148.4	\$ (38.5)	\$ 640.0
For the Year Ended September 30, 2016						
Net income from continuing operations	\$ 190.6	\$ 84.2	\$ 121.2	\$ 116.6	\$ (236.9)	\$ 275.7
Income tax expense	—	—	—	—	(39.0)	(39.0)
Interest expense	—	—	—	—	182.0	182.0
Depreciation and amortization	35.4	42.7	15.2	17.5	8.9	119.7
EBITDA	226.0	126.9	136.4	134.1	(85.0)	538.4
Share based compensation	—	—	—	—	52.1	52.1
Acquisition and integration related charges	13.3	5.5	0.5	14.0	0.8	34.1
Restructuring and related charges	2.3	6.0	0.4	5.3	—	14.0
Write-off from impairment of intangible assets	—	1.7	1.0	—	—	2.7
Other	—	—	—	—	0.7	0.7
Adjusted EBITDA	\$ 241.6	\$ 140.1	\$ 138.3	\$ 153.4	\$ (31.4)	\$ 642.0
For the Year Ended September 30, 2015						
Net income from continuing operations	\$ 166.5	\$ 60.0	\$ 108.3	18.2	\$ (295.8)	\$ 57.2
Income tax expense	—	—	—	—	5.6	5.6
Interest expense	—	—	—	—	185.8	185.8
Depreciation and amortization	39.4	39.7	13.3	6.6	7.4	106.4
EBITDA	205.9	99.7	121.6	24.8	(97.0)	355.0
Share based compensation	—	—	—	—	35.2	35.2
Acquisition and integration related charges	9.1	13.7	2.3	3.8	25.3	54.2
Restructuring and related charges	9.7	8.9	0.6	—	0.3	19.5
Purchase accounting inventory adjustment	0.8	2.2	—	18.7	—	21.7
Venezuela devaluation	—	—	—	—	2.5	2.5
Other	—	—	—	—	6.1	6.1
Adjusted EBITDA	\$ 225.5	\$ 124.5	\$ 124.5	\$ 47.3	\$ (27.6)	\$ 494.2

Consolidated Results of Operations

The following is summarized consolidated results of operations for SBH for the years ended September 30, 2017, 2016 and 2015 respectively:

(in millions, except %)	2017		2016		2015		Variance				
Net sales	\$	3,009.5	\$	3,029.4	\$	3,029.4	\$	2,598.2	\$	431.2	16.6%
Gross profit		1,176.0		1,237.7		1,237.7		978.5		259.2	26.5%
Operating expenses		847.9		820.0		820.0		732.3		87.7	12.0%
Interest expense		160.9		182.0		182.0		185.8		(3.8)	(2.0%)
Income tax expense		37.3		(50.0)		(50.0)		5.6		(55.6)	(992.9%)
Net income from continuing operations		125.0		281.0		281.0		50.8		230.2	453.1%
Income from discontinued operations, net of tax		172.1		76.6		76.6		98.6		(22.0)	(22.3%)
Net income		297.1		357.6		357.6		149.4		208.2	139.4%

Net Sales. Net sales for the year ended September 30, 2017 decreased \$19.9 million, or 0.7%, with a decrease in organic sales of \$43.7 million, or 1.4%. Net sales for the year ended September 30, 2016 increased \$431.2 million, or 16.6%, with an increase in organic net sales of \$103.1 million, or 4.0%. The following sets forth net sales by segment for the years ended September 30, 2017, 2016 and 2015:

(in millions, except %)	2017		2016		2015		Variance				
Hardware & Home Improvement	\$	1,276.1	\$	1,241.0	\$	1,241.0	\$	1,205.5	\$	35.5	2.9%
Global Pet Supplies		793.2		825.7		825.7		758.2		67.5	8.9%
Home & Garden		493.3		509.0		509.0		474.0		35.0	7.4%
Global Auto Care		446.9		453.7		453.7		160.5		293.2	182.7%
Net Sales	\$	3,009.5	\$	3,029.4	\$	3,029.4	\$	2,598.2	\$	431.2	16.6%

The following sets forth the principal components of the change in net sales from the year ended September 30, 2017 to the year ended September 30, 2016, and from the year ended September 30, 2016 to the year ended September 30, 2015:

(in millions)	2017		2016		
Net Sales for the periods ended September 30, 2016 and 2015, respectively	\$	3,029.4	\$	2,598.2	
Increase due to acquisitions				28.1	351.8
Increase in hardware & home improvement				32.4	50.2
(Decrease) Increase in global auto care				(6.5)	16.6
(Decrease) Increase in home & garden				(15.7)	35.1
(Decrease) Increase in global pet supplies				(53.9)	1.2
Foreign currency impact, net				(4.3)	(23.7)
Net Sales for the periods ended September 30, 2017 and 2016, respectively	\$	3,009.5	\$	3,029.4	

Gross Profit. Gross profit for the year ended September 30, 2017 decreased \$61.7 million primarily attributable to the decrease in net sales and decrease in gross profit margin. Gross profit margin decreased from 40.9% to 39.1% contributed to by a decrease in organic sales, the pet safety recall, and incremental costs and inefficiencies from the HHI and GAC restructuring initiatives discussed above. See *Note 5 – Restructuring and Related Charges* in the Notes to the Consolidated Financial Statements included elsewhere within this Annual Report, for additional detail on restructuring activity and related costs. Gross profit for the year ended September 30, 2016 increased \$259.2 million primarily attributable to the increase in net sales and gross profit margin. Gross profit margin increased from 37.7% to 40.9% contributed by the AAG acquisition and a shift towards higher margin product sales and continued cost improvements across segments.

Operating Expenses. Operating expenses for the year ended September 30, 2017 increased \$27.9 million or 3.4% due to an increase in selling and general and administrative expenses of \$4.1 million primarily from the incremental expenses from the operations of acquired businesses during the year and costs associated with the pet recall previously discussed, increase in restructuring and related charges of \$28.5 million primarily attributable to the HHI and GAC restructuring initiatives discussed above, and impairment charges from intangible assets of \$16.3 million; offset by decreased acquisition and integration related charges of \$18.5 million primarily from reduced integration costs from the GAC and HHI acquisitions. Operating expenses for the year ended September 30, 2016 increased \$87.7 million or 12.0% due to an increase in selling and general and administrative expenses of \$103.6 million due to increased net sales, prior year acquisitions and increased share based compensation of \$16.2 million; offset by decreased acquisition & integration related charges of \$20.1 million and decreased restructuring and related charges of \$4.3 million. See *Note 4 - Acquisitions* in the Notes to the Consolidated Financial Statements included elsewhere within this Annual Report for additional detail on acquisition and integration costs. See *Note 5 – Restructuring and Related Charges* in the Notes to the Consolidated Financial Statements included elsewhere within this Annual Report for additional detail on restructuring and related charges.

Interest Expense. Interest expense for the year ended September 30, 2017 decreased \$21.1 million or 11.6% due to lower borrowing costs and incremental premium paid from debt redemption in the prior year due to the refinancing activity previously discussed. Interest expense for the year ended September 30, 2016 decreased \$3.8 million or 2.0% attributable to the lower borrowing costs due to the refinancing activity previously discussed. See *Note 11 - Debt* in Notes to the Consolidated Financial Statements included elsewhere within this Annual Report for additional information regarding our outstanding debt.

Income Taxes. The effective tax rate was 23.0% for the year ended September 30, 2017 compared to (21.6%) for the year ended September 30, 2016 and 9.9% for the year ended September 30, 2015. Our estimated annual effective tax rate for the year ended September 30, 2017 differs from the U.S. federal statutory rate of 35% due to income earned outside the U.S. that is subject to statutory rates lower than 35%. Additionally, the Company recognized a \$6.6 million tax benefit for the recognition of additional federal and state tax credits. The Company also recorded a \$14.7 million valuation allowance on additional state net operating losses that more likely than not will expire unused. Our estimated annual effective tax rate applied to the years ended September 30, 2016 and 2015 differs from the U.S. federal statutory rate of 35% primarily due to the release of valuation allowances on U.S. net operating losses deferred tax assets and income earned outside the U.S. that is subject to statutory rates lower than 35% offsetting tax expense on U.S. pretax income. For the year ended September 30, 2016, the Company released \$111.1 million of domestic valuation allowance. In December 2015, the Company received a ruling from the Internal Revenue Service ("IRS") which resulted in \$87.8 million of U.S. net operating losses being restored and a release of \$16.2 million of domestic valuation allowance from additional deferred tax assets created by the IRS ruling. The Company also recorded tax expense of \$3.1 million related to additional foreign valuation allowance during the year ended September 30, 2016. See *Note 15 - Income Taxes* in Notes to Consolidated Financial Statements included elsewhere in this Annual Report for additional information regarding income taxes.

Income From Discontinued Operations. Discontinued operations include our GBA segment that is held for sale, which were previously reported as a separate segment within consolidated continuing operations of the Company. Results of operations, financial position and cash flows for these businesses are separately reported as discontinued operations for all periods presented. Income from discontinued operations, net of tax, for the year ended September 30, 2017, increased \$95.5 million, or 124.7%, due to cost improvements, decrease in interest expense allocated to discontinued operations from refinancing activity previously discussed, and lower income tax expense driven by an incremental \$25.5 million expense during the year ended September 30, 2016 to record a tax contingency reserve for a tax exposure in Germany where a local court ruled against our characterization of certain assets as amortizable under German tax law. Income from discontinued operations, net of tax, for the year ended September 30, 2016, decreased 35.2 million, or 31.5%, primarily due to lowered income taxes due to the incremental tax contingency reserve previously discussed, offset by increased operating margins from cost improvements, lower integration and restructuring related charges, and product mix; and decrease in interest expense allocated to discontinued operations from refinancing activity previously discussed. The Company expects a sale of the Global Battery and Lighting and Home and Personal Care appliance businesses to be consummated prior to December 31, 2018. See *Note 3 - Divestitures* to the Condensed Consolidated Financial Statements, included elsewhere in this Quarterly Report, for more information on the assets and liabilities classified as held for sale and discontinued operations.

Segment Financial Data

Hardware & Home Improvement (HHI)

(in millions, except %)	2017		2016		Variance		2016		2015		Variance			
Net sales	\$	1,276.1	\$	1,241.0	\$	35.1	2.8%	\$	1,241.0	\$	1,205.5	\$	35.5	2.9%
Operating income		185.7		191.9		(6.2)	(3.2%)		191.9		166.4		25.5	15.3%
Operating income margin		14.6%		15.5%		(90)bps			15.5%		13.8%		170 bps	
Adjusted EBITDA		254.4		241.6		12.8	5.3%		241.6		225.5		16.1	7.1%
Adjusted EBITDA margin		19.9%		19.5%		40 bps			19.5%		18.7%		80 bps	

Net sales for the year ended September 30, 2017 increased \$35.1 million, or 2.8%, with an increase in organic net sales of \$32.4 million, or 2.6%.

- Security and locksets increased \$28.7 million due to increases in NA of \$39.5 million from the introduction of new products with key retailers, expansion in electronic based products, promotion sales in e-commerce channel, increased volumes with non-retail wholesale and builder channels, and the introduction of Tell product into retail channels; partially offset by reduction in LATAM sales of \$11.1 million driven by the exit of lower margin business of \$9.4 million.
- Plumbing increased \$6.7 million due to increases in NA of \$8.1 million from promotional sales volumes with retailers and e-commerce channels, plus the introduction of new products with key retailers.
- Hardware decreased \$3.0 million due to decreases in LATAM of \$6.7 million due to the exit of lower margin business of \$7.2 million; offset by increase in NA of \$1.5 million from incremental retail volumes and new product introductions.

Operating income for the year ended September 30, 2017 decreased \$6.2 million with a margin decrease of 90 bps due to increases in restructuring related activity offsetting an increase in sales volumes. Adjusted EBITDA for the year ended September 30, 2017 increased \$12.8 million with a margin increase of 40 bps due to the increase in sales volumes and cost improvements.

Net sales for the year ended September 30, 2016 increased \$35.5 million, or 2.9%, with an increase in organic sales of \$50.2 million, or 4.2%.

- Security and locksets increased \$40.0 million due to an increase in POS, new product listings with key retail customers, increases in e-commerce volumes, and market growth with non-retail customers, partially offset by a \$5.5 million decrease in sales with private label customers due to the transition in production of higher-margin branded product.
- Plumbing increased \$14.7 million due to the introduction of new products and promotional volumes with key retail customers.
- Hardware decreased \$3.7 million due to a decrease of \$22.8 million from the expiration of a customer tolling agreement and planned exit of unprofitable business, mitigated by volume growth at existing retail customers and market expansion with non-retail customers in NA.

Operating income for the year ended September 30, 2016 increased \$25.5 million with margin increase of 170 bps due to increase in sales volumes combined with cost improvements and a reduction in acquisition and integration related charges. Adjusted EBITDA for the year ended September 30, 2016 increased \$16.1 million with margin increase of 80 bps due to the increase in sales volumes with cost improvements.

Global Pet Supplies (PET)

(in millions, except %)	2017		2016		2016		2015		Variance					
Net sales	\$	793.2	\$	825.7	\$	(32.5)	(3.9%)	\$	825.7	\$	758.2	\$	67.5	8.9%
Operating income		29.1		85.0		(55.9)	(65.8%)		85.0		61.3		23.7	38.7%
Operating income margin		3.7%		10.3%		(660)bps			10.3%		8.1%		220 bps	
Adjusted EBITDA		142.7		140.1		2.6	1.9%		140.1		124.5		15.6	12.5%
Adjusted EBITDA margin		18.0%		17.0%		100 bps			17.0%		16.4%		60 bps	

Net sales for the year ended September 30, 2017 decreased \$32.5 million, or 3.9%, with an organic net sales decrease of \$53.9 million, or 6.5%.

- Net sales were positively impacted from acquisitions previously discussed by \$28.1 million due to the acquisition of PetMatrix with \$25.6 million and GloFish with \$2.5 million.
- Net sales were negatively impacted by \$7.1 million for customer returns attributed to the pet safety recall previously discussed.
- Excluding the impact of the PetMatrix acquisition and product safety recall discussed above, companion animal sales decreased \$37.0 million primarily due to a decrease in EMEA of \$23.8 million from lower distribution and softer POS from increased competition and a reduction of \$16.2 million for the acceleration of the exit of a pet food tolling agreement; decreases in NA of \$14.7 million from a retail inventory reduction management programs, reduced listings and soft POS with pet specialty retailers, and low margin product exits of \$5.2 million; partially offset by increased sales in LATAM of \$0.6 million and APAC of \$0.9 million respectively.
- Excluding the impact of acquisitions, aquatic sales decreased \$9.8 million due to decrease in NA of \$11.1 million from retail inventory reduction management programs and soft category POS with pet specialty retailers, increases in EMEA of \$2.1 million due to promotional sales offset by slower seasonal weather sales; with decreases in APAC of \$0.8 million.

Operating income for the year ended September 30, 2017 decreased \$55.9 million with a margin decrease of 660 bps due to reduction in sales volumes, product recall, incremental acquisition & integration activity plus a \$15.3 million impairment on indefinite lived intangible assets; partially offset by cost improvements. Adjusted EBITDA in the year ended September 30, 2017 increased \$2.6 million with a margin increase of 100 bps primarily driven by cost improvements despite the decrease in sale volumes.

Net sales for the year ended September 30, 2016 increased \$67.5 million, or 8.9%, with an increase in organic net sales of \$1.2 million, or 0.2%.

- Net sales were positively impacted from acquisitions previously discussed by \$74.5 million due to the acquisition of European IAMS and Eukanuba with \$44.2 million and Salix with \$30.3 million.
- Aquatic sales increased \$1.1 million due to timing of prior year holiday shipments, partially offset with the exit of lower margin business.
- Excluding the impact of acquisitions, companion animal sales were consistent to prior year due to increased competition at retailers, offset by growth with independent pet retailers, promotional activity, and exiting of certain private label business.

Operating income for the year ended September 30, 2016 increased \$23.7 million with a margin increase of 220 bps due to increase in net sales, contributing margins from acquisitions and reduced acquisition and integration and restructuring related charges. Adjusted EBITDA in the year ended September 30, 2016 increased \$15.6 million with a margin increase of 60 bps due to the increase in net sales as well as contributing margins from acquisitions.

Home & Garden (H&G)

(in millions, except %)	2017		2016		2016		2015		Variance					
Net sales	\$	493.3	\$	509.0	\$	(15.7)	(3.1%)	\$	509.0	\$	474.0	\$	35.0	7.4%
Operating income		114.4		121.1		(6.7)	(5.5%)		121.1		108.4		12.7	11.7%
Operating income margin		23.2%		23.8%		(60)bps			23.8%		22.9%		90 bps	
Adjusted EBITDA		133.0		138.3		(5.3)	(3.8%)		138.3		124.5		13.8	11.1%
Adjusted EBITDA margin		27.0%		27.2%		(20)bps			27.2%		26.3%		90 bps	

Net sales and organic net sales for the year ended September 30, 2017 decreased \$15.7 million, or 3.1%.

- Lawn & garden control products decreased \$3.6 million due to weather conditions decreasing seasonal inventory sales, a reduction in distribution due to retail inventory reduction management programs; partially offset by the introduction of new products and increased market share with key retail partners.
- Repellent products decreased \$16.8 million due to weather conditions decreasing seasonal inventory sales, a reduction in distribution due to retail inventory management programs, coupled with higher demand driven by Zika concerns in the prior year.
- Household insect control products increased \$4.7 million driven by stronger POS and volume growth with key retailers.

Operating income for the year ended September 30, 2017 decreased \$6.7 million with a decline in margin of 60 bps primarily driven by the lower sales volumes, incremental investment in marketing costs for new product launches and channel expansion with an increase in depreciation expense from capital investments; partially offset by product mix improvement. Adjusted EBITDA in the year ended September 30, 2017 decreased \$5.3 million with a decrease margin of 20 bps compared to the year ended September 30, 2016 due to the lower sales volumes and incremental marketing costs; partially offset by product mix improvement.

Net sales for the year ended September 30, 2016 increased \$35.0 million, or 7.4% with organic net sales of \$35.1 million, or 7.4%.

- Lawn & garden control products increased \$9.0 million due to an extended outdoor season due to warmer weather and early season retail shipments.
- Repellent products increased \$15.7 million due to volume growth with key retailers and increased demand in response to the Zika virus and extended outdoor season and warmer weather.
- Household insect control products increased \$10.3 million due to volume growth with key retailers.

Operating income for the year ended September 30, 2016 increased \$12.7 million with an increase in operating income margin of 90 bps due to an increase in sales volumes combined with cost improvements and reduced integration and restructuring related charges; partially offset by increased depreciation expense from capital investment. Adjusted EBITDA in the year ended September 30, 2016 increased \$13.8 million with an increase in margin of 90 bps due to the increase in sales volumes and cost improvements.

Global Auto Care (GAC)

(in millions, except %)	2017		2016		2016		2015		Variance					
Net sales	\$	446.9	\$	453.7	\$	(6.8)	(1.5%)	\$	453.7	\$	160.5	\$	293.2	182.7%
Operating income		100.8		118.2		(17.4)	(14.7%)		118.2		17.9		100.3	560.3%
Operating income margin		22.6%		26.1%		(350)bps			26.1%		11.2%		1,490 bps	
Adjusted EBITDA		148.4		153.4		(5.0)	(3.3%)		153.4		47.3		106.1	224.3%
Adjusted EBITDA margin		33.2%		33.8%		(60)bps			33.8%		29.5%		430 bps	

Net sales for the year ended September 30, 2017 decreased \$6.8 million, or 1.5%, with an organic net sales decrease of \$6.5 million, or 1.4%.

- Auto appearance products decreased \$6.7 million due to cooler and wet weather conditions and slowed POS during the summer months, and mass and auto retailer inventory reduction programs; partially offset by new product introductions.
- Refrigerant products marginally increased \$0.4 million primarily due to pricing increases offset by cooler weather conditions and slower POS during the summer months, mass and auto retailer inventory reduction programs, and increased competition.
- Auto performance products and other marginally decreased \$0.2 million primarily due to mass and auto retail inventory reduction programs.

Operating income for the year ended September 30, 2017 decreased \$17.4 million with a margin decrease of 350 bps due to the decrease in sales volumes, higher marketing costs for new product introductions, increased restructuring costs and increased depreciation from capital investment; partially offset by improved product mix and pricing adjustments. Adjusted EBITDA for the year ended September 30, 2017 decreased \$5.0 million, with a margin decrease of 60 bps due to sales volumes and higher marketing costs for new product introductions; partially offset by improved product mix and pricing adjustments.

Net sales for the year ended September 30, 2016 increased \$293.2 million, including acquisition sales of \$277.3 million. For the period of May 21, 2016 through September 30, 2016, organic net sales increased \$16.6 million or 10.3% compared to the period of May 21, 2015 through September 30, 2015, primarily driven by increased sales volumes from refrigerant products and the introduction of private label products with a key customer.

Operating income for the year ended September 30, 2016 increased \$100.3 million with an operating income margin increase of 1,490 bps due to the inclusion of a full year of operations and contributing margin due to the seasonality of the business and acquisition date. Adjusted EBITDA for the year ended September 30, 2016 increased \$106.1 million, while Adjusted EBITDA margin increased 430 bps due to reduced operating expenses and cost improvements from post integration synergies.

Liquidity and Capital Resources

The following is a summary of the Company's cash flows for the years ended September 30, 2017, 2016 and 2015:

(in millions)	SBH			SB/RH		
	2017	2016	2015	2017	2016	2015
Net cash flow from operating activities from continuing operations	\$ 340.8	\$ 461.7	\$ 205.6	\$ 323.0	\$ 448.3	\$ 203.1
Net cash flow from investing activities from continuing operations	\$ (380.1)	\$ (63.0)	\$ (1,245.1)	\$ (380.1)	\$ (63.0)	\$ (1,245.1)
Net cash flow from financing activities from continuing operations	\$ (349.3)	\$ (484.6)	\$ 934.6	\$ (327.0)	\$ (475.7)	\$ 938.8

Spectrum Brands Holdings, Inc.**Cash flows from operating activities**

Cash flows provided by operating activities from continuing operations decreased \$120.9 million for the year ended September 30, 2017 due to:

- Incremental cash used in continuing operations of \$136.7 million, including cash invested in working capital of \$118.6 million from reduced seasonal inventory volumes and operating inefficiencies driven by restructuring initiatives, and one-time settlement payment to Stanley Black & Decker of \$23.2 million.
- Increase in cash paid for acquisition, integration and restructuring activities of \$39.2 million, primarily for ongoing restructuring initiatives and integration of newly acquired businesses;
- Increase in corporate expenditures of \$7.3 million for continued investment in shared service operations.
- Increase in cash paid for income taxes of \$2.1 million; partially offset by
- Decrease in cash paid for interest of \$53.4 million due to a reduction in annualized interest costs from refinancing activities previously discussed, plus a non-recurring tender premium of \$4.6 million for the redemption of the 6.375% Notes; partially offset by

Cash flows provided by operating activities from continuing operations increased \$256.1 million for the year ended September 30, 2016 due to:

- Incremental cash generated from the segment operations of \$270.4 million, including cash contributed by working capital of \$118.8 million, primarily from decreases of receivables and inventory due to working capital management initiatives;
- Decrease in cash paid for interest of \$12.0 million, excluding a non-recurring tender premium of \$15.6 million for the redemption of the 6.375% Note, due to a reduction in annualized interest costs from refinancing activities;
- Decrease in cash paid for income taxes of \$19.0 million; partially offset by
- Increase in cash paid for acquisition, integration and restructuring activities of \$25.9 million, primarily for integration of previously acquired businesses; and
- Increased corporate expenditures of \$3.8 million due to increased compensation costs and investment in shared services.

Depreciation and amortization

Depreciation and amortization from continuing operations totaled \$131.6 million, \$119.7 million and \$106.4 million for the years ended September 30, 2017, 2016, and 2015, respectively. The increase in depreciation and amortization for the years ended September 30, 2017 and 2016 is attributable to the increase in capital expenditures and the recognition of property, plant and equipment and definite lived intangible assets from the acquisitions of PetMatrix and GloFish during the year ended September 30, 2017 as well as the acquisitions of AAG, European IAMS and Eukanuba, Salix, and Tell during the year ended September 30, 2015, as previously discussed.

Cash flows from investing activities

Cash flow used in investing activities from continuing operations increased \$317.1 million during the year ended September 30, 2017 due to:

- Cash used for the acquisitions, net of cash acquired, of PetMatrix of \$255.0 million and GloFish of \$49.7 million;
- Increase in capital expenditures of \$17.1 million; partially offset by
- Increase in proceeds received from the sale of property, plant and equipment of \$3.0 million; and
- Decrease in cash outflow from other investing activities of \$1.7 million.

Cash flow used in investing activities from continuing operations decreased \$1,182.1 million during the year ended September 30, 2016 due to:

- Reduction in the cash used for acquisitions, net of cash acquired, of \$1,191.1 million related to acquisitions in the year ended September 30, 2015 including the AAG acquisition of \$898.4 million, Salix acquisition of \$147.8 million, European IAMS and Eukanuba acquisition of \$115.7 million, and Tell acquisition of \$29.2 million; partially offset by
- Increase in capital expenditures of \$5.6 million;
- Decrease in proceeds received from the sale of property, plant and equipment of \$0.2 million; and
- Increase in cash outflow from other investing activities of \$3.2 million.

Capital Expenditures

Capital expenditures from continuing operations totaled \$77.8 million, \$60.8 million and \$55.1 million for the years ended September 30, 2017, 2016, and 2015, respectively. Increases in capital expenditures are attributable to incremental investment in capacity expansion and cost reduction projects. We expect to make investments in capital projects similar to historical levels, as well as incremental investments slightly above historical levels related to acquisitions and in high return cost reduction projects.

Cash flows from financing activities

Cash flows used by financing activities from continuing operations decreased \$135.3 million for the year ended September 30, 2017 due to the reduction of debt net proceeds from debt financing activity, offset by the increase in payment of dividends, treasury stock repurchases, share based tax withholdings, and the purchase of non-controlling interest in Shaser.

Cash flows provided by financing activities from continuing operations decreased \$1,419.2 million for the year ended September 30, 2016 due to the reduction of net proceeds from debt financing activity along with reduction in debt issuance costs, decrease in proceeds from issuance of common stock; offset by increase in the payment of cash dividends, treasury stock repurchases, and share based tax withholdings.

Debt

During the year ended September 30, 2017, the Company recognized incremental proceeds from the issuance of debt of \$265.6 million, including \$250.0 million from the issuance of USD Term Loan primarily to support funding acquisition activity and \$15.6 million of other debt financing. The Company made \$223.4 million payments on debt, including \$129.7 million for the redemption of the 6.375% Notes, \$61.3 million for the redemption of the Euro Term Loan, and \$32.4 million of scheduled amortizing payments of debt.

During the year ended September 30, 2016, the Company recognized incremental proceeds from the issuance of debt of \$484.4 million, including \$477.6 million from the issuance of the 4.00% Notes for refinancing the 6.375% Notes to extend maturities and reduce borrowing costs, and \$6.8 million of other debt financing. The Company made \$815.8 million of payments on debt, including partial redemption of \$390.3 million of the 6.375% Notes, payments on Term Loans of \$415.5 million, and \$10.0 million of scheduled amortizing payments on debt.

During the year ended September 30, 2015, the Company recognized incremental proceeds from the issuance of debt of \$3,281.2 million, including \$2,036.5 million for the issuance of new Term Loans under the Senior Credit Agreement to refinance the then-existing senior credit facilities, and to redeem the 6.75% Notes and to fund acquisition activity; proceeds of \$1,000.0 million from the issuance of the 5.75% Notes to support the AAG acquisition, and proceeds of \$250.0 million from the issuance of the 6.125% Notes to support acquisition activity. The Company made \$2,776.7 million of payments on debt, including payment of \$1,589.6 million for the redemption of the then-existing senior term facilities, payment of \$540.0 million for redemption of AAG debt assumed as part of the AAG acquisition, payment of \$300.0 million for the redemption of the 6.75% Notes, and \$347.1 million of scheduled amortizing payments on debt.

In addition to the outstanding principal on our debt obligations, we have annual interest payment obligations of approximately \$191.3 million in the aggregate (excluding the impact of changes to variable interest rates or foreign currency). This includes interest under our: (i) 4.00% Notes of approximately \$20.0 million; (ii) 6.625% Notes of approximately \$37.8 million; (iii) 6.125% Notes of approximately \$15.3 million; (iv) 5.75% Notes of \$57.5 million; and (v) Term Loans of \$44.7 million. Interest on the 4.00% Notes, the 6.625% Notes and the 6.75% Notes is payable semi-annually in arrears and interest under the Term Loan and the Revolver Facility is payable on various interest payment dates as provided in the Senior Credit Agreement. Subsequent to the year ended September 30, 2017 and effective November 15, 2017, the 6.625% Notes became callable by the Company.

The Company maintains a \$700.0 million revolving credit facility that matures in March 2022 ("Revolver Facility") which the Company may borrow funds on a variable interest rate. As a result of borrowings and payments under the Revolver Facility, at September 30, 2017, the Company had borrowing availability of \$680.5 million, net of outstanding letters of credit of \$18.0 million and a \$1.5 million amount allocated to a foreign subsidiary. We are required to pay certain fees in connection with our outstanding debt obligations including a quarterly commitment fee of up to 0.50% on the unused portion of the Revolver Facility and certain additional fees with respect to the letter of credit sub-facility under the Revolver Facility.

The Company's access to the capital markets and financing costs in those markets may depend on the credit ratings of the Company when it is accessing the capital markets. None of the Company's current borrowings are subject to default or acceleration as a result of a downgrading of credit ratings, although a downgrade of the Company's credit ratings could increase fees and interest charges on future borrowings. At September 30, 2017, we were in compliance with all covenants under the Credit Agreement and the indentures governing the 6.625% Notes, the 6.125% Notes, the 5.75% Notes, and the 4.00% Notes.

Refer to *Note 11 - Debt of Notes to Consolidated Financial Statements* included elsewhere in this Annual Report for additional information.

Equity

During the years ended September 30, 2017 and 2016, SBH did not issue shares of common stock outside the Company's share-based compensation plans. During the year ended September 30, 2015, SBH issued 6.2 million shares of common stock in connection with the AAG acquisition, resulting in \$562.7 million in proceeds, net of equity issuance costs.

SBH made cash dividend payments of \$96.2 million, \$87.2 million, and \$70.7 million during the year ended September 30, 2017, 2016 and 2015 respectively. The increase is attributable to the annual increase in dividend rates at \$1.64, \$1.47, and \$1.27 per share for the years ended September 30, 2017, 2016 and 2015 respectively, and the increase in common stock issued in connection with the AAG acquisition during the year ended September 30, 2015.

From time to time we may repurchase outstanding shares of SBH common stock in the open market or otherwise. On July 28, 2015, the Board of Directors approved a \$300.0 million common stock repurchase program. The authorization was effective for 36 months. On January 24, 2017, the Board of Directors approved a \$500 million common stock repurchase program, replacing the pre-existing \$300 million common stock repurchase program that was scheduled to expire in July 2018. The authorization is effective for 36 months. During the years ended September 30, 2017, 2016 and 2015, SBH repurchased 2,068,653, 450,087 and 230,000 shares, respectively, with an average price of \$122.08, \$95.71, and \$92.13 per share, respectively. There is currently \$350.6 million remaining under the current program. The repurchase of additional shares in the future will depend upon many factors, including the Company's financial condition, liquidity and legal requirements.

During the years ended September 30, 2017, 2016 and 2015, SBH granted 0.7 million, 0.6 million and 0.6 million restricted stock units ("RSUs"), respectively, to our employees and our directors. All vesting dates are subject to the recipient's continued employment, except as otherwise permitted by our Compensation Committee or Board of Directors or in certain cases if the employee is terminated without cause or as otherwise provided in an applicable employment agreement. The total market value of the RSUs on the date of grant was for the years ended September 30, 2017, 2016 and 2015 were \$88.4 million, \$56.0 million, and \$52.9 million, respectively, which represented unearned share based compensation that is amortized to expense over the appropriate vesting period. During the years ended September 30, 2017, 2016, and 2015, SBH issued \$54.5 million, \$47.9 million and \$49.8 million of shares through its stock compensation plans, respectively, and paid \$24.4 million, \$10.8 million, and \$2.6 million in tax withholding payments on share based compensation plans, net of proceeds received upon vesting. See *Note 17 - Share Based Compensation* of Notes to Consolidated Financial Statements included elsewhere in this Annual Report for additional information.

During the year ended September 30, 2017, the Company purchased the remaining 44% non-controlling interest of Shaser, Inc. with a cash payment of \$12.6 million. During the year ended September 30, 2016, the Company paid \$3.2 million of contingent consideration associated with its acquisition of Salix. Refer to the *Note 4 - Acquisitions* to the Consolidated Financial Statements included elsewhere in this Annual Report for additional information.

SB/RH

Liquidity and capital resources of SB/RH are highly dependent upon the cash flow and financing activities of SBH. As a result, there are no substantive differences between the cash flows of SBH and SB/RH.

Liquidity Outlook

The Company's ability to make principal and interest payments on borrowings under its U.S. and foreign credit facilities and its ability to fund planned capital expenditures will depend on its ability to generate cash in the future, which, to a certain extent, is subject to general economic, financial, competitive, regulatory and other conditions. Based on its current level of operations, the Company believes that its existing cash balances and expected cash flows from operations will be sufficient to meet its operating requirements for at least the next 12 months. However, the Company may request borrowings under its credit facilities and seek alternative forms of financing or additional investments to achieve its longer-term strategic plans. At September 30, 2017, there are no significant foreign cash balances available for repatriation.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that are material to investors.

Contractual Obligations & Other Commercial Commitments

The following table summarizes our contractual obligations from continuing operations as of September 30, 2017 and the effect such obligations are expected to have on our liquidity and cash flow in future periods:

(in millions)	Contractual Payments Due by Period				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	Thereafter
Debt, excluding capital lease obligations ⁽¹⁾	\$ 3,628.8	\$ 13.1	\$ 30.8	\$ 1,263.9	\$ 2,321.0
Interest payments excluding capital lease obligations ⁽²⁾	1,140.9	175.3	349.2	336.5	279.9
Capital lease obligations ⁽³⁾	199.7	6.3	15.2	17.5	160.7
Operating lease obligations ⁽⁴⁾	102.5	24.2	35.6	17.2	25.5
Employee benefit obligations ⁽⁵⁾	29.2	1.9	4.8	5.3	17.2
Total Contractual Obligations ⁽⁶⁾	\$ 5,101.1	\$ 220.8	\$ 435.6	\$ 1,640.4	\$ 2,804.3

(1) See *Note 11 - Debt* of the Notes to the Consolidated Financial Statements included elsewhere in the Annual Report.

(2) Interest payments on debt subject to variable interest rates are based upon annualized interest rates as of September 30, 2017. See *Note 11 - Debt* of the Notes to the Consolidated Financial Statements included elsewhere in the Annual Report.

(3) Capital lease payments due by fiscal year include executory costs and imputed interest not reflected in the Consolidated Statements of Financial Position. See *Note 11 - Debt* of the Notes to the Consolidated Financial Statements included elsewhere in the Annual Report.

(4) Operating lease payments due by fiscal year are not reflected in the Consolidated Statements of Financial Position. See *Note 12 - Leases* of the Notes to the Consolidated Financial Statements included elsewhere in the Annual Report.

(5) Employee benefit obligations represent the sum of our estimated future minimum required funding for our qualified defined benefit plans based on actuarially determined estimates and projected future benefit payments from our unfunded postretirement plans. See *Note 14 - Employee Benefit Plans* of the Notes to the Consolidated Financial Statements included elsewhere in this Annual Report.

(6) At September 30, 2017, our Consolidated Statements of Financial Position includes reserves for uncertain tax positions. However, it is not possible to predict or estimate the timing of payments for these obligations. The Company cannot predict the ultimate outcome of income tax audits currently in progress for certain of our companies; however, it is reasonably possible that during the next 12 months, some portion of our unrecognized tax benefits could be recognized. See *Note 15 - Income Taxes* of the Notes to the Consolidated Financial Statements included elsewhere in this Annual Report.

The following table summarizes our other commercial commitments as of September 30, 2017, consisting entirely of standby letters of credit that back the performance of certain of our entities under various credit facilities, insurance policies and lease arrangements:

(in millions)	Contractual Payments Due by Period				
	Total	Less than 1 year	1 to 3 years	3 to 5 years	Thereafter
Letters of credit	\$ 10.0	\$ 10.0	\$ —	\$ —	\$ —

Critical Accounting Policies and Estimates

Our Consolidated Financial Statements have been prepared in accordance with GAAP and fairly present our financial position and results of operations. The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company bases its accounting estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, and evaluates its estimates on an ongoing basis. The following policies are considered by management to be the most critical to understanding the judgments that are involved in the preparation of our consolidated financial statements and the uncertainties that could impact our results of operations, financial position and cash flows. The application of these accounting policies requires judgment and use of assumptions as to future events and outcomes that are uncertain and, as a result, actual results could differ from these estimates. Refer to *Note 2 - Significant Accounting Policies and Practices* of Notes to the Consolidated Financial Statements for all relevant accounting policies.

Assets Held for Sale and Discontinued Operations

The Company reports the results of operations of a business as discontinued operations if a disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when the business is sold and classified as held for sale, in accordance with the criteria of Accounting Standard Codification ("ASC") Topic 205 *Presentation of Financial Statements* and ASC Topic 360 *Property, Plant and Equipment* ("ASC 360"). The results of discontinued operations are reported in Income From Discontinued Operations, Net of Tax in the accompanying Condensed Consolidated Statements of Income for the current and prior periods commencing in the period in which the business meets the criteria of a discontinued operations, and include any gain or loss recognized on closing, or adjustment of the carrying amount to fair value less cost to sell. Assets and liabilities of a business classified as held for sale are recorded at the lower of its carrying amount or estimated fair value less cost to sell. If the carrying amount of the business exceeds its estimated fair value less cost to sell, a loss is recognized. Assets and liabilities related to a business classified as held for sale are segregated in the current and prior balance sheets in the period in which the business is classified as held for sale. Transactions between the businesses held for sale and businesses held for use that are expected to continue to exist after the disposal are not eliminated to appropriately reflect the continuing operations and balances held for sale. Refer to *Note 3- Divestitures* of Notes to the Consolidated Financial Statements for more information.

Goodwill, Intangible Assets and Other Long-Lived Assets

The Company's goodwill, intangible assets and tangible fixed assets are stated at historical cost, net of depreciation and amortization, less any provision for impairment. Intangible and tangible assets with determinable lives are amortized or depreciated on a straight line basis over estimated useful lives. Refer to *Note 2 - Significant Accounting Policies and Practices* of Notes to the Consolidated Financial Statements for more information about useful lives.

On an annual basis, or more frequently if triggering events occur, the Company compares the estimated fair value of its reporting units to the carrying value to determine if potential goodwill impairment exists. Our reporting units are consistent with our operating segments. See *Note 20 - Segment Information* of Notes to the Consolidated Financial Statements for further discussion of operating and reporting segments. If the fair value of a reporting unit is less than its carrying value, an impairment loss is recorded for the difference between the fair value of the reporting unit goodwill and its carrying value. The estimated fair value represents the amount at which a reporting unit could be bought or sold in a current transaction between willing parties on an arms-length basis. In estimating the fair value of the reporting unit, we used a discounted cash flows methodology, which requires us to estimate future revenues, expenses, and capital expenditures and make assumptions about our weighted average cost of capital and perpetuity growth rate, among other variables. We test the aggregate estimated fair value of our reporting units by comparison to our total market capitalization, including both equity and debt capital. The fair value of HHI, PET, H&G, and GAC reporting units exceeded their carrying value by 93.2%, 38.6%, 352.3%, and 12.4%, respectively.

In addition to goodwill, the Company has indefinite-lived intangible assets that consist of acquired tradenames. On an annual basis, or more frequently if triggering events occur, the Company compares the estimated fair value of the identified trade names to the carrying value to determine if potential impairment exists. If the fair value is less than its carrying value, an impairment loss is recorded for the excess. The fair value of indefinite-lived intangible assets is determined using an income approach, the relief-from-royalty methodology, which requires us to make estimates and assumptions about future revenues, royalty rates, and the discount rate, among others. During the year ended September 30, 2017, the Company recognized \$16.3 million impairment on indefinite life intangible assets due to the reduction in value of certain tradenames in response to changes in management's strategy.

The Company also reviews other definite-lived intangible assets and tangible fixed assets for impairment when events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Circumstances such as the discontinuation of a product or product line, a sudden or consistent decline in the sales forecast for a product, changes in technology or in the way an asset is being used, a history of operating or cash flow losses or an adverse change in legal factors or in the business climate, among others, may trigger an impairment review. If such indicators are present, the Company performs undiscounted cash flow analyses to determine if impairment exists. The asset value would be deemed impaired if the undiscounted cash flows expected to be generated by the asset did not exceed the carrying value of the asset. If impairment is determined to exist, any related impairment loss is calculated based on fair value. There was a triggering event identified during the year that necessitated an impairment test of definite-lived assets, but no impairment was required.

A considerable amount of judgment and assumptions are required in performing the impairment tests, principally in determining the fair value of each reporting unit and assets subject to impairment testing. While the Company believes its judgments and assumptions are reasonable, different assumptions could change the estimated fair value and therefore, additional impairment changes could be required. The Company is subject to financial statement risk in the event that business or economic conditions unexpectedly decline and impairment is realized.

Pensions

The Company recognizes amounts on the consolidated financial statements related to defined benefit pension plans using a September 30 measurement date. The accounting for these plans requires us to recognize the overfunded and/or underfunded status of each pension plan (i.e. the estimated present value of future benefits, net of plan assets) on the consolidated statement of financial position. The determination of the estimated present value of future benefits includes several important assumptions, particularly around discount rates, expected returns on plan assets, and retirement and mortality rates.

The Company's discount rate assumptions are based on the interest rate of high-quality corporate bonds, with appropriate consideration of our plans' participants' demographics and benefit payment terms. For the year ended September 30, 2017, we used discount rates ranging from 1.13% to 7.50%. We believe the discount rates used are reflective of the rates at which pension benefits could be effectively settled. If interest rates decline resulting in a lower discount rate, our pension liability will increase along with the related pension expense and required funding contributions.

The Company's expected return on plan assets assumptions are based on our expectation of long-term average rates of return on assets in the pension funds, which reflect both the current and projected asset mix of the funds and consider the historical returns earned on the fund. If the actual rates of return are lower than we assume, our future pension expense and required funding contributions may increase. Actual returns above the assumed level could decrease future pension expense and lower the amount of required funding contributions. For the year ended September 30, 2017, we used an expected return on plan assets of 1.13% to 3.50%. If plan assets decline due to poor market performance, our pension liability will increase along with increasing pension expense and required funding contributions may increase.

The Company reviews its actuarial assumptions on an annual basis and makes modifications based on current rates and trends when appropriate. Based on the information provided by independent actuaries and other relevant sources, the Company believes that the assumptions used are reasonable; however, changes in these assumptions could impact our financial position, results of operations or cash flows in the future. See *Note 14 - Employee Benefit Plans* of Notes to the Consolidated Financial Statements included elsewhere in this Annual Report for further discussion of our employee benefit plans.

Restructuring and Related Charges

Restructuring charges include, but are not limited to, termination and related costs consisting primarily of one-time termination benefits such as severance costs and retention bonuses, and contract termination costs consisting primarily of lease termination costs. Related charges, as defined by us, include, but are not limited to, other costs directly associated with exit and relocation activities, including impairment of property and other assets, departmental costs of full-time incremental employees, and any other items related to the exit or relocation activities. We estimate costs for such activities after evaluating detailed analyses of the costs to be incurred.

Liabilities from restructuring and related charges are recorded for estimated costs of facility closures and significant organizational adjustments and measures undertaken by us to exit certain activities. We estimated costs for such activities after evaluating detailed analyses of the costs to be incurred. Such liabilities could include amounts for items such as severance costs and related benefits (including settlements of pension plans), lease termination payments and any other items directly related to the exit activities. Impairment of property and equipment and other current or long-term assets as a result of restructuring related initiatives are recognized as a reduction of the appropriate asset.

Restructuring and related charges associated with manufacturing and related initiatives are reported in cost of goods sold. Restructuring and related charges reflected in cost of goods sold include, but are not limited to, termination and related costs associated with manufacturing employees, asset impairments relating to manufacturing initiatives and other costs directly related to the restructuring initiatives implemented. Restructuring and related charges associated with administrative functions are reported in operating expenses, such as initiatives impacting sales, marketing, distribution or other non-manufacturing related functions. Restructuring and related charges reflected in operating expenses include, but are not limited to, termination and related costs, any asset impairments relating to the administrative functions and other costs directly related to the initiatives implemented.

While the actions are carried out as expeditiously as possible, restructuring and related charges are estimates. Changes in estimates resulting in an increase to or a reversal of a previously recorded liability may be required as we execute a restructuring plan. See *Note 5 - Restructuring and Related Charges* of Notes to the Consolidated Financial Statements included elsewhere in this Annual Report for a more complete discussion of our restructuring initiatives and related costs.

Income Taxes

The Company is subject to income taxes in the U.S. and numerous foreign jurisdictions. Significant judgment is required in determining our worldwide provision for income taxes and recording the related deferred tax assets and liabilities.

The Company assesses its income tax positions and records tax liabilities for all years subject to examination based upon management's evaluation of the facts and circumstances and information available for reporting. For those income tax positions where it is more-likely-than-not that a tax benefit will be sustained upon conclusion of an examination, the Company has recorded a reserve based upon the largest amount of tax benefit having a cumulatively greater than 50% likelihood of being realized upon ultimate settlement with the applicable taxing authority assuming that it has full knowledge of all relevant information. For those income tax positions where it is more-likely-than-not that a tax benefit will not be sustained, the Company did not recognize a tax benefit. As of September 30, 2017, the total amount of unrecognized tax benefits, including interest and penalties, that if not recognized, would affect the effective tax rate in future periods was \$37.8 million. Our effective tax rate includes the impact of income tax reserves and changes to those reserves when considered appropriate. A number of years may elapse before a particular matter for which we have established a reserve is finally resolved. Unfavorable settlement of any particular issue may require the use of cash or a reduction in our net operating loss carryforwards. Favorable resolution would be recognized as a reduction to the effective rate in the year of resolution.

The Company recognizes deferred tax assets and liabilities for future tax consequences attributable to differences between financial statement carrying amounts of existing assets and liabilities and their respective tax bases, net operating losses, tax credit, and other carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The Company does not adjust its measurement for proposed future tax rate changes that have not yet been enacted into law. The Company regularly reviews its deferred tax assets for recoverability and establishes a valuation allowance based on historical losses, projected future taxable income, expected timing of the reversals of existing temporary differences, and ongoing prudent and feasible tax planning strategies. We base these estimates on projections of future income, including tax planning strategies, in certain jurisdictions. Changes in industry conditions and other economic conditions may impact our ability to project future income. Should we determine that we would not be able to realize all or part of our net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period we make that determination.

As of September 30, 2017, we have U.S. federal net operating loss carryforwards ("NOLs") of \$703.5 million, with a federal tax benefit of \$246.2 million, future tax benefits related to state NOLs of \$70.8 million and capital loss carryforwards of \$19.8 million with a federal and state tax benefit of \$7.5 million. Our total valuation allowance for the tax benefit of deferred tax assets that may not be realized is \$243.5 million at September 30, 2017. Of this amount, \$217.1 million relates to U.S. net deferred tax assets and \$26.4 million relates to foreign net deferred tax assets. We estimate that \$180.8 million of valuation allowance related to domestic deferred tax assets cannot be released regardless of the amount of domestic operating income generated due to both prior period ownership changes that limit the amount of NOLs we can use and legal limitations on the use of capital losses and foreign tax credits.

As of September 30, 2017, we have provided no significant residual US taxes on earnings not yet taxed in the U.S. As of September 30, 2017, we project \$2.8 million of additional tax expense from non-U.S. withholding and other taxes expected to be incurred on repatriation of foreign earnings.

See *Note 15 - Income Taxes* of Notes to the Consolidated Financial Statements elsewhere included in this Annual Report.

New Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition*. This ASU requires revenue recognition to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new revenue recognition model requires identifying the contract and performance obligations, determining the transaction price, allocating the transaction price to performance obligations and recognizing the revenue upon satisfaction of performance obligations. This ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments, and assets recognized from costs incurred to obtain or fulfill a contract. This ASU can be applied either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the updates recognized at the date of the initial application along with additional disclosures. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606) Deferral of the Effective Date*, which amends the previously issued ASU to provide for a one year deferral from the original effective date. As a result, the ASU will become effective for us beginning in the first quarter of our fiscal year ending September 30, 2019. We have performed a preliminary assessment over the impact of the pronouncement to the Company and are currently performing detailed assessments over the contracts with our customers and the impact to our processes and control environment. We have not measured the impact of adoption at this point in our assessment and have not concluded on the overall materiality of the impact of adoption to the Company’s consolidated financial statements, or the method of adoption, but have not identified any matters that are considered significant for further disclosure.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which supersedes the lease requirements in ASC 840, *Leases*. This ASU requires lessees to recognize lease assets and liabilities on the balance sheet, as well as disclosing key information about leasing arrangements. Although the new ASU requires both operating and finance leases to be disclosed on the balance sheet, a distinction between the two types still exists as the economics of leases can vary. The ASU can be applied using a modified retrospective approach, with a number of optional practical expedients relating to the identification and classification of leases that commenced before the effective date, along with the ability to use hindsight in the evaluation of lease decisions, that entities may elect to apply. As a result, the ASU will become effective for us beginning in the first quarter of our fiscal year ending September 30, 2020, with early adoption applicable. We have not measured the impact of adoption at this point in our assessment and have not concluded on the overall materiality of the impact of adoption to the Company’s consolidated financial statements, or determined the method and timing of adoption.

In March 2017, the FASB issued ASU No. 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which requires an employer to disaggregate the service cost component from the other components of net periodic pension costs within the statement of income. The amendment provides guidance requiring the service cost component to be recognized consistent with other compensation costs arising from service rendered by employees during the period, and all other components to be recognized separately outside of the subtotal of income from operations. The ASU is applied on a retrospective basis, and will become effective for us in the first quarter of the year ending September 30, 2019; with early adoption available. We are currently assessing the impact this pronouncement will have on the consolidated financial statements of the Company and have not yet concluded on the materiality or timing of the adoption.

In August 2017, the FASB issued Accounting Standards Update ASU No. 2017-12, *Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities (Topic 815)*, which changes the designation and measurement guidance for qualifying hedging relationships and presentation of hedge results. The amendments in this update make certain targeted improvements to simplify the application of the hedge accounting guidance in current GAAP, better aligning the entity’s risk management activities and financial reporting for hedging relationships. The ASU can only be applied prospectively, and will become effective for us beginning in the first quarter of our fiscal year ending September 30, 2020, with early adoption applicable. We are currently assessing the impact this pronouncement will have on the consolidated financial statements of the Company and have not yet determined the materiality of the adoption.

ITEM 7A. 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. When appropriate, we use derivative financial instruments to mitigate the risk from such exposures. A discussion of our accounting policies for derivative financial instruments is included in *Note 13 - Derivatives* of Notes to the Consolidated Financial Statements included elsewhere in this Annual Report.

Interest Rate Risk

A portion of our debt bears interest at variable rates. If market interest rates increase, the interest rate on our variable rate debt will increase and will create higher debt service requirements, which would adversely affect our cash flow and could adversely impact our results of operations. We also have bank lines of credit at variable interest rates. The general levels of U.S., Canadian and European Union interest rates, LIBOR, CDOR and EURIBOR affect interest expense. We periodically 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 counterparties are included in accrued liabilities or accounts receivable.

At September 30, 2017 we had \$1,307.9 million or 34% of our total debt subject to variable interest rates, the majority related to our Term Loans of \$1,303.2 million. After inclusion of \$300.0 million of interest rate swaps expiring in May 2020 fixing a portion of the variable rate debt, \$1,007.9 million or 26% of our debt is subject to variable rates. Assuming an increase to market rates of 1% as of September 30, 2017, we would incur an increase to interest expense of \$10.3 million.

At September 30, 2017, the potential change in fair value of our outstanding interest rate derivative instruments assuming a 1% decline in interest rates would be a loss of \$8.3 million. The net impact on reported earnings, after also including the effect of the change on one year's underlying interest rate exposure on our variable rate Term Loan, would be a net loss of \$1.2 million.

Foreign Exchange Risk

We are subject to risk from sales and loans to and from our subsidiaries as well as sales to, purchases from and bank lines of credit with third-party customers, suppliers and creditors denominated in foreign currencies. Foreign currency sales and purchases are made primarily in Euro, Pounds Sterling, Mexican Pesos, Canadian Dollars, Australian Dollars and Brazilian Reals. We manage our foreign exchange exposure from such sales, accounts receivable, intercompany loans, firm purchase commitments, accounts payable 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.

At September 30, 2017, we had \$570.7 million equivalent of debt denominated in foreign currencies. Other than our Canadian-denominated term loan and Euro-denominated 4.00% Notes in the equivalent of \$59.0 million and \$500.9 million, respectively, recorded in a U.S. Dollar functional entity, the remaining debt is recorded in countries with the same functional currency as the debt. The foreign currency exposure from the Canadian-denominated term loans are substantially offset by Canadian-denominated intercompany loan receivables recorded in a U.S. Dollar functional entity and the 4.00% Notes are held as a net investment hedge of the translation of the Company's net investments in Euro-denominated subsidiaries.

At September 30, 2017, the potential change in fair value of outstanding foreign exchange derivative instruments, assuming a 10% unfavorable change in the underlying exchange rates, would be a loss of \$13.1 million. The net impact on reported earnings, after also including the effect of the change in the underlying foreign currency-denominated exposures, would be a net gain of \$1.0 million.

Commodity Price Risk

We are exposed to fluctuations in market prices for purchases of brass used in our manufacturing processes. We use commodity swaps and calls to manage such risk. The maturity of, and the quantities covered by, the contracts are closely correlated to our anticipated purchases of the commodity. The cost of calls is amortized over the life of the contracts and recorded in cost of goods sold, along with the effects of the swap and call contracts. The related amounts payable to, or receivable from, the counter-parties are included in accounts payable or accounts receivable.

At September 30, 2017, the potential change in fair value of outstanding commodity price derivative instruments, assuming a 10% decline in the underlying commodity prices, would be a loss of \$0.7 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 \$0.7 million.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

The information required for this Item is included in this Annual Report on Form 10-K within Item 15, Exhibits, Financial Statements and Schedules, and is incorporated herein by reference. This report is a combined report of SBH and SB/RH. The notes to the consolidated financial statements include consolidated SBH Notes and certain information related to SB/RH.

PART IV

ITEM 15. EXHIBITS, FINANCIAL STATEMENTS AND SCHEDULES

(a) The following documents are filed as part of or are included in this Annual Report on Form 10-K:

1. The financial statements of Spectrum Brands Holdings, Inc. and SB/RH Holdings, LLC listed in the Index to Consolidated Financial Statements and Financial Statement Schedule, filed as part of this Annual Report on Form 10-K.
2. The financial statement schedule of Spectrum Brands Holdings, Inc. and SB/RH Holdings, LLC listed in the Index to Consolidated Financial Statements and Financial Statement Schedule, filed as part of this Annual Report on Form 10-K.
3. The exhibits listed in the Exhibit Index filed as part of this Annual Report on Form 10-K.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS AND FINANCIAL STATEMENT SCHEDULE

This report is a combined report of Spectrum Brands Holdings, Inc. ("SBH") and SB/RH Holdings, LLC ("SB/RH"). The notes to the consolidated financial statements include consolidated SBH footnotes and certain footnotes related to SB/RH.

	<u>Page</u>
Reports of Independent Registered Public Accounting Firm	3
<i>Spectrum Brands Holdings, Inc. Consolidated Financial Statements</i>	
Consolidated Statements of Financial Position	5
Consolidated Statements of Income	6
Consolidated Statements of Comprehensive Income	6
Consolidated Statements of Shareholders' Equity	7
Consolidated Statements of Cash Flows	8
<i>SB/RH Holdings, LLC Consolidated Financial Statements</i>	
Consolidated Statements of Financial Position	9
Consolidated Statements of Income	10
Consolidated Statements of Comprehensive Income	10
Consolidated Statements of Shareholder's Equity	11
Consolidated Statements of Cash Flows	12
<i>Spectrum Brands Holdings, Inc. and SB/RH Holdings, LLC Combined</i>	
Combined Notes to Consolidated Financial Statements	13

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholders
Spectrum Brands Holdings, Inc.:

We have audited the accompanying consolidated statements of financial position of Spectrum Brands Holdings, Inc. and subsidiaries (the Company) as of September 30, 2017 and 2016, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the years in the three-year period ended September 30, 2017. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Spectrum Brands Holdings, Inc. and subsidiaries as of September 30, 2017 and 2016, and the results of their operations and their cash flows for each of the years in the three-year period ended September 30, 2017, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of September 30, 2017, based on criteria established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated November 16, 2017 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

/s/ KPMG LLP

Milwaukee, Wisconsin
November 16, 2017

except for the effects of changes in discontinued operations, as discussed in Notes 1, 3, 13, and 14, and subsequent events, as discussed in Note 23, as to which the date is March 30, 2018

Report of Independent Registered Public Accounting Firm

The Board of Directors and Shareholder
SB/RH Holdings, LLC:

We have audited the accompanying consolidated statements of financial position of SB/RH Holdings, LLC and subsidiaries (the Company) as of September 30, 2017 and 2016, and the related consolidated statements of income, comprehensive income, shareholder's equity, and cash flows for each of the years in the three-year period ended September 30, 2017. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of SB/RH Holdings, LLC and subsidiaries as of September 30, 2017 and 2016, and the results of their operations and their cash flows for each of the years in the three-year period ended September 30, 2017, in conformity with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Milwaukee, Wisconsin
November 16, 2017

except for the effects of changes in discontinued operations, as discussed in Notes 1, 3, 13, and 14, and subsequent events, as discussed in Note 23, as to which the date is March 30, 2018

SPECTRUM BRANDS HOLDINGS, INC.
Consolidated Statements of Financial Position
September 30, 2017 and 2016
(in millions, except per share figures)

	2017	2016
Assets		
Cash and cash equivalents	\$ 168.2	\$ 275.3
Trade receivables, net	266.0	245.6
Other receivables	19.4	22.9
Inventories	496.3	449.9
Prepaid expenses and other current assets	54.2	38.2
Current assets of business held for sale	603.0	601.0
Total current assets	1,607.1	1,632.9
Property, plant and equipment, net	503.1	366.1
Deferred charges and other	43.5	28.2
Goodwill	2,277.1	2,133.3
Intangible assets, net	1,612.0	1,534.8
Noncurrent assets of business held for sale	1,376.9	1,373.8
Total assets	\$ 7,419.7	\$ 7,069.1
Liabilities and Shareholders' Equity		
Current portion of long-term debt	\$ 19.4	\$ 145.3
Accounts payable	371.6	314.8
Accrued wages and salaries	49.9	79.6
Accrued interest	48.5	39.3
Other current liabilities	123.4	104.5
Current liabilities of business held for sale	500.6	412.1
Total current liabilities	1,113.4	1,095.6
Long-term debt, net of current portion	3,752.3	3,414.7
Deferred income taxes	493.2	498.8
Other long-term liabilities	58.0	60.5
Noncurrent liabilities of business held for sale	156.1	155.5
Total liabilities	5,573.0	5,225.1
Commitments and contingencies (Note 19)		
Shareholders' equity		
Common Stock, \$0.01 par value; Authorized - 200.0 shares; Issued - 61.8 and 61.5 shares, respectively; Outstanding - 57.6 and 59.4 shares, respectively	0.6	0.6
Additional paid-in capital	2,145.3	2,073.6
Accumulated earnings	262.3	63.6
Accumulated other comprehensive loss, net of tax	(209.6)	(229.4)
Treasury stock, at cost	(360.7)	(108.3)
Total shareholders' equity	1,837.9	1,800.1
Noncontrolling interest	8.8	43.9
Total equity	1,846.7	1,844.0
Total liabilities and equity	\$ 7,419.7	\$ 7,069.1

See accompanying notes to the consolidated financial statements

SPECTRUM BRANDS HOLDINGS, INC.
Consolidated Statements of Income
Years ended September 30, 2017, 2016 and 2015
(in millions, except per share figures)

	2017	2016	2015
Net sales	\$ 3,009.5	\$ 3,029.4	\$ 2,598.2
Cost of goods sold	1,815.4	1,791.5	1,618.3
Restructuring and related charges	18.1	0.2	1.4
Gross profit	1,176.0	1,237.7	978.5
Selling	473.8	477.4	407.2
General and administrative	272.7	265.0	231.6
Research and development	27.2	27.0	21.2
Acquisition and integration related charges	15.6	34.1	54.2
Restructuring and related charges	42.3	13.8	18.1
Write-off from impairment of intangible assets	16.3	2.7	—
Total operating expenses	847.9	820.0	732.3
Operating income	328.1	417.7	246.2
Interest expense	160.9	182.0	185.8
Other non-operating expense, net	4.9	4.7	4.0
Income from continuing operations before income taxes	162.3	231.0	56.4
Income tax expense (benefit)	37.3	(50.0)	5.6
Net income from continuing operations	125.0	281.0	50.8
Income from discontinued operations, net of tax	172.1	76.6	98.6
Net income	297.1	357.6	149.4
Net income attributable to non-controlling interest	1.3	0.5	0.5
Net income attributable to controlling interest	\$ 295.8	\$ 357.1	\$ 148.9
Amounts attributable to controlling interest			
Net income from continuing operations attributable to controlling interest	\$ 125.0	\$ 280.0	\$ 49.9
Net Income from discontinued operations attributable to controlling interest	170.8	77.1	99.0
Net Income attributable to controlling interest	\$ 295.8	\$ 357.1	\$ 148.9
Earnings Per Share			
Basic earnings per share from continuing operations	\$ 2.13	\$ 4.72	\$ 0.90
Basic earnings per share from discontinued operations	2.91	1.30	1.78
Basic earnings per share	\$ 5.04	\$ 6.02	\$ 2.68
Diluted earnings per share from continuing operations	\$ 2.12	\$ 4.70	\$ 0.90
Diluted earnings per share from discontinued operations	2.90	1.29	1.76
Diluted earnings per share	\$ 5.02	\$ 5.99	\$ 2.66
Dividends per share	\$ 1.64	\$ 1.47	\$ 1.27
Weighted Average Shares Outstanding			
Basic	58.6	59.3	55.6
Diluted	59.0	59.6	55.9

See accompanying notes to the consolidated financial statements.

SPECTRUM BRANDS HOLDINGS, INC.
Consolidated Statements of Comprehensive Income
Years ended September 30, 2017, 2016 and 2015
(in millions)

	2017	2016	2015
Net income	\$ 297.1	\$ 357.6	\$ 149.4
Other comprehensive income (loss), net of tax:			
Foreign currency translation gain (loss), net tax of \$2.9, \$2.3, and \$0.0, respectively	29.1	(8.5)	(113.0)
Unrealized (loss) gain on hedging activity, net tax of \$(13.3), \$2.9 and \$(3.0), respectively	(29.1)	7.1	(13.2)
Defined benefit pension gain (loss), net tax of \$8.5, \$(10.8) and \$(0.5), respectively	19.6	(28.2)	(11.0)
Other comprehensive gain (loss), net of tax	19.6	(29.6)	(137.2)
Comprehensive income	316.7	328.0	12.2
Comprehensive loss attributable to non-controlling interest	(0.2)	(0.3)	(0.2)
Comprehensive income attributable to controlling interest	\$ 316.9	\$ 328.3	\$ 12.4

See accompanying notes to the consolidated financial statements

SPECTRUM BRANDS HOLDINGS, INC.
Consolidated Statements of Shareholders' Equity
Years ended September 30, 2017, 2016 and 2015
(in millions)

	Common Stock		Additional Paid-in Capital	Accumulated Earnings (Deficit)	Accumulated Other Comprehensive Loss	Treasury Stock	Total Shareholders' Equity	Non- controlling Interest	Total Equity
	Shares	Amount							
	Balances at September 30, 2014	52.7	\$ 0.5	\$ 1,433.4	\$ (283.1)	\$ (63.1)	\$ (44.3)	\$ 1,043.4	\$ 43.4
Net income from continuing operations	—	—	—	49.9	—	—	49.9	0.9	50.8
Income (loss) from discontinued operations, net of tax	—	—	—	99.0	—	—	99.0	(0.4)	98.6
Other comprehensive loss, net of tax	—	—	—	—	(137.0)	—	(137.0)	(0.2)	(137.2)
Common stock issuance	6.5	0.1	585.9	—	—	—	586.0	—	586.0
Restricted stock issued and related tax withholdings	0.4	—	(15.4)	—	—	—	(15.4)	—	(15.4)
Share based compensation	—	—	29.7	—	—	—	29.7	—	29.7
Treasury stock purchases	(0.2)	—	—	—	—	(21.2)	(21.2)	—	(21.2)
Dividend declared	—	—	—	(71.3)	—	—	(71.3)	—	(71.3)
Balances at September 30, 2015	59.4	0.6	2,033.6	(205.5)	(200.1)	(65.5)	1,563.1	43.7	1,606.8
Net income from continuing operations	—	—	—	280.0	—	—	280.0	1.0	281.0
Income (loss) from discontinued operations, net of tax	—	—	—	77.1	—	—	77.1	(0.5)	76.6
Other comprehensive loss, net of tax	—	—	—	—	(29.3)	—	(29.3)	(0.3)	(29.6)
Restricted stock issued and related tax withholdings	0.4	—	0.4	—	—	—	0.4	—	0.4
Share based compensation	—	—	39.6	—	—	—	39.6	—	39.6
Treasury stock purchases	(0.4)	—	—	—	—	(42.8)	(42.8)	—	(42.8)
Dividend declared	—	—	—	(88.0)	—	—	(88.0)	—	(88.0)
Balances as of September 30, 2016	59.4	0.6	2,073.6	63.6	(229.4)	(108.3)	1,800.1	43.9	1,844.0
Net income from continuing operations	—	—	—	125.0	—	—	125.0	—	125.0
Income from discontinued operations, net of tax	—	—	—	170.8	—	—	170.8	1.3	172.1
Other comprehensive income (loss), net of tax	—	—	—	—	19.8	—	19.8	(0.2)	19.6
Purchase of non-controlling interest	—	—	23.8	—	—	—	23.8	(36.2)	(12.4)
Restricted stock issued and related tax withholdings	0.3	—	8.8	—	—	—	8.8	—	8.8
Share based compensation	—	—	39.1	—	—	—	39.1	—	39.1
Treasury stock purchases	(2.1)	—	—	—	—	(252.4)	(252.4)	—	(252.4)
Dividends declared	—	—	—	(97.1)	—	—	(97.1)	—	(97.1)
Balances as of September 30, 2017	57.6	\$ 0.6	\$ 2,145.3	\$ 262.3	\$ (209.6)	\$ (360.7)	\$ 1,837.9	\$ 8.8	\$ 1,846.7

See accompanying notes to the consolidated financial statements

SPECTRUM BRANDS HOLDINGS, INC.
Consolidated Statements of Cash Flows
Years ended September 30, 2017, 2016 and 2015
(in millions)

	2017	2016	2015
Cash flows from operating activities			
Net income	\$ 297.1	\$ 357.6	\$ 149.4
Income from discontinued operations, net of tax	172.1	76.6	98.6
Net income from continuing operations	125.0	281.0	50.8
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	131.6	119.7	106.4
Share based compensation	47.7	57.2	41.0
Amortization of debt issuance costs	7.3	11.6	12.6
Purchase accounting inventory adjustment	3.3	—	21.7
Write-off for impairment of intangible assets	16.3	2.7	—
Pet safety recall inventory write-off	15.0	—	—
Write-off of debt issuance costs and unamortized discount	2.5	5.8	12.9
Non-cash debt accretion	0.7	2.3	3.0
Deferred tax expense (benefit)	23.8	(66.6)	(8.5)
Net changes in operating assets and liabilities			
Receivables	0.6	52.3	90.3
Inventories	(45.2)	20.9	(20.2)
Prepaid expenses and other current assets	(11.0)	(0.5)	0.8
Accounts payable and accrued liabilities	4.2	(60.6)	32.1
Other	19.0	35.9	(137.3)
Net cash provided by operating activities from continuing operations	340.8	461.7	205.6
Net cash provided by operating activities from discontinued operations	324.6	153.3	238.7
Net cash provided by operating activities	665.4	615.0	444.3
Cash flows from investing activities			
Purchases of property, plant and equipment	(77.8)	(60.8)	(55.1)
Business acquisitions, net of cash acquired	(304.7)	—	(1,191.1)
Proceeds from sales of property, plant and equipment	3.9	0.9	1.1
Other investing activities	(1.5)	(3.1)	—
Net cash used by investing activities from continuing operations	(380.1)	(63.0)	(1,245.1)
Net cash used by investing activities from discontinued operations	(36.5)	(35.4)	(34.6)
Net cash used by investing activities	(416.6)	(98.4)	(1,279.7)
Cash flows from financing activities			
Proceeds from issuance of debt	265.6	484.4	3,281.2
Payment of debt	(223.4)	(815.8)	(2,776.7)
Payment of debt issuance costs	(5.9)	(9.3)	(38.1)
Payment of cash dividends	(96.2)	(87.2)	(70.7)
Treasury stock purchases	(252.4)	(42.7)	(21.2)
Purchase of non-controlling interest	(12.6)	—	—
Payment of contingent consideration	—	(3.2)	—
Share based tax withholding payments, net of proceeds upon vesting	(24.4)	(10.8)	(2.6)
Net proceeds from issuance of common stock	—	—	562.7
Net cash (used) provided by financing activities from continuing operations	(349.3)	(484.6)	934.6
Net cash used by financing activities from discontinued operations	(9.3)	(3.2)	(16.2)
Net cash (used) provided by financing activities	(358.6)	(487.8)	918.4
Effect of exchange rate changes on cash and cash equivalents due to Venezuela devaluation	(0.4)	—	(2.5)
Effect of exchange rate changes on cash and cash equivalents	3.1	(1.4)	(27.2)
Net change in cash and cash equivalents	(107.1)	27.4	53.3
Cash and cash equivalents, beginning of period	275.3	247.9	194.6
Cash and cash equivalents, end of period	\$ 168.2	\$ 275.3	\$ 247.9
Supplemental disclosure of cash flow information			
Cash paid for interest	\$ 184.9	\$ 238.3	\$ 250.3
Cash paid for taxes	\$ 37.5	\$ 35.4	\$ 54.4
Non cash investing activities			
Acquisition of property, plant and equipment through capital leases	\$ 151.7	\$ 37.6	\$ 3.1
Non cash financing activities			
Issuance of shares through stock compensation plan	\$ 54.5	\$ 47.9	\$ 49.8
Assumption of AAG Debt	—	—	540.0

See accompany notes to the consolidated financial statements

SB/RH Holdings, LLC
Consolidated Statements of Financial Position
September 30, 2017 and 2016
(in millions)

	2017	2016
Assets		
Cash and cash equivalents	\$ 168.2	\$ 270.8
Trade receivables, net	266.0	245.6
Other receivables	18.7	22.9
Inventories	496.3	449.9
Prepaid expenses and other current assets	54.2	38.2
Current assets of business held for sale	603.0	601.0
Total current assets	1,606.4	1,628.4
Property, plant and equipment, net	503.1	366.1
Deferred charges and other	28.4	17.1
Goodwill	2,277.1	2,133.3
Intangible assets, net	1,612.0	1,534.8
Noncurrent assets of business held for sale	1,376.9	1,373.8
Total assets	\$ 7,403.9	\$ 7,053.5
Liabilities and Shareholder's Equity		
Current portion of long-term debt	\$ 19.4	\$ 145.3
Accounts payable	371.6	314.8
Accrued wages and salaries	49.9	79.6
Accrued interest	48.5	39.3
Other current liabilities	118.9	103.5
Current liabilities of business held for sale	500.6	412.1
Total current liabilities	1,108.9	1,094.6
Long-term debt, net of current portion	3,752.3	3,414.7
Deferred income taxes	493.2	498.8
Other long-term liabilities	58.0	60.5
Noncurrent liabilities of business held for sale	156.1	155.5
Total liabilities	5,568.5	5,224.1
Commitments and contingencies (Note 19)		
Shareholder's equity		
Other capital	2,079.0	2,000.9
Accumulated (deficit) earnings	(42.8)	8.1
Accumulated other comprehensive loss, net of tax	(209.6)	(229.4)
Total shareholder's equity	1,826.6	1,779.6
Noncontrolling interest	8.8	49.8
Total equity	1,835.4	1,829.4
Total liabilities and equity	\$ 7,403.9	\$ 7,053.5

See accompanying notes to the consolidated financial statements

SB/RH Holdings, LLC
Consolidated Statements of Income
Years ended September 30, 2017, 2016 and 2015
(in millions)

	2017	2016	2015
Net sales	\$ 3,009.5	\$ 3,029.4	\$ 2,598.2
Cost of goods sold	1,815.4	1,791.5	1,618.3
Restructuring and related charges	18.1	0.2	1.4
Gross profit	1,176.0	1,237.7	978.5
Selling	473.8	477.4	407.2
General and administrative	264.2	259.3	225.2
Research and development	27.2	27.0	21.2
Acquisition and integration related charges	15.6	34.1	54.2
Restructuring and related charges	42.3	13.8	18.1
Write-off from impairment of intangible assets	16.3	2.7	—
Total operating expenses	839.4	814.3	725.9
Operating income	336.6	423.4	252.6
Interest expense	161.3	182.0	185.8
Other non-operating expense, net	4.9	4.7	4.0
Income from continuing operations before income taxes	170.4	236.7	62.8
Income tax expense (benefit)	41.3	(39.0)	5.6
Net income from continuing operations	129.1	275.7	57.2
Income from discontinued operations, net of tax	172.1	76.6	98.6
Net income	301.2	352.3	155.8
Net income attributable to non-controlling interest	1.3	0.4	0.4
Net income attributable to controlling interest	\$ 299.9	\$ 351.9	\$ 155.4
Amounts attributable to controlling interest			
Net income from continuing operations attributable to controlling interest	\$ 129.1	\$ 274.8	\$ 56.4
Net Income from discontinued operations attributable to controlling interest	170.8	77.1	99.0
Net Income attributable to controlling interest	\$ 299.9	\$ 351.9	\$ 155.4

See accompanying notes to the consolidated financial statements

SB/RH Holdings, LLC
Consolidated Statements of Comprehensive Income
Years ended September 30, 2017, 2016 and 2015
(in millions)

	2017	2016	2015
Net income	\$ 301.2	\$ 352.3	\$ 155.8
Other comprehensive income (loss), net of tax:			
Foreign currency translation gain (loss), net tax of \$2.9, \$2.3, and \$0.0, respectively	29.1	(8.5)	(113.0)
Unrealized (loss) gain on hedging activity, net tax of \$(13.3), \$2.9 and \$(3.0), respectively	(29.1)	7.1	(13.2)
Defined benefit pension gain (loss), net tax of \$8.5, \$(10.8) and \$(0.5), respectively	19.6	(28.2)	(11.0)
Other comprehensive gain (loss), net of tax	19.6	(29.6)	(137.2)
Comprehensive income	320.8	322.7	18.6
Comprehensive income (loss) attributable to non-controlling interest	(0.2)	(0.3)	(0.2)
Comprehensive income attributable to controlling interest	\$ 321.0	\$ 323.0	\$ 18.8

See accompanying notes to the consolidated financial statements

SB/RH Holdings, LLC
Consolidated Statements of Shareholder's Equity
Years ended September 30, 2017, 2016 and 2015
(in millions)

	Other Capital	Accumulated Earnings (Deficit)	Accumulated Other Comprehensive Loss	Total Shareholder's Equity	Non-controlling Interest	Total Equity
Balances at September 30, 2014	\$ 1,413.8	\$ (330.0)	\$ (63.1)	\$ 1,020.7	\$ 49.5	\$ 1,070.2
Net income from continuing operations	—	56.4	—	56.4	0.8	57.2
Income (loss) from discontinued operations, net of tax	—	99.0	—	99.0	(0.4)	98.6
Other comprehensive loss, net of tax	—	—	(137.0)	(137.0)	(0.2)	(137.2)
Contribution from parent	570.6	—	—	570.6	—	570.6
Restricted stock issued and related tax withholdings	(38.4)	—	—	(38.4)	—	(38.4)
Share based compensation	23.9	—	—	23.9	—	23.9
Dividends declared	—	(72.1)	—	(72.1)	—	(72.1)
Balances at September 30, 2015	1,969.9	(246.7)	(200.1)	1,523.1	49.7	1,572.8
Net income from continuing operations	—	274.8	—	274.8	0.9	275.7
Income (loss) from discontinued operations, net of tax	—	77.1	—	77.1	(0.5)	76.6
Other comprehensive loss, net of tax	—	—	(29.3)	(29.3)	(0.3)	(29.6)
Contribution from parent	5.6	—	—	5.6	—	5.6
Restricted stock issued and related tax withholdings	(9.1)	—	—	(9.1)	—	(9.1)
Share based compensation	34.5	—	—	34.5	—	34.5
Dividends declared	—	(97.1)	—	(97.1)	—	(97.1)
Balances as of September 30, 2016	2,000.9	8.1	(229.4)	1,779.6	49.8	1,829.4
Net income from continuing operations	—	129.1	—	129.1	—	129.1
Income from discontinued operations, net of tax	—	170.8	—	170.8	1.3	172.1
Other comprehensive income (loss), net of tax	—	—	19.8	19.8	(0.2)	19.6
Purchase of non-controlling interest	29.6	—	—	29.6	(42.1)	(12.5)
Restricted stock issued and related tax withholdings	12.2	—	—	12.2	—	12.2
Share based compensation	36.3	—	—	36.3	—	36.3
Dividends paid to parent	—	(350.8)	—	(350.8)	—	(350.8)
Balances as of September 30, 2017	\$ 2,079.0	\$ (42.8)	\$ (209.6)	\$ 1,826.6	\$ 8.8	\$ 1,835.4

See accompanying notes to the consolidated financial statements

SB/RH Holdings, LLC
Consolidated Statements of Cash Flows
Years ended September 30, 2017, 2016 and 2015
(in millions)

	2017	2016	2015
Cash flows from operating activities			
Net income	\$ 301.2	\$ 352.3	\$ 155.8
Income from discontinued operations, net of tax	172.1	76.6	98.6
Income from continuing operations	129.1	275.7	57.2
Adjustments to reconcile net income to net cash from operating activities:			
Depreciation and amortization	131.6	119.7	106.4
Share based compensation	44.9	52.1	35.2
Amortization of debt issuance costs	7.3	11.6	12.6
Purchase accounting inventory adjustment	3.3	—	21.7
Write-off for impairment of intangible assets	16.3	2.7	—
Pet safety recall inventory write-off	15.0	—	—
Write-off of debt issuance costs and unamortized discount	2.5	5.8	12.9
Non-cash debt accretion	0.7	2.3	3.0
Deferred tax expense (benefit)	27.8	(55.6)	(8.5)
Net changes in operating assets and liabilities			
Receivables	0.6	52.3	90.3
Inventories	(45.2)	20.9	(20.2)
Prepaid expenses and other	(10.3)	(0.5)	0.9
Accounts payable and accrued liabilities	1.6	(60.8)	32.3
Other	(2.2)	22.1	(140.7)
Net cash provided by operating activities from continuing operations	323.0	448.3	203.1
Net cash provided by operating activities from discontinued operations	324.6	153.3	238.7
Net cash provided by operating activities	647.6	601.6	441.8
Cash flows from investing activities			
Purchases of property, plant and equipment	(77.8)	(60.7)	(55.1)
Business acquisitions, net of cash acquired	(304.7)	—	(1,191.1)
Proceeds from sales of property, plant and equipment	3.9	0.9	1.1
Other investing activities	(1.5)	(3.2)	—
Net cash used by investing activities from continuing operations	(380.1)	(63.0)	(1,245.1)
Net cash used by investing activities from discontinued operations	(36.5)	(35.4)	(34.6)
Net cash used by investing activities	(416.6)	(98.4)	(1,279.7)
Cash flows from financing activities			
Proceeds from issuance of debt	265.6	498.4	3,320.0
Payment of debt	(223.3)	(864.4)	(2,796.7)
Payment of debt issuance costs	(5.9)	(9.3)	(38.1)
Payment of cash dividends to parent	(350.8)	(97.2)	(72.1)
Purchase of non-controlling interest	(12.6)	—	—
Payment of contingent consideration	—	(3.2)	—
Share based tax withholding payments, net of proceeds upon vesting	—	—	(2.6)
Capital contribution from parent	—	—	528.3
Net cash (used) provided by financing activities from continuing operations	(327.0)	(475.7)	938.8
Net cash used by financing activities from discontinued operations	(9.3)	(3.2)	(16.2)
Net cash (used) provided by financing activities	(336.3)	(478.9)	922.6
Effect of exchange rate changes on cash and cash equivalents due to Venezuela devaluation	(0.4)	—	(2.5)
Effect of exchange rate changes on cash and cash equivalents	3.1	(1.4)	(27.2)
Net change in cash and cash equivalents	(102.6)	22.9	55.0
Cash and cash equivalents, beginning of period	270.8	247.9	192.9
Cash and cash equivalents, end of period	\$ 168.2	\$ 270.8	\$ 247.9
Supplemental disclosure of cash flow information			
Cash paid for interest	\$ 184.9	\$ 238.3	\$ 250.3
Cash paid for taxes	\$ 37.5	\$ 35.4	\$ 54.4
Non cash investing activities			
Acquisition of property, plant and equipment through capital leases	\$ 151.7	\$ 37.6	\$ 3.1

See accompanying notes to the consolidated financial statements

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

This report is a combined report of Spectrum Brands Holdings, Inc. (“SBH”) and SB/RH Holdings, LLC (“SB/RH”) (collectively, the “Company”). The notes to the consolidated financial statements that follow include both consolidated SBH and SB/RH Notes, unless otherwise indicated below.

NOTE 1 - DESCRIPTION OF BUSINESS

We are a diversified global branded consumer products company. SBH’s common stock trades on the New York Stock Exchange (the “NYSE”) under the symbol “SPB.” SB/RH Holdings, LLC is a wholly-owned subsidiary of SBH. SB/RH along with its wholly-owned subsidiary Spectrum Brands, Inc. (“SBI”) issued certain debt guaranteed by domestic subsidiaries of the Company. See *Note 11 - Debt* for more information pertaining to debt. The Company manufactures, markets and/or distributes its products in approximately 160 countries in the North America (“NA”), Europe, Middle East & Africa (“EMEA”), Latin America (“LATAM”) and Asia-Pacific (“APAC”) regions through a variety of trade channels, including retailers, wholesalers and distributors, original equipment manufacturers (“OEMs”), construction companies and hearing aid professionals. We enjoy strong name recognition in our regions under our various brands and patented technologies. Our diversified global branded consumer products have positions in several product categories and types. We manage the businesses in vertically integrated, product-focused segments: (i) Global Batteries & Appliances (“GBA”), (ii) Global Pet Supplies (“PET”), (iii) Home and Garden (“H&G”), (iv) Hardware & Home Improvement (“HHI”) and (v) Global Auto Care (“GAC”). Global and geographic strategic initiatives and financial objectives are determined at the corporate level. Each segment is responsible for implementing defined strategic initiatives and achieving certain financial objectives and has a president responsible for sales and marketing initiatives and the financial results for all product lines within that segment.

Subsequent to the year ended September 30, 2017, effective December 29, 2017, the Company’s Board of Directors approved a plan to explore strategic alternatives, including a planned sale of the Company’s GBA segment. The Company expects a sale to be realized by December 31, 2018. As a result, the Company’s assets and liabilities associated with the GBA segment have been classified as held for sale in the accompanying Consolidated Balance Sheets and the respective operations of the GBA segment have been classified as discontinued operations in the accompanying Consolidated Statement of Income and Statements of Cash Flows; and reported separately for all periods presented as the disposition represents a strategic shift that will have a major effect on the Company’s operations and financial results. See *Note 3 – Divestitures* for more information on the assets and liabilities classified as held for sale and discontinued operations. See *Note 20 – Segment Information* for more information pertaining to segments of continuing operations. Accordingly, the notes to the consolidated financial statements have been updated to exclude information pertaining to discontinued operations and reflect the only continuing operations of the Company, which includes updates to *Note 1 – Description of Business*, *Note 2 – Significant Accounting Policies and Practices*, *Note 4 – Acquisitions*, *Note 5 – Restructuring*, *Note 6 – Fair Value of Financial Instruments*, *Note 7 – Receivables*, *Note 8 – Inventory*, *Note 9 – Property, Plant and Equipment*, *Note 10 – Goodwill and Intangible Assets*; *Note 11 – Debt*, *Note 12 – Leases*, *Note 13 – Derivatives*, *Note 14 – Employee Benefit Plans*, *Note 15 – Income Taxes*, *Note 17 – Share Based Compensation*, *Note 19 – Commitments and Contingencies*, *Note 20 – Segment Information*, *Note 21 – Earnings Per Share – SBH*, *Note 22 – Guarantor Statements – SB/RH*, and *Note 24 – Quarterly Results (Unaudited)*. The following table summarizes the respective product types, brands, and regions for each of the segments of the Company’s continuing operations:

Segment	Products	Brands	Regions
HHI	<i>Hardware:</i> Hinges, security hardware, screen and storm door products, garage door hardware, window hardware and floor protection. <i>Security:</i> Residential locksets and door hardware including knobs, levers, deadbolts, handlesets and electronics. Commercial doors, locks, and hardware. <i>Plumbing:</i> Kitchen, bath and shower faucets and plumbing products.	<i>Hardware:</i> National Hardware®, Stanley® and FANAL®. <i>Security:</i> Kwikset®, Weiser®, Baldwin®, EZSET® and Tell®. <i>Plumbing:</i> Pfister®.	NA EMEA LATAM APAC
PET	<i>Companion Animal:</i> Dog, cat and small animal food and treats; clean-up and training aid products and accessories; pet health and grooming products. <i>Aquatics:</i> Aquariums and aquatic health supplies.	<i>Companion Animal:</i> 8-in-1®, Dingo®, Nature’s Miracle®, Wild Harvest®, Littermaid®, Jungle®, Excel®, FURminator®, IAMS®, Eukanuba®, Healthy-Hide®, DreamBone®, SmartBones®, GloFish®, ProSense®, Perfect Coat®, eCOTRITION®, Birdola® and Digest-eeze®. <i>Aquatics:</i> Tetra®, Marineland®, Whisper® and Instant Ocean®.	NA EMEA LATAM APAC
H&G	<i>Controls:</i> Outdoor insect and weed control solutions, animal repellents. <i>Household:</i> Household insecticides and pest controls. <i>Repellents:</i> Personal use pesticides and insect repellent products.	<i>Controls:</i> Spectracide®, Garden Safe®, Liquid Fence®, and EcoLogic®. <i>Household:</i> Hot Shot®, Black Flag®, Real Kill®, Ultra Kill®, The Ant Trap® (TAT), and Rid-a-Bug®. <i>Repellents:</i> Cutter® and Repel®.	NA LATAM
GAC	<i>Appearance:</i> Protectants, wipes, tire and wheel care products, glass cleaners, leather care products, air fresheners and washes. <i>Performance:</i> Automotive fuel and oil additives, and functional fluids. <i>A/C Recharge:</i> Do-it-yourself air conditioner recharge products, refrigerant and oil recharge kits, sealants and accessories.	<i>Appearance:</i> Armor All®. <i>Performance:</i> STP®. <i>A/C Recharge:</i> A/C PRO®.	NA EMEA LATAM APAC

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES AND PRACTICES***Principles of Consolidation and Fiscal Year End***

The consolidated financial statements include the financial statements of the Company and its majority owned subsidiaries and have been prepared in accordance with Accounting Principles Generally Accepted in the United States ("GAAP"). All intercompany transactions have been eliminated.

The Company's fiscal year ends on September 30. Throughout the year, the Company reports its results using fiscal quarters whereby each three month quarterly reporting period is approximately thirteen weeks in length and ends on a Sunday. The exceptions are the first quarter, which begins on October 1, and the fourth quarter, which ends on September 30. For the year ended September 30, 2017, the fiscal quarters were comprised of the three months ended January 1, 2017, April 2, 2017, July 2, 2017 and September 30, 2017.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Assets Held for Sale and Discontinued Operations

The Company reports the results of operations of a business as discontinued operations if a disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when a business is sold and classified as held for sale, in accordance with the criteria of Accounting Standards Codification ("ASC") Topic 205 *Presentation of Financial Statements* and ASC Topic 360 *Property, Plant and Equipment*. The results of discontinued operations are reported in Income From Discontinued Operations, Net of Tax in the accompanying Consolidated Statements of Income for the current and prior periods commencing in the period in which the business meets the criteria of a discontinued operations, and include any gain or loss recognized on closing, or adjustment of the carrying amount to fair value less cost to sell. Assets and liabilities of a business classified as held for sale are recorded at the lower of its carrying amount or estimated fair value less cost to sell. If the carrying amount of the business exceeds its estimated fair value less cost to sell, a loss is recognized. Assets and liabilities related to a business classified as held for sale are segregated in the current and prior balance sheets in the period in which the business is classified as held for sale. Transactions between the businesses held for sale and businesses held for use that are expected to continue to exist after the disposal are not eliminated to appropriately reflect the continuing operations and balances held for sale.

Cash and Cash Equivalents

The Company considers all highly liquid temporary instruments purchased with original maturities of three months or less from date of purchase to be cash equivalents.

Receivables

Trade accounts receivable are carried at net realizable value. The Company extends credit to its customers based upon an evaluation of the customer's financial condition and credit history, but generally does not require collateral. The Company monitors its customers' credit and financial condition based on changing economic conditions and will make adjustments to credit policies as required. Provisions for losses on uncollectible trade receivables are determined based on ongoing evaluations of the Company's receivables, principally on the basis of historical collection experience and evaluations of the risks of nonpayment or return for a given customer. See *Note 7 - Receivables* for further detail.

Inventories

The Company's inventories are valued at the lower of cost or net realizable value. Cost of inventories is determined using the first-in, first-out (FIFO) method. See *Note 8 - Inventory* for further detail.

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is calculated on the straight-line basis over the estimated useful lives of the assets. Property, plant and equipment held under capital leases are amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset; such amortization is included in depreciation expense. The Company uses accelerated depreciation methods for income tax purposes. Useful lives for property, plant and equipment are as follows:

Asset Type	Range
Buildings and improvements	20 - 40 years
Machinery and equipment	2 - 15 years

Expenditures which substantially increase value or extend useful lives are capitalized. Expenditures for maintenance and repairs are charged to operations as incurred. The Company records gains and losses on the disposition or retirement of property, plant and equipment based on the net book value and any proceeds received.

Long-lived fixed assets held and used are reviewed for impairment when events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Circumstances such as the discontinuation of a product or product line, a sudden or consistent decline in the sales forecast for a product, changes in technology or in the way an asset is being used, a history of operating or cash flow losses or an adverse change in legal factors or in the business climate, among others, may trigger an impairment review. If such indicators are present, the Company performs undiscounted cash flow analyses to determine if impairment exists. The asset value would be deemed impaired if the undiscounted cash flows generated did not exceed the carrying value of the asset. If impairment is determined to exist, any related impairment loss is calculated based on fair value. There were no triggering events identified during the year that necessitated an impairment test over property, plant and equipment. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell. See *Note 9 - Property, plant and equipment* for further detail.

Goodwill

Goodwill reflects the excess of acquisition cost over the aggregate fair value assigned to identifiable net assets acquired. Goodwill is not amortized, but instead is assessed for impairment at least annually and as triggering events or indicators of potential impairment are identified. Goodwill has been assigned to reporting units for purposes of impairment testing based upon the relative fair value of the asset to each reporting unit. Our reporting units are consistent with our segments. See *Note 20 - Segment Information* for further discussion.

The Company performs its annual impairment test in the fourth quarter of its fiscal year. The fair value of each reporting unit is compared to its carrying value, including goodwill. In estimating the fair value of our reporting units, we use a discounted cash flow methodology, which requires us to estimate future revenues, expenses, and capital expenditures and make assumptions about our weighted average cost of capital and perpetuity growth rate, among other variables. We test the aggregate estimated fair value of our reporting units by comparison to our total market capitalization, including both equity and debt capital. If the fair value of a reporting unit is less than its carrying value, an impairment loss would be recognized equal to that excess; however the loss recognized cannot exceed the total amount of goodwill allocated to that reporting unit. See *Note 10 - Goodwill and Intangible Assets* for further detail.

Intangible Assets

Intangible assets are recorded at cost or at estimated fair value if acquired in a business combination. Customer lists, proprietary technology and certain trade name intangibles are amortized, using the straight-line method, over their estimated useful lives. The range and weighted average useful lives for definite-lived intangibles assets are as follows:

Asset Type	Range	Weighted Average
Customer relationships	2 - 20 years	17.9 years
Technology assets	6 - 18 years	11.4 years
Tradenames	5 - 13 years	6.2 years

Definite-lived intangible assets held and used are reviewed for impairment when events or changes in business circumstances indicate that the carrying amount of the assets may not be recoverable. If indicators of potential impairment are identified, the Company performs an undiscounted cash flow analysis to determine if impairment exists. The asset value would be deemed impaired if the undiscounted cash flows expected to be generated by the asset did not exceed its carrying value. If impairment is determined to exist, any related impairment loss is calculated based on fair value. There were no triggering events identified during the years ended September 30, 2017, 2016 and 2015 that necessitated an impairment test of definite-lived intangible assets.

Certain trade name intangible assets have an indefinite life and are not amortized; but instead are assessed for impairment at least annually and as triggering events or indicators of potential impairment are identified. The Company performs its annual impairment test in the fourth quarter of its fiscal year. Impairment of indefinite lived intangible assets is assessed by comparing the estimated fair value of the identified trade names to their carrying value to determine if potential impairment exists. If the fair value is less than the carrying value, an impairment loss is recorded for the excess. The fair value of indefinite-lived intangible assets is determined using an income approach, the relief-from-royalty methodology, which requires us to make estimates and assumptions about future revenues, royalty rates, and the discount rate, among others. See *Note 10 - Goodwill and Intangible Assets* for further detail.

Debt Issuance Costs

Debt issuance costs are deferred and amortized to interest expense using the effective interest method over the lives of the related debt agreements. Debt issuance costs were \$53.1 million and \$56.9 million as of September 30, 2017 and 2016, respectively, and are included in Long Term Debt, Net of Current Portion in the Consolidated Statements of Financial Position. Amortization of debt issuance costs is recognized as Interest Expense in the Consolidated Statements of Income. See *Note 11 - Debt* for further detail.

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Financial Instruments

Derivative financial instruments are used by the Company principally in the management of its interest rate, foreign currency exchange rate and raw material price exposures. The Company does not hold or issue derivative financial instruments for trading or speculative purposes. Derivative assets and liabilities are reported at fair value in the Consolidated Statements of Financial Position. When hedge accounting is elected at inception, the Company formally designates the financial instrument as a hedge of a specific underlying exposure and documents both the risk management objectives and strategies for undertaking the hedge. Depending on the nature of derivatives designated as hedging instruments, changes in fair value are either offset against the change in fair value of the hedged assets or liability through earnings, or recognized in equity through other comprehensive income until the hedged item is recognized. Any ineffective portion of a financial instrument's change in fair value is recognized in earnings. For derivatives that do not qualify for hedge accounting treatment, the change in the fair value is recognized in earnings. See *Note 13 - Derivatives* for further detail.

Treasury Stock

Treasury stock purchases are stated at cost and presented as a separate reduction of equity.

Revenue Recognition

The Company recognizes revenue from product sales generally upon delivery to the customer, or at the shipping point in situations where the customer picks up the product or where delivery terms so stipulate. This represents the point at which title and risks and rewards of ownership of the product are passed, provided that there are no uncertainties regarding customer acceptance, there is persuasive evidence that an arrangement exists, the price to the buyer is fixed or determinable and ability to collect is deemed reasonably assured. The provision for customer returns is based on historical sales and returns and other relevant information. The Company estimates and accrues the cost of returns, which are treated as a reduction of Net Sales.

The Company enters into promotional arrangements, primarily with retail customers, that entitle such retailers to earn rebates from the Company. These arrangements require the Company to estimate and accrue the costs of these programs, which are treated as a reduction of Net Sales.

The Company enters into promotional arrangements that target the ultimate consumer. The costs associated with such arrangements are treated as either a reduction in Net Sales or an increase in Cost of Goods Sold, based on the type of promotional program. The Company monitors its commitments under all promotion arrangements and uses various measures, including past experience, to estimate the earned, but unpaid, promotional costs. The terms of the Company's customer-related promotional arrangements and programs are tailored to each customer and documented through written contracts, correspondence or other communications with the individual customers.

The Company also enters into various arrangements, primarily with retail customers, which require the Company to make upfront cash payments in order to secure the right to distribute through such customers. The Company capitalizes these payments provided the payments are supported by a time or volume based arrangement with the retailer, and amortizes the associated payment over the appropriate time or volume-based term of the arrangement. Capitalized payments are reported in the Consolidated Statements of Financial Position as Deferred Charges and Other Assets and related amortization is treated as a reduction in Net Sales.

Shipping and Handling Costs

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. Shipping and handling costs were \$193.2 million, \$192.5 million and \$162.5 million during the years ended September 30, 2017, 2016 and 2015, respectively. Shipping and handling costs are included in Selling Expenses in the Consolidated Statements of Income.

Advertising Costs

Advertising costs include agency fees and other costs to create advertisements, as well as costs paid to third parties to print or broadcast the Company's advertisements and are expensed as incurred. The Company incurred advertising costs of \$30.9 million, \$34.1 million and \$28.7 million during the years ended September 30, 2017, 2016 and 2015, respectively. Advertising costs are included in Selling Expenses in the Company's Consolidated Statements of Income.

Research and Development Costs

Research and development costs are charged to expense in the period they are incurred.

Environmental Expenditures

Environmental expenditures that relate to current operations or to conditions caused by past operations are expensed or capitalized as appropriate. The Company determines its liability for environmental matters on a site-by-site basis and records a liability at the time when it is probable that a liability has been incurred and such liability can be reasonably estimated. The estimated liability is not reduced for possible recoveries from insurance carriers. Estimated environmental remediation expenditures are included in the determination of the net realizable value recorded for assets held for sale. See *Note 19 - Commitments and Contingencies* for further detail.

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Restructuring and Related Charges

Restructuring charges include, but are not limited to, the costs of one-time termination benefits such as severance costs and retention bonuses, and contract termination costs consisting primarily of lease termination costs. Related charges, as defined by the Company, include, but are not limited to, other costs directly associated with exit and relocation activities, including impairment of property and other assets, departmental costs of full-time incremental employees, and any other items related to the exit or relocation activities. Costs for such activities are estimated by management after evaluating detailed analyses of the costs to be incurred.

Liabilities from restructuring and related charges are recorded for estimated costs of facility closures, significant organizational adjustments and measures undertaken by management to exit certain activities. Costs for such activities are estimated by management after evaluating detailed analyses of the costs to be incurred. Such liabilities or asset reductions could include amounts for items such as severance costs and related benefits, lease termination payments and any other items directly related to the exit activities. Impairment of property and equipment and other current or long-term assets as a result of restructuring related initiatives are recognized as a reduction of the appropriate asset.

Restructuring and related charges associated with manufacturing and related initiatives are recorded in Cost of Goods Sold. Restructuring and related charges reflected in Cost of Goods Sold include, but are not limited to, termination and related costs associated with manufacturing employees, asset impairments relating to manufacturing initiatives and other costs directly related to the manufacturing component of a restructuring initiative. Restructuring and related charges associated with administrative functions are recorded in operating expenses, such as initiatives impacting sales, marketing, distribution or other non-manufacturing related functions. Restructuring and related charges reflected in operating expenses include, but are not limited to, termination and related costs, any asset impairments relating to the administrative functions and other costs directly related to the administrative components of the restructuring initiatives implemented. See *Note 5 - Restructuring and Related Charges* for further detail.

Acquisition and Integration Related Charges

Acquisition and integration related charges include, but are not limited to, transaction costs such as banking, legal, accounting and other professional fees directly related to both consummated acquisitions and acquisition targets, termination and related costs for transitional and certain other employees, integration related professional fees and other post business combination expenses associated with integration activity. See *Note 4 - Acquisitions* for further detail.

Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The Company recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. Recognized income tax positions are measured at the largest amount that is greater than 50% likely of being realized. Changes in recognition or measurement are reflected in income tax expense in the period in which the change in judgment occurs. Accrued interest expense and penalties related to uncertain tax positions are recorded in Income Tax Expense. See *Note 15 - Income Taxes* for further detail.

Foreign Currency Translation

Local currencies are considered the functional currencies for most of the Company's operations outside the United States. Assets and liabilities of the Company's foreign subsidiaries are translated at the rate of exchange existing at year-end, with revenues, expenses and cash flows translated at the average of the monthly exchange rates. Adjustments resulting from translation of the financial statements are recorded as a component of equity in Accumulated Other Comprehensive Income ("AOCI"), including the effects of exchange rate changes on intercompany balances of a long-term investment nature. See *Note 18 - Accumulated Other Comprehensive Income* for further detail.

Foreign currency transaction gains and losses for transactions denominated in a currency other than the functional currency are reported in Other Non-Operating Expense, Net in the Consolidated Statements of Income in the period they occur. Exchange losses on foreign currency transactions were \$4.7 million, \$4.9 million, and \$1.2 million for the years ended September 30, 2017, 2016 and 2015, respectively.

Newly Adopted Accounting Standards

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*, which simplifies the test for goodwill impairment by removing Step 2 from the goodwill impairment test. If goodwill impairment is realized, the amount recognized will be the amount by which the carrying amount exceeds the reporting unit's fair value; however the loss recognized cannot exceed the total amount of goodwill allocated to that reporting unit. The ASU must be applied on a prospective basis and will become effective for us beginning in the first quarter of the year ended September 30, 2021, with early adoption available. We chose to adopt the standard immediately, with no impact to the consolidated financial statements.

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Recently Issued Accounting Standards

In May 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*, which supersedes the revenue recognition requirements in ASC 605, *Revenue Recognition*. This ASU requires revenue recognition to depict the transfer of goods and services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new revenue recognition model requires identifying the contract and performance obligations, determining the transaction price, allocating the transaction price to performance obligations and recognizing the revenue upon satisfaction of performance obligations. This ASU also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments, and assets recognized from costs incurred to obtain or fulfill a contract. This ASU can be applied either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of initially applying the updates recognized at the date of the initial application along with additional disclosures. In August 2015, the FASB issued ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606) Deferral of the Effective Date*, which amends the previously issued ASU to provide for a one year deferral from the original effective date. As a result, the ASU will become effective for us beginning in the first quarter of our fiscal year ending September 30, 2019. We have performed a preliminary assessment over the impact of the pronouncement to the Company and are currently performing detailed assessments over the contracts with our customers and the impact to our processes and control environment. We have not measured the impact of adoption at this point in our assessment and have not concluded on the overall materiality of the impact of adoption to the Company’s consolidated financial statements, or the method of adoption, but have not identified any matters that are considered significant for further disclosure.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*, which supersedes the lease requirements in ASC 840, *Leases*. This ASU requires lessees to recognize lease assets and liabilities on the balance sheet, as well as disclosing key information about leasing arrangements. Although the new ASU requires both operating and finance leases to be disclosed on the balance sheet, a distinction between the two types still exists as the economics of leases can vary. The ASU can be applied using a modified retrospective approach, with a number of optional practical expedients relating to the identification and classification of leases that commenced before the effective date, along with the ability to use hindsight in the evaluation of lease decisions, that entities may elect to apply. As a result, the ASU will become effective for us beginning in the first quarter of our fiscal year ending September 30, 2020, with early adoption applicable. We have not measured the impact of adoption at this point in our assessment and have not concluded on the overall materiality of the impact of adoption to the Company’s consolidated financial statements, or determined the method and timing of adoption.

In March 2017, the FASB issued ASU No. 2017-07, *Compensation – Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which requires an employer to disaggregate the service cost component from the other components of net periodic pension costs within the statement of income. The amendment provides guidance requiring the service cost component to be recognized consistent with other compensation costs arising from service rendered by employees during the period, and all other components to be recognized separately outside of the subtotal of income from operations. The ASU is applied on a retrospective basis, and will become effective for us in the first quarter of the year ending September 30, 2019; with early adoption available. We are currently assessing the impact this pronouncement will have on the consolidated financial statements of the Company and have not yet concluded on the materiality or timing of the adoption.

In August 2017, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2017-12, *Derivatives and Hedging: Targeted Improvements to Accounting for Hedging Activities (Topic 815)*, which changes the designation and measurement guidance for qualifying hedging relationships and presentation of hedge results. The amendments in this update make certain targeted improvements to simplify the application of the hedge accounting guidance in current GAAP, better aligning the entity’s risk management activities and financial reporting for hedging relationships. The ASU can only be applied prospectively, and will become effective for us beginning in the first quarter of our fiscal year ending September 30, 2020, with early adoption available. We are currently assessing the impact this pronouncement will have on the consolidated financial statements of the Company and have not yet concluded on the materiality or timing of the adoption.

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 3 – DIVESTITURES

As previously discussed in *Note 1- Basis of Presentation and Nature of Operations*, the GBA segment was classified as held for sale in the accompanying Consolidated Balance Sheets and as discontinued operations in the accompanying Consolidated Statements of Income. The following table summarizes the assets and liabilities of the GBA segment classified as held for sale as of September 30, 2017 and 2016:

(in millions)	2017		2016	
Assets				
Trade receivables, net	\$	260.1	\$	237.0
Other receivables		24.0		32.7
Inventories		279.2		290.7
Prepaid expenses and other current assets		39.7		40.6
Property, plant and equipment, net		196.8		176.0
Deferred charges and other		19.3		15.0
Goodwill		348.9		345.2
Intangible assets, net		811.9		837.6
Total assets of business held for sale	\$	1,979.9	\$	1,974.8
Liabilities				
Current portion of long-term debt		17.3		18.7
Accounts payable		355.9		265.3
Accrued wages and salaries		37.6		43.3
Other current liabilities		89.8		84.8
Long-term debt, net of current portion		51.7		41.5
Deferred income taxes		38.2		33.9
Other long-term liabilities		66.2		80.1
Total liabilities of business held for sale	\$	656.7	\$	567.6

The following table summarizes the components of Income From Discontinued Operations, Net of Tax in the accompanying Consolidated Statements of Operations for the years ended September 30, 2017, 2016 and 2015.

(in millions)	2017		2016		2015	
Net sales	\$	1,997.9	\$	2,010.3	\$	2,092.2
Cost of goods sold		1,299.2		1,328.0		1,400.2
Gross profit		698.7		682.3		692.0
Operating expenses		465.5		443.8		464.1
Operating income		233.2		238.5		227.9
Interest expense		50.2		68.0		86.2
Other non-operating expense, net		0.8		3.9		4.9
Income from discontinued operations before income taxes		182.2		166.6		136.8
Income tax expense		10.1		90.0		38.2
Net income from discontinued operations		172.1		76.6		98.6
Net income (loss) from discontinued operations attributable to non-controlling interest		1.3		(0.5)		(0.4)
Net income from discontinued operations attributable to controlling interest	\$	170.8	\$	77.1	\$	99.0

Interest expense consists of interest from debt directly held by subsidiaries of the business held for sale, including interest from capital leases, and interest on Term Loans required to be paid down using proceeds received on disposal on sale of a business within 365 days with the exception for funds used for capital expenditures and acquisitions. There has been no impairment loss recognized as the fair value or expected proceeds from the disposal of the businesses is anticipated to be in excess of the asset carrying values.

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Energizer Holdings, Inc.

On January 15, 2018, subsequent to the end of the three month period ended December 31, 2017, the Company entered into a definitive Acquisition Agreement (“Agreement”) with Energizer Holdings, Inc. (“Energizer”) where Energizer will acquire from the Company its Global Battery and Lighting (“GBL”) business for an aggregate purchase price of \$2.0 billion in cash, subject to customary purchase price adjustments.

The Agreement provides that Energizer will purchase the equity of certain subsidiaries of the Company, and acquire certain assets and assume certain liabilities of other subsidiaries used or held for the purpose of the GBL business.

In the Agreement, the Company and Energizer have made customary representations and warranties and have agreed to customary covenants relating to the acquisition. Among other things, prior to the consummation of the acquisition, the Company will be subject to certain business conduct restrictions with respect to its operation of the GBL business.

The Company and Energizer have agreed to indemnify each other for losses arising from certain breaches of the Agreement and for certain other matters. In particular, the Company has agreed to indemnify Energizer for certain liabilities relating to the assets retained by the Company, and Energizer has agreed to indemnify the Company for certain liabilities assumed by Energizer, in each case as described in the Agreement.

The Company and Energizer have agreed to enter into related agreements ancillary to the acquisition that will become effective upon the consummation of the acquisition, including a customary transition services agreement and reverse transition services agreement.

The consummation of the acquisition is subject to certain customary conditions, including, among other things, (i) the absence of a material adverse effect on GBL, (ii) the expiration or termination of required waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, (iii) the receipt of certain other antitrust approvals in certain specified foreign jurisdictions (the conditions contained in (ii) and (iii) together, the “Antitrust Conditions”), (iv) the accuracy of the representations and warranties of the parties generally subject to a customary material adverse effect standard (as described in the Agreement) or other customary materiality qualifications), (v) the absence of governmental restrictions on the consummation of the acquisition in certain jurisdictions, and (vi) material compliance by the parties with their respective covenants and agreements under the Agreement. The consummation of the transaction is not subject to any financing condition. The transaction is expected to be consummated prior to December 31, 2018.

The Agreement also contains certain termination rights, including the right of either party to terminate the Agreement if the consummation of the acquisition has not occurred on or before July 15, 2019 (the “Termination Date”). Further, if the acquisition has not been consummated by the Termination Date and all conditions precedent to Energizer’s obligation to consummate the acquisition have otherwise been satisfied except for one or more of the Antitrust Conditions, then Energizer would be required to pay the Company a termination fee of \$100 million.

The GBL business is a component of the GBA segment, which also includes shared operations and assets of the remaining components of the segment consisting of the Home and Personal Care (“HPC”) business. The Company is actively marketing the HPC business with interested parties for a separate transaction(s) expected to be entered into and consummated prior to December 31, 2018.

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 4 - ACQUISITIONS

The Company accounts for acquisitions by applying the acquisition method of accounting. The acquisition method of accounting requires, among other things, that the assets acquired and liabilities assumed in a business combination be measured at their fair values as of the closing date of the acquisition.

PetMatrix

On June 1, 2017, the Company completed the acquisition of PetMatrix LLC, a manufacturer and marketer of rawhide-free dog chews consisting primarily of the DreamBone® and SmartBones® brands. The results of PetMatrix's operations since June 1, 2017 are included in the Company's Consolidated Statements of Income, and reported within the PET reporting segment for the year ended September 30, 2017.

The Company has recorded an allocation of the purchase price to the Company's tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values as of the June 1, 2017 acquisition date. The excess of the purchase price over the fair value of the net tangible assets and identifiable intangible assets was recorded as goodwill, which includes value associated with the assembled workforce. The calculation of purchase price and purchase price allocation is as follows:

(in millions)	Purchase Price	
Cash consideration	\$	255.2
(in millions)	Allocation	
Cash and cash equivalents	\$	0.2
Trade receivables		7.8
Inventories		16.0
Prepaid expenses and other current assets		0.9
Property, plant and equipment		0.8
Goodwill		123.8
Intangible assets		110.4
Accounts payable		(4.1)
Accrued wages and salaries		(0.1)
Other current liabilities		(0.5)
Net assets acquired	\$	255.2

The purchase price allocation resulted in goodwill of \$123.8 million, allocated to the PET segment; of which \$123.8 million is deductible for tax purposes. The values allocated to intangible assets and the weighted average useful lives are as follows:

(in millions)	Carrying Amount	Weighted Average Useful Life (Years)
Tradenames	\$ 75.0	Indefinite
Technology	21.0	14 years
Customer relationships	12.0	16 years
Non-compete agreement	2.4	5 years
Total intangibles acquired	\$ 110.4	

The Company performed a valuation of the acquired inventories; tradenames; technologies; customer relationships and non-compete agreements. The following is a summary of significant inputs to the valuation:

- Inventory – Acquired inventory consists of branded finished goods that were valued based on the comparative sales method, which estimates the expected sales price of the finished goods inventory, reduced for all costs expected to be incurred in its completion or disposition and a profit on those costs.
- Tradenames – The Company valued indefinite-lived trade names, DreamBone® and SmartBones®, using an income approach, the relief-from-royalty method. Under this method, the asset value was determined by estimating the hypothetical royalties that would have to be paid if the trade names were not owned. Royalty rates were selected based on consideration of several factors, including prior transactions, related trademarks and trade names, other similar trademark licensing and transaction agreements and the relative profitability and perceived contribution of the trade names.
- Technology – The Company valued technology using an income approach, the relief-from-royalty method. Under this method, the asset value was determined by estimating the hypothetical royalties that would have to be paid if the technology was not owned. Royalty rates were selected based on consideration of several factors, including prior transactions, related licensing agreements and the importance of the technology and profit levels, among other considerations. The Company anticipates using these technologies through the legal life of the underlying patents; therefore, the expected useful life of these technologies is based on the remaining life of the underlying patents.
- Customer relationships – The Company valued customer relationships using an income approach, the multi-period excess earnings method. In determining the fair value of the customer relationships, the multi-period excess earnings approach values the intangible asset at the present value of the incremental after-tax cash flows attributable only to the customer relationship after deducting contributory asset charges. The incremental after-tax cash flows attributable to the subject intangible asset are then discounted to their present value. Only expected sales from current customers were used, which are estimated using annual expected growth rates of 2% to 20%. The Company assumed a customer retention rate of up to 98%, which is supported by historical retention rates. Income taxes were estimated at 35% and amounts were discounted using a rate of 12%.
- Non-compete agreements – The Company valued the non-compete agreement using the income approach that compares the prospective cash flows with and without the non-compete agreement in place. The value of the non-compete agreement is the difference between the discounted cash flows of the business under each of these two alternative scenarios, considering both tax expenditure and tax amortization benefits.

Pro forma results have not been presented as the PetMatrix acquisition is not considered individually significant to the consolidated results of the Company.

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

GloFish

On May 12, 2017, the Company entered into an asset purchase agreement with Yorktown Technologies LP, for the acquisition of assets consisting of the GloFish branded operations, including transfer of the GloFish® brand, related intellectual property and operating agreements. The GloFish operations primarily consist of the development and licensing of fluorescent fish for sale through mass retail and online channels. The results of GloFish's operations since May 12, 2017 are included in the Company's Consolidated Statements of Income, and reported within the PET reporting segment for the year ended September 30, 2017.

The Company has recorded an allocation of the purchase price to the Company's tangible and identifiable intangible assets acquired and liabilities assumed based on their fair values as of the May 12, 2017 acquisition date. The excess of the purchase price over the fair value of the net tangible assets and identifiable intangible assets was recorded as goodwill, which includes value associated with the assembled workforce, including an experienced research team. The calculation of purchase price and purchase price allocation is as follows:

(in millions)	Purchase Price	
Cash consideration	\$	49.7

(in millions)	Allocation	
Trade receivables	\$	0.4
Property, plant and equipment		0.6
Goodwill		11.2
Intangible assets		37.8
Other current liabilities		(0.3)
Net assets acquired	\$	49.7

The purchase price allocation resulted in goodwill of \$11.2 million, allocated to the PET segment; of which \$11.2 million is deductible for tax purposes. The values allocated to intangible assets and the weighted average useful lives are as follows:

(in millions)	Carrying Amount	Weighted Average Useful Life (Years)
Tradenames	\$ 6.1	Indefinite
Technology	30.2	13 years
Customer relationships	1.5	10 years
Total intangibles acquired	\$ 37.8	

The Company performed a valuation of the acquired tradenames; technologies; customer relationships and contingent consideration. The following is a summary of significant inputs to the valuation:

- Tradenames – The Company valued indefinite-lived trade names using an income approach, the relief-from-royalty method. Under this method, the asset value was determined by estimating the hypothetical royalties that would have to be paid if the trade names were not owned. Royalty rates were selected based on consideration of several factors, including prior transactions, related trademarks and trade names, other similar trademark licensing and transaction agreements and the relative profitability and perceived contribution of the trade names.
- Technology – The Company valued technology using an income approach, the relief-from-royalty method. Under this method, the asset value was determined by estimating the hypothetical royalties that would have to be paid if the technology was not owned. Royalty rates were selected based on consideration of several factors, including prior transactions, related licensing agreements and the importance of the technology and profit levels, among other considerations. The Company anticipates using these technologies through the legal life of the underlying patents; therefore, the expected useful life of these technologies is based on the remaining life of the underlying patents.
- Customer relationships – The Company valued customer relationships using a replacement cost. The replacement cost approach values the intangible asset at the present value of the incremental after-tax cash flows attributable only to the customer relationships after deducting the cost to recreate key customer relationships. The incremental after-tax cash flows attributable to the subject intangible asset are then discounted to their present value. Income taxes were estimated at 35% and amounts were discounted using a rate of 12%.

Pro forma results have not been presented as the GloFish acquisition is not considered individually significant to the consolidated results of the Company.

Shaser

On May 18, 2017, the Company completed the purchase of the remaining 44% non-controlling interest of Shaser, Inc. with a purchase price of \$12.6 million. Effective May 18, 2017, Shaser, Inc. is a wholly owned subsidiary of the Company and all recognized non-controlled interest associated with Shaser, Inc. is part of the Company's equity. As a result of the acquisition the Company recognized an increase of \$24.1 million to additional paid-in capital.

SPECTRUM BRANDS HOLDINGS, INC.
 SB/RH HOLDINGS, LLC
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Acquisition and Integration Costs

The following table summarizes acquisition and integration related charges incurred by the Company during the years ended September 30, 2017, 2016 and 2015:

(in millions)	2017		2016		2015	
HHI Business	\$	5.6	\$	12.6	\$	7.9
PetMatrix		4.5		—		—
Armored AutoGroup		2.4		14.1		21.8
Glofish		1.0		—		—
Salix		0.7		1.9		10.6
European Iams and Eukanuba		0.2		3.5		9.3
Other		1.2		2.0		4.6
Total acquisition and integration related charges	\$	15.6	\$	34.1	\$	54.2

Acquisition and integration costs include costs directly associated with the completion of the purchase of net assets or equity interest of a business such as a business combination, equity investment, joint venture or purchase of non-controlling interest. Included costs include transactions costs; advisory, legal, accounting, valuation, and other professional fees; and integration of acquired operations onto the Company's shared service platform and termination of redundant positions and locations.

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 5 - RESTRUCTURING AND RELATED CHARGES

Pet Rightsizing Initiative – During the second quarter of the year ending September 30, 2017, the Company implemented a rightsizing initiative within the PET segment to streamline certain operations and reduce operating costs. The initiative includes headcount reductions and the rightsizing of certain facilities. Total costs associated with this initiative are expected to be approximately \$11 million, of which \$8.2 million has been incurred to date. The balance is anticipated to be incurred through September 30, 2018.

HHI Distribution Center Consolidation – During the second quarter of the year ending September 30, 2017, the Company implemented an initiative within the HHI segment to consolidate certain operations and reduce operating costs. The initiative includes headcount reductions and the exit of certain facilities. Total costs associated with the initiative are expected to be approximately \$50 million, of which \$27.4 million has been incurred to date. The balance is anticipated to be incurred through September 30, 2018.

GAC Business Rationalization Initiatives – During the third quarter of the year ended September 30, 2016, the Company implemented a series of initiatives in the GAC segment to consolidate certain operations and reduce operating costs. These initiatives included headcount reductions and the exit of certain facilities. Total costs associated with these initiatives are expected to be approximately \$32 million, of which \$29.5 million has been incurred to date. The balance is anticipated to be incurred through December 31, 2017.

HHI Business Rationalization Initiatives – During the fourth quarter of the year ended September 30, 2014, the Company implemented a series of initiatives throughout the HHI segment to reduce operating costs and exit low margin business outside the U.S. These initiatives included headcount reductions, the exit of certain facilities and the sale of a portion of the global HHI operations. Total costs associated with these initiatives of \$16.6 million has been incurred and completed as of September 30, 2016.

Global Expense Rationalization Initiatives – During the third quarter of the year ended September 30, 2013, the Company implemented a series of initiatives throughout the Company to reduce operating costs. These initiatives consisted of headcount reductions in PET and within Corporate. Total costs associated with these initiatives of \$47.0 million has been incurred and completed as of September 30, 2016.

Other Restructuring Activities – The Company has entered or may enter into small, less significant initiatives and restructuring activities to reduce costs and improve margins throughout the organization. Individually these activities are not substantial, and occur over a shorter time period (less than 12 months).

The following summarizes restructuring and related charges for the years ended September 30, 2017, 2016, and 2015:

(in millions)	2017	2016	2015
HHI distribution center consolidation	\$ 27.4	\$ —	\$ —
GAC business rationalization initiative	24.2	5.3	—
PET rightsizing initiative	8.2	—	—
Global expense rationalization initiative	0.3	4.6	9.0
HHI business rationalization initiative	—	2.2	9.5
Other restructuring activities	0.3	1.9	1.0
Total restructuring and related charges	\$ 60.4	\$ 14.0	\$ 19.5
Reported as:			
Cost of goods sold	\$ 18.1	\$ 0.2	\$ 1.4
Operating expense	42.3	13.8	18.1

The following summarizes restructuring and related charges for the years ended September 30, 2017, 2016, and 2015, and cumulative costs of restructuring initiatives as of September 30, 2017, by cost type:

(in millions)	Termination Benefits	Other Costs	Total
For the year ended September 30, 2017	\$ 11.2	\$ 49.2	\$ 60.4
For the year ended September 30, 2016	2.4	11.6	14.0
For the year ended September 30, 2015	1.8	17.7	19.5
Cumulative costs through September 30, 2017	11.1	54.6	65.7
Future costs to be incurred	5.1	25.0	30.1

Termination costs consist of involuntary employee termination benefits and severance pursuant to a one-time benefit arrangement recognized as part of a restructuring initiative. Other costs consist of non-termination type costs related to restructuring initiatives such as incremental costs to consolidate or close facilities, relocate employees, cost to retrain employees to use newly deployed assets or systems, lease termination costs, and redundant or incremental transitional operating costs and customer fines and penalties during transition, among others

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following is a rollforward of the accrual related to all restructuring and related activities, included within Other Current Liabilities, by cost type, for the years ended September 30, 2017, 2016, and 2015:

(in millions)	Termination Benefits	Other Costs	Total
Accrual balance at September 30, 2015	\$ 6.2	\$ 0.2	\$ 6.4
Provisions	2.1	3.6	5.7
Cash expenditures	(5.1)	(1.0)	(6.1)
Non Cash Items	(0.7)	—	(0.7)
Accrual balance at September 30, 2016	\$ 2.5	\$ 2.8	\$ 5.3
Provisions	1.8	0.9	2.7
Cash expenditures	(2.9)	(2.8)	(5.7)
Non-cash items	—	—	—
Accrual balance at September 30, 2017	\$ 1.4	\$ 0.9	\$ 2.3

The following summarizes restructuring and related charges by segment for the years ended September 30, 2017, 2016, and 2015, cumulative costs of restructuring initiatives as of September 30, 2017 and future expected costs to be incurred by segment:

(in millions)	PET	H&G	HHI	GAC	Corporate	Total
For the year ended September 30, 2017	\$ 9.1	\$ —	\$ 26.6	\$ 24.2	\$ 0.5	\$ 60.4
For the year ended September 30, 2016	6.0	0.4	2.3	5.3	—	14.0
For the year ended September 30, 2015	8.9	0.6	9.7	—	0.3	19.5
Cumulative costs through September 30, 2017	9.1	—	26.6	29.5	0.5	65.7
Future costs to be incurred	2.6	—	22.9	2.0	2.6	30.1

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 6 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair values of the Company's financial assets and liabilities are defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants. Fair value measurements are classified using a fair value hierarchy that is based upon the observability of inputs used in measuring fair value. Observable inputs (highest level) reflect market data obtained from independent sources, while unobservable inputs (lowest level) reflect internally developed assumptions about hypothetical transactions in the absence of market data. Fair value measurements are classified under the following hierarchy:

- Level 1 - Unadjusted quoted prices for identical instruments in active markets.
- Level 2 - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.
- Level 3 - Significant inputs to the valuation model are unobservable.

The Company utilizes valuation techniques that attempt to maximize the use of observable inputs and minimize the use of unobservable inputs. The Company's derivatives are valued on a recurring basis using internal models, which are based on market observable inputs including interest rate curves and both forward and spot prices for currencies and commodities, which are generally based on quoted or observed market prices (Level 2). The fair value of certain derivative financial instruments is estimated using pricing models based on contracts with similar terms and risks. Modeling techniques assume market correlation and volatility, such as using prices of one delivery point to calculate the price of the contract's different delivery point. The nominal value of interest rate transactions is discounted using applicable forward interest rate curves. In addition, by applying a credit reserve which is calculated based on credit default swaps or published default probabilities for the actual and potential asset value, the fair value of the Company's derivative financial instrument assets reflects the risk that the counterparties to these contracts may default on the obligations. Likewise, by assessing the requirements of a reserve for non-performance which is calculated based on the probability of default by the Company, the Company adjusts its derivative contract liabilities to reflect the price at which a potential market participant would be willing to assume the Company's liabilities. The Company has not changed the valuation techniques used in measuring the fair value of any financial assets and liabilities during the year.

The fair values of derivative instruments as of September 30, 2017 and 2016 are as follows. See Note 13 – Derivatives for additional detail:

(in millions)	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Derivative Assets	\$ 1.5	\$ 1.5	\$ 0.2	\$ 0.2
Derivative Liabilities	\$ 3.3	\$ 3.3	\$ 1.7	\$ 1.7

The carrying values of cash and cash equivalents, receivables, accounts payable and short term debt approximate fair value based on the short-term nature of these assets and liabilities. The carrying values of goodwill, intangible assets and other long-lived assets are tested annually or more frequently if an event occurs that indicates an impairment loss may have been incurred, using fair value measurements with unobservable inputs (Level 3).

The carrying values and estimated fair values for debt as of September 30, 2017 and 2016 are as follows:

(in millions)	2017		2016	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Total debt - SBH	\$ 3,771.7	\$ 3,972.8	\$ 3,560.0	\$ 3,804.9
Total debt - SB/RH	\$ 3,771.7	\$ 3,972.8	\$ 3,560.0	\$ 3,804.9

The fair value measurements of the Company's debt represent non-active market exchange-traded securities which are valued at quoted input prices that are directly observable or indirectly observable through corroboration with observable market data (Level 2).

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 7 - RECEIVABLES

The allowance for uncollectible receivables as of September 30, 2017 and 2016 was \$23.5 million and \$21.3 million, respectively. The following is a rollforward of the allowance for the years ended September 30, 2017, 2016 and 2015:

(in millions)	Beginning Balance	Charged to Profit & Loss	Deductions	Other Adjustments	Ending Balance
September 30, 2017	\$ 21.3	\$ 4.1	\$ (2.9)	\$ 1.0	\$ 23.5
September 30, 2016	\$ 15.8	\$ 8.2	\$ (2.9)	\$ 0.2	\$ 21.3
September 30, 2015	\$ 17.3	\$ 0.1	\$ (1.4)	\$ (0.2)	\$ 15.8

The Company has a broad range of customers including many large retail outlet chains, three of which exceed 10% of consolidated Net Sales and/or Trade Receivables. These three customers represented 38%, 37% and 39% of Net Sales for the years ended September 30, 2017, 2016 and 2015, respectively; and 36% and 23% of Trade Receivables at September 30, 2017 and 2016, respectively.

We have entered into various factoring agreements and early pay programs with our customers to sell our trade receivables under non-recourse agreements in exchange for cash proceeds. A loss on sales is recognized for any discount and factoring fees associated with the transfer. We utilize factoring arrangements as an integral part of our financing for working capital. These transactions are treated as a sale and are accounted for as a reduction in trade receivables because the agreements transfer effective control over and risk related to the receivables to buyers. In some instances, we may continue to service the transferred receivable after the factoring has occurred, but in most cases we do not service any factored accounts. Any servicing of the trade receivable does not constitute significant continuing involvement or preclude the recognition of a sale. We do not carry any material servicing assets or liabilities. Cash proceeds from these arrangements are reflected as operating activities. The aggregate gross amount factored under these facilities was \$1,158.2 million, \$1,087.3 million and \$974.6 million for the years ended September 30, 2017, 2016 and 2015, respectively. The cost of factoring such trade receivables was \$7.6 million, \$6.2 million and \$2.8 million for the years ended September 30, 2017, 2016 and 2015 and reflected in the Consolidated Statements of Income as General and Administrative Expense.

NOTE 8 - INVENTORY

Inventories as of September 30, 2017 and 2016 consist of the following:

(in millions)	2017	2016
Raw materials	\$ 95.7	\$ 96.8
Work-in-process	35.5	26.0
Finished goods	365.1	327.1
	<u>\$ 496.3</u>	<u>\$ 449.9</u>

NOTE 9 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment as of September 30, 2017 and 2016 consist of the following:

(in millions)	2017	2016
Land, buildings and improvements	\$ 145.7	\$ 140.4
Machinery, equipment and other	379.3	326.3
Capital leases	210.2	74.6
Construction in progress	40.4	35.6
Property, plant and equipment	\$ 775.6	\$ 576.9
Accumulated depreciation	(272.5)	(210.8)
Property, plant and equipment, net	<u>\$ 503.1</u>	<u>\$ 366.1</u>

Depreciation expense from property, plant and equipment for the years ended September 30, 2017, 2016 and 2015 was \$69.6 million, \$59.2 million, and \$52.5 million, respectively.

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 10 - GOODWILL AND INTANGIBLE ASSETS

Goodwill, by segment, consists of the following:

(in millions)	HHI	PET	H&G	GAC	Total
As of September 30, 2015	\$ 699.5	\$ 299.6	\$ 196.5	\$ 932.6	\$ 2,128.2
Adjustments	—	—	—	3.3	3.3
Foreign currency impact	3.3	0.2	—	(1.7)	1.8
As of September 30, 2016	702.8	299.8	196.5	934.2	2,133.3
PetMatrix acquisition	—	123.8	—	—	123.8
GloFish acquisition	—	11.2	—	—	11.2
Foreign currency impact	5.9	2.3	—	0.6	8.8
As of September 30, 2017	\$ 708.7	\$ 437.1	\$ 196.5	\$ 934.8	\$ 2,277.1

The fair values of the HHI, PET, H&G and GAC reporting units exceeded their carrying values by 93.2%, 38.6%, 352.3%, and 12.4%, respectively. As a result, no impairment was recognized and there were no reporting units that were deemed at risk of impairment.

The carrying value and accumulated amortization for intangible assets subject to amortization are as follows:

(in millions)	2017			2016		
	Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
Customer relationships	\$ 671.7	\$ (222.3)	\$ 449.4	\$ 653.4	\$ (183.5)	\$ 469.9
Technology assets	194.6	(59.7)	134.9	181.3	(76.8)	104.5
Tradenames	18.5	(15.1)	3.4	18.3	(11.8)	6.5
Total	\$ 884.8	\$ (297.1)	\$ 587.7	\$ 853.0	\$ (272.1)	\$ 580.9

Certain trade names intangible assets have an indefinite life and are not amortized. The balance of trade names not subject to amortization was \$1,024.3 million and \$953.9 million as of September 30, 2017 and 2016. During the year ended September 30, 2017, the Company recognized \$16.3 million impairment on indefinite life intangible assets due to the reduction in value over certain tradenames in response to changes in management's strategy. During the year ended September 30, 2016, the Company recognized \$2.7 million impairment on indefinite life intangible assets. There was no impairment loss on indefinite-lived trade names for the year ended September 30, 2015.

Amortization expense from intangible assets for the years ended September 30, 2017, 2016 and 2015 was \$62.0 million, \$60.6 million and \$53.8 million, respectively. Excluding the impact of any future acquisitions or changes in foreign currency, the Company anticipates the annual amortization expense of intangible assets for the next five fiscal years will be as follows:

(in millions)	Amortization
2018	\$ 57.5
2019	57.4
2020	55.0
2021	49.7
2022	48.0

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 11 - DEBT

Debt for SBH and SB/RH as of September 30, 2017 and 2016 consists of the following:

(in millions)	2017		2016	
	Amount	Rate	Amount	Rate
Term Loan, variable rate, due June 23, 2022	\$ 1,244.2	3.4 %	\$ 1,005.5	3.6 %
CAD Term Loan, variable rate, due June 23, 2022	59.0	4.9 %	54.9	4.6 %
Euro Term Loan, variable rate, due June 23, 2022	—	—%	63.0	3.5 %
4.00% Notes, due October 1, 2026	500.9	4.0 %	477.0	4.0 %
5.75% Notes, due July 15, 2025	1,000.0	5.8 %	1,000.0	5.8 %
6.125% Notes, due December 15, 2024	250.0	6.1 %	250.0	6.1 %
6.375% Notes, due November 15, 2020	—	—%	129.7	6.4 %
6.625% Notes, due November 15, 2022	570.0	6.6 %	570.0	6.6 %
Revolver Facility, variable rate, expiring March 6, 2022	—	—%	—	—%
Other notes and obligations	4.7	8.0 %	3.9	7.5 %
Obligations under capital leases	199.7	5.7 %	67.4	5.3 %
Total debt	3,828.5		3,621.4	
Unamortized discount on debt	(3.7)		(4.5)	
Debt issuance costs	(53.1)		(56.9)	
Less current portion	(19.4)		(145.3)	
Long-term debt, net of current portion	<u>\$ 3,752.3</u>		<u>\$ 3,414.7</u>	

The Company's aggregate scheduled maturities of debt and capital lease obligations are as follows:

(in millions)	Capital Lease Obligations	Debt	Total
2018	\$ 6.3	\$ 13.1	\$ 19.4
2019	7.4	17.7	25.1
2020	7.8	13.1	20.9
2021	9.9	13.1	23.0
2022	7.6	1,250.8	1,258.4
Thereafter	160.7	2,321.0	2,481.7
Long-term debt	<u>\$ 199.7</u>	<u>\$ 3,628.8</u>	<u>\$ 3,828.5</u>

There was no intercompany debt owed by SB/RH as of September 30, 2017 and 2016.

Term Loans and Revolver Facility

On June 23, 2015, SBI entered into term loan facilities pursuant to a Senior Credit Agreement consisting of (i) a \$1,450 million USD Term Loan due June 23, 2022, (ii) a \$75 million CAD Term Loan due June 23, 2022 and (iii) a €300 million Euro Term Loan due June 23, 2022, (collectively, "Term Loans") and (iv) entered into a \$500 million Revolver Facility due June 23, 2020 (the "Revolver"). The proceeds from the Term Loans and draws on the Revolver were used to repay SBI's then-existing senior term credit facility, repay SBI's outstanding 6.75% senior unsecured notes due 2020, repay and replace SBI's then-existing asset based revolving loan facility, and to pay fees and expenses in connection with the refinancing and for general corporate purposes.

On October 6, 2016, the Company entered into the first amendment to the Credit Agreement under its Term Loans and Revolver Facility (the "Credit Agreement") reducing the interest rate margins applicable to the USD Term Loans to either adjusted LIBOR (International Exchange London Interbank Offered Rate), subject to a 0.75% floor plus margin of 2.50% per annum, or base rate with a 1.75% floor plus margin of 1.50% per annum. The Company recognized \$1.0 million of costs in connection with amending the Credit Agreement that has been recognized as interest expense.

On March 6, 2017, the Company entered into a second amendment to the Credit Agreement expanding the overall capacity of the Revolver Facility to \$700 million, reducing the interest rate margin to either adjusted LIBOR plus margin ranging from 1.75% to 2.25%, or base rate plus margin ranging from 0.75% to 1.25%, reducing the commitment fee to 35bps, and extending the maturity to March 2022. The Company recognized \$2.6 million of costs in connection with amending the cash revolver that has been deferred as debt issuance costs.

On April 7, 2017, the Company entered into a third amendment to the Credit Agreement reducing the interest rate margins applicable to the USD Term Loans to either adjusted LIBOR plus margin of 2.00% per annum, or base rate plus margin of 1.00%. The Company recognized \$0.6 million of costs in connection with amending the Credit Agreement that has been recognized as interest expense.

On May 16, 2017, the Company entered into a fourth amendment to the Credit Agreement increasing its USD Term Loan by \$250.0 million of incremental borrowings and removing the floor which both LIBOR and base rates were subject to. The Company recognized \$2.7 million as costs in connection with the increased borrowing that has been deferred as debt issuance costs.

On May 24, 2017, the Company extinguished its Euro Term Loan and recognized non-cash interest expense of \$0.6 million for previously deferred debt issuance costs in connection with the extinguishment.

Subsequent to the amendments to the Credit Agreement discussed above, the Term Loans and Revolver Facility are subject to variable interest rates, (i) the USD Term Loan is subject to either adjusted LIBOR, plus margin of 2.00% per annum, or base rate plus margin of 1.00% per annum; (ii) the CAD Term Loan is subject to either CDOR (Canadian Dollar Offered Rate), subject to a 0.75% floor plus 3.50% per annum, or base rate with a 1.75% floor plus 2.50% per annum; (iii) the Euro Term Loan was subject to either EURIBOR (Euro Interbank Offered Rate), subject to a 0.75% floor plus 2.75% per annum; and (iv) the Revolver Facility is subject to either adjusted LIBOR plus margin ranging from 1.75% to 2.25% per annum, or base rate plus margin ranging from 0.75% to 1.25% per annum.

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Subject to certain mandatory prepayment events, the Term Loans are subject to repayment according to scheduled amortizations, with the final payments of all amounts outstanding, plus accrued and unpaid interest, due at maturity. The Senior Credit Agreement contains customary affirmative and negative covenants, including, but not limited to, restrictions on SBI and its restricted subsidiaries' ability to incur indebtedness, create liens, make investments, pay dividends or make certain other distributions, and merge or consolidate or sell assets, in each case subject to certain exceptions set forth in the Senior Credit Agreement.

The Credit Agreement, solely with respect to the Revolver Facility, contains a financial covenant test on the last day of each fiscal quarter on the maximum total leverage ratio. This is calculated as the ratio of (i) the principal amount of third party debt for borrowed money (including unreimbursed letter of credit drawings), capital leases and purchase money debt, at period-end, less cash and cash equivalents, to (ii) adjusted EBITDA for the trailing twelve months. The maximum total leverage ratio should be no greater than 6.0 to 1.0. As of September 30, 2017, we were in compliance with all covenants under the Credit Agreement.

Pursuant to a guarantee agreement, SB/RH and the material wholly-owned domestic subsidiaries of SBI have guaranteed SBI's obligations under the Senior Credit Agreement and related loan documents. Pursuant to a security agreement, SBI and such subsidiary guarantors have pledged substantially all of their respective assets to secure such obligations and, in addition, SB/RH has pledged the capital stock of SBI to secure such obligations. The Senior Credit Agreement also provides for customary events of default including payment defaults and cross-defaults to other material indebtedness.

In connection with the new Revolver Facility, the Company incurred \$5.7 million of fees that were capitalized as debt issuance costs and are being amortized over the remaining life of the Revolver Facility. As of September 30, 2017, the Company had aggregate borrowing availability of \$680.5 million, net of outstanding letters of credit of \$18.0 million and a \$1.5 million amount allocated to a foreign subsidiary.

4.00% Notes

On September 20, 2016, SBI issued €425 million aggregate principal amount of 4.00% Notes at par value, due October 1, 2026. The 4.00% Notes are guaranteed by SB/RH as well as by SBI's existing and future domestic subsidiaries.

SBI may redeem all or a part of the 4.00% Notes, at any time on or after October 1, 2021 at specified redemption prices. In addition, prior to October 1, 2021, SBI may redeem the notes at a redemption price equal to 100% of the principal amounts plus a "make-whole" premium. SBI is also entitled to redeem up to 35% of the aggregate principal amount of the notes before October 1, 2019 with an amount of cash equal to the net proceeds that SBI raises in equity offerings at specified redemption prices. Further, the indenture governing the 4.00% Notes (the "2026 Indenture") requires SBI to make an offer, in cash, to repurchase all or a portion of the applicable outstanding notes for a specified redemption price, including a redemption premium, upon the occurrence of a change of control of SBI, as defined in the 2026 Indenture.

The 2026 Indenture contains customary covenants that limit, among other things, the incurrence of additional indebtedness, payment of dividends on or redemption or repurchase of equity interests, the making of certain investments, expansion into unrelated businesses, creation of liens on assets, merger or consolidation with another company, transfer or sale of all or substantially all assets, and transactions with affiliates.

In addition, the 2026 Indenture provides for customary events of default, including failure to make required payments, failure to comply with certain agreements or covenants, failure to make payments when due or on acceleration of certain other indebtedness, and certain events of bankruptcy and insolvency. Events of default under the 2026 Indenture arising from certain events of bankruptcy or insolvency will automatically cause the acceleration of the amounts due under the 4.00% Notes. If any other event of default under the 2026 Indenture occurs and is continuing, the trustee for the 2026 Indenture or the registered holders of at least 25% in the then aggregate outstanding principal amount of the 4.00% Notes, may declare the acceleration of the amounts due under those notes.

The Company recorded \$7.7 million of fees in connection with the offering of the 4.00% Notes, which have been capitalized as debt issuance costs and are being amortized over the remaining life of the 4.00% Notes.

5.75% Notes

On May 20, 2015, in connection with the acquisition of the AAG Business, SBI issued \$1,000 million aggregate principal amount of 5.75% Notes at par value, due July 15, 2025 (the "5.75% Notes"). The 5.75% Notes are guaranteed by SB/RH as well as by SBI's existing and future domestic subsidiaries.

SBI may redeem all or a part of the 5.75% Notes, at any time on or after July 15, 2020, at specified redemption prices. In addition, prior to July 15, 2020, SBI may redeem the notes at a redemption price equal to 100% of the principal amount plus a "make-whole" premium. SBI is also entitled to redeem up to 35% of the aggregate principal amount of the notes before July 15, 2018 with an amount of cash equal to the net proceeds that SBI raises in equity offerings at specified redemption prices. Further, the indenture governing the 5.75% Notes (the "2025 Indenture") requires SBI to make an offer, in cash, to repurchase all or a portion of the applicable outstanding notes for a specified redemption price, including a redemption premium, upon the occurrence of a change of control of SBI, as defined in the 2025 Indenture.

The 2025 Indenture contains customary covenants that limit, among other things, the incurrence of additional indebtedness, payment of dividends on or redemption or repurchase of equity interests, the making of certain investments, expansion into unrelated businesses, creation of liens on assets, merger or consolidation with another company, transfer or sale of all or substantially all assets, and transactions with affiliates.

In addition, the 2025 Indenture provides for customary events of default, including failure to make required payments, failure to comply with certain agreements or covenants, failure to make payments when due or on acceleration of certain other indebtedness, and certain events of bankruptcy and insolvency. Events of default under the 2025 Indenture arising from certain events of bankruptcy or insolvency will automatically cause the acceleration of the amounts due under the 5.75% Notes. If any other event of default under the 2025 Indenture occurs and is continuing, the trustee for the 2025 Indenture or the registered holders of at least 25% in the then aggregate outstanding principal amount of the 5.75% Notes, may declare the acceleration of the amounts due under those notes.

The Company recorded \$19.7 million of fees in connection with the offering of the 5.75% Notes, which have been capitalized as debt issuance costs and are being amortized over the remaining life of the 5.75% Notes.

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

6.125% Notes

On December 4, 2014, SBI issued \$250 million aggregate principal amount of 6.125% Notes at par value, due December 15, 2024 (the "6.125% Notes"). The 6.125% Notes are guaranteed by SB/RH, as well as by SBI's existing and future domestic subsidiaries.

SBI may redeem all or a part of the 6.125% Notes, at any time on or after December 15, 2019, at specified redemption prices. Prior to December 15, 2019, SBI may redeem the notes at a redemption price equal to 100% of the principal amount plus a "make-whole" premium. SBI is also entitled to redeem up to 35% of the aggregate principal amount of the notes before December 15, 2017 with an amount of cash equal to the net proceeds that SBI raises in equity offerings at specified redemption prices. Further, the indenture governing the 6.125% Notes (the "2024 Indenture") requires SBI to make an offer, in cash, to repurchase all or a portion of the applicable outstanding notes for a specified redemption price, including a redemption premium, upon the occurrence of a change of control of SBI, as defined in the 2024 Indenture.

The 2024 Indenture contains customary covenants that limit, among other things, the incurrence of additional indebtedness, payment of dividends on or redemption or repurchase of equity interests, the making of certain investments, expansion into unrelated businesses, creation of liens on assets, merger or consolidation with another company, transfer or sale of all or substantially all assets, and transactions with affiliates.

In addition, the 2024 Indenture provides for customary events of default, including failure to make required payments, failure to comply with certain agreements or covenants, failure to make payments when due or on acceleration of certain other indebtedness, and certain events of bankruptcy and insolvency. Events of default under the 2024 Indenture arising from certain events of bankruptcy or insolvency will automatically cause the acceleration of the amounts due under the 6.125% Notes. If any other event of default under the 2024 Indenture occurs and is continuing, the trustee for the 2024 Indenture or the registered holders of at least 25% in the then aggregate outstanding principal amount of the 6.125% Notes, may declare the acceleration of the amounts due under those notes.

The Company recorded \$4.6 million of fees in connection with the offering of the 6.125% Notes, which have been capitalized as debt issuance costs and are being amortized over the remaining life of the 6.125% Notes.

6.375% Notes and 6.625% Notes

On December 17, 2012, in connection with the acquisition of HHI Business, the Company assumed \$520 million aggregate principal amount of 6.375% Notes at par value, due November 15, 2020 (the "6.375% Notes"), and \$570 million aggregate principal amount of 6.625% Notes at par value, due November 15, 2022 (the "6.625% Notes"). During the year ended September 30, 2016, in connection with the issuance of the 4.00% Notes previously discussed, the Company repurchased \$390.3 million aggregate principal amount of the 6.375% Notes in a cash tender offer. In connection with the tender, the Company recognized \$6.5 million of fees and expenses and a \$15.6 million tender premium as interest expense and wrote off \$5.8 million of previously capitalized debt issuance costs as a non-cash charge to interest expense during the year ended September 30, 2016. On October 20, 2016, the Company redeemed the remaining outstanding aggregate principal on the 6.375% Notes of \$129.7 million, with a make whole premium of \$4.6 million recognized as interest expense and \$1.9 million in non-cash interest expense for previously deferred debt issuance costs for the year ended September 30, 2017. The 6.625% Notes are unsecured and guaranteed by SB/RH, as well as by existing and future domestic restricted subsidiaries.

The Company may redeem all or a part of the 6.625% Notes, upon not less than 30 or more than 60 days notice, at specified redemption prices. Further, the indenture governing the 6.625% Notes (the "2020/22 Indenture") requires the Company to make an offer, in cash, to repurchase all or a portion of the applicable outstanding notes for a specified redemption price, including a redemption premium, upon the occurrence of a change of control of the Company, as defined in such indenture. Subsequent to the year ended September 30, 2017 and effective November 15, 2017, the 6.625% Notes became callable by the Company.

The 2020/22 Indenture contains customary covenants that limit, among other things, the incurrence of additional indebtedness, payment of dividends on or redemption or repurchase of equity interests, the making of certain investments, expansion into unrelated businesses, creation of liens on assets, merger or consolidation with another company, transfer or sale of all or substantially all assets, and transactions with affiliates.

In addition, the 2020/22 Indenture provides for customary events of default, including failure to make required payments, failure to comply with certain agreements or covenants, failure to make payments when due or on acceleration of certain other indebtedness, and certain events of bankruptcy and insolvency. Events of default under the 2020/22 Indenture arising from certain events of bankruptcy or insolvency will automatically cause the acceleration of the amounts due under the 6.625% Notes. If any other event of default under the 2020/22 Indenture occurs and is continuing, the trustee for the 2020/22 Indenture or the registered holders of at least 25% in the then aggregate outstanding principal amount of the 6.625% Notes, may declare the acceleration of the amounts due under those notes.

The Company recorded \$14.1 million of fees in connection with the offering of the 6.625% Notes, which were capitalized as debt issuance costs and amortized over the remaining lives of the 6.625% Notes, respectively.

SPECTRUM BRANDS HOLDINGS, INC.
 SB/RH HOLDINGS, LLC
 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 12 - LEASES

The Company has leases primarily pertaining to land, buildings and equipment that expire at various times through February 2034. The Company's minimum rent payments under operating leases are recognized on a straight-line basis over the term of the leases. Future minimum rental commitments under non-cancelable operating leases are as follows:

(in millions)	Amount
2018	\$ 24.2
2019	20.9
2020	14.7
2021	10.3
2022	6.9
Thereafter	25.5
Total minimum lease payments	\$ 102.5

Rent expense was \$26.2 million, \$39.3 million and \$32.1 million for the years ended September 30, 2017, 2016 and 2015, respectively.

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 13 - DERIVATIVES

Derivative financial instruments are used by the Company principally in the management of its interest rate, foreign currency exchange rate and raw material price exposures. The Company does not hold or issue derivative financial instruments for trading purposes. For derivative instruments that are designated and qualify as cash flow hedges, the gain or loss on the effective portion of the derivative is reported as a component of Accumulated Other Comprehensive Income ("AOCI") and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on derivatives representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings.

Cash Flow Hedges

Interest Rate Swaps. The Company uses interest rate swaps to manage its interest rate risk. The swaps are designated as cash flow hedges with the changes in fair value recorded in AOCI and as a derivative 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 receivables, respectively, and recognized in earnings as an adjustment to Interest Expense from the underlying debt to which the swap is designated. As of September 30, 2017, the Company had a series of U.S. dollar denominated interest rate swaps outstanding which effectively fix the interest on variable rate debt, exclusive of lender spreads, at 1.76% for a notional principal amount of \$300.0 million through May 2020. As of September 30, 2016, the Company has a series of U.S. dollar denominated interest rate swaps outstanding which effectively fix the interest on variable rate debt, exclusive of lender spreads at 1.36% for a notional principal amount of \$300.0 million through April 2017. The derivative net losses estimated to be reclassified from AOCI into earnings over the next 12 months is \$0.5 million, net of tax. The Company's interest rate swap derivative financial instruments at September 30, 2017 and 2016 are as follows:

(in millions)	2017		2016	
	Notional Amount	Remaining Years	Notional Amount	Remaining Years
Interest rate swaps - fixed	\$ 300.0	2.6	\$ 300.0	0.5

Commodity Swaps. The Company is exposed to risk from fluctuating prices for brass used in its manufacturing processes at its HHI segment. The Company hedges a portion of the risk associated with the purchase of these materials through the use of commodity swaps. The hedge contracts are designated as cash flow hedges with the fair value changes recorded in AOCI and as a hedge asset or liability, as applicable. The unrecognized changes in fair value of the hedge contracts are reclassified from AOCI into earnings when the hedged purchase of raw materials also affects earnings. The swaps effectively fix the floating price on a specified quantity of raw materials through a specified date. At September 30, 2017, the Company had a series of brass swap contracts outstanding through February 2019. The derivative net gains estimated to be reclassified from AOCI into earnings over the next 12 months is \$0.4 million, net of tax. The Company had the following commodity swap contracts outstanding as of September 30, 2017 and 2016:

(in millions, except notional)	2017		2016	
	Notional Amount	Contract Value	Notional Amount	Contract Value
Brass swap contracts	1.3 Tons	\$ 6.6	1.0 Tons	\$ 4.0

Foreign exchange contracts. The Company periodically enters into forward foreign exchange contracts to hedge the risk from forecasted foreign currency denominated third party and intercompany sales or payments. These obligations generally require the Company to exchange foreign currencies for U.S. Dollars, Euros, Australian Dollars, Canadian Dollars or Japanese Yen. These foreign exchange contracts are cash flow hedges of fluctuating foreign exchange rates related to sales of product or raw material purchases. Until the sale or purchase is recognized, the fair value of the related hedge is recorded in AOCI and as a hedge asset or liability, as applicable. At the time the sale or purchase is recognized, the fair value of the related hedge is reclassified as an adjustment to Net Sales or purchase price variance in Cost of Goods Sold on the Consolidated Statements of Income. At September 30, 2017, the Company had a series of foreign exchange derivative contracts outstanding through June 2019. The derivative net losses estimated to be reclassified from AOCI into earnings over the next 12 months is \$1.6 million, net of tax. At September 30, 2017 and 2016, the Company had foreign exchange derivative contracts designated as cash flow hedges with a notional value of \$67.5 million and \$29.9 million, respectively.

Net Investment Hedge

On September 20, 2016, SBI issued €425 million aggregate principal amount of 4.00% Notes. See *Note 11 - Debt* for further detail. The 4.00% Notes are denominated in Euros and have been designated as a net investment hedge of the translation of the Company's net investments in Euro denominated subsidiaries at the time of issuance. As a result, the translation of the Euro denominated debt is recognized as AOCI with any ineffective portion recognized as foreign currency translation gains or losses on the statement of income when the aggregate principal exceeds the net investment in its Euro denominated subsidiaries. Net gains or losses from the net investment hedge are reclassified from AOCI into earnings upon a liquidation event or deconsolidation of Euro denominated subsidiaries. As of September 30, 2017, the hedge was fully effective and no ineffective portion was recognized in earnings.

Derivative Contracts Not Designated As Hedges for Accounting Purposes

Foreign exchange contracts. The Company periodically enters into forward and swap foreign exchange contracts to economically hedge the risk from third party and intercompany payments resulting from existing obligations. These obligations generally require the Company to exchange foreign currencies for U.S. Dollars, Canadian Dollars, Euros, Pounds Sterling, Taiwanese Dollars, Hong Kong Dollars or Australian Dollars. These foreign exchange contracts are economic hedges of a related liability or asset recorded in the accompanying Consolidated Statements of Financial Position. The gain or loss on the derivative hedge contracts is recorded in earnings as an offset to the change in value of the related liability or asset at each period end. At September 30, 2017, the Company had a series of forward exchange contracts outstanding through October 2017. At September 30, 2017 and 2016, the Company had \$62.9 million and \$62.0 million, respectively, of notional value for such foreign exchange derivative contracts outstanding.

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Fair Value of Derivative Instruments

The fair value of the Company's outstanding derivative instruments in the Consolidated Statements of Financial Position are as follows:

(in millions)	Line Item	2017	2016
Derivative Assets			
Commodity swaps - designated as hedge	Other receivables	\$ 0.6	\$ 0.1
Interest rate swaps - designated as hedge	Deferred charges and other	0.4	—
Foreign exchange contracts - designated as hedge	Other receivables	0.2	—
Foreign exchange contracts - not designated as hedge	Other receivables	0.3	0.1
Total Derivative Assets		<u>\$ 1.5</u>	<u>\$ 0.2</u>
Derivative Liabilities			
Interest rate swaps - designated as hedge	Other current liabilities	\$ 0.5	\$ 0.8
Interest rate swaps - designated as hedge	Accrued interest	0.2	0.4
Commodity swaps - designated as hedge	Accounts payable	—	0.1
Foreign exchange contracts - designated as hedge	Accounts payable	2.3	0.2
Foreign exchange contracts - designated as hedge	Other long-term liabilities	0.3	0.1
Foreign exchange contracts - not designated as hedge	Accounts payable	—	0.1
Total Derivative Liabilities		<u>\$ 3.3</u>	<u>\$ 1.7</u>

The Company is exposed to the risk of default by the counterparties with which it transacts and generally does not require collateral or other security to support financial instruments subject to credit risk. The Company monitors counterparty credit risk on an individual basis by periodically assessing each such counterparty's credit rating exposure. The maximum loss due to credit risk equals the fair value of the gross asset derivatives that are concentrated with certain domestic and foreign financial institution counterparties. The Company considers these exposures when measuring its credit reserve on its derivative assets, which was less than \$0.1 million for the years ended September 30, 2017 and 2016.

The Company's standard contracts do not contain credit risk related contingent features whereby the Company would be required to post additional cash collateral as a result of a credit event. However, the Company is typically required to post collateral in the normal course of business to offset its liability positions. As of September 30, 2017 and 2016, there was no cash collateral outstanding. In addition, as of September 30, 2017 and 2016, the Company had no posted standby letters of credit related to such liability positions.

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The following table summarizes the impact of the effective and ineffective portions of designated hedges and the gain (loss) recognized in the Consolidated Statement of Income for the years ended September 30, 2017, 2016 and 2015:

For the year ended September 30, 2017 (in millions)	Effective Portion				Ineffective portion	
	Gain (Loss) in OCI	Reclassified to Continuing Operations		Reclassified to Discontinued Operations	Line Item	Gain (Loss)
		Line Item	Gain (Loss)			
Interest rate swaps	\$ (0.7)	Interest expense	\$ (1.3)	\$ —	Interest expense	\$ —
Commodity swaps	6.2	Cost of goods sold	0.7	4.7	Cost of goods sold	—
Net investment hedge	(24.0)	Other non-operating expense	—	—	Other non-operating expense	—
Foreign exchange contracts	0.4	Net sales	—	—	Net sales	—
Foreign exchange contracts	(13.5)	Cost of goods sold	0.1	6.6	Cost of goods sold	—
Total	\$ (31.6)		\$ (0.5)	\$ 11.3		\$ —

For the year ended September 30, 2016 (in millions)	Effective Portion				Ineffective portion	
	Gain (Loss) in OCI	Reclassified to Continuing Operations		Reclassified to Discontinued Operations	Line Item	Gain (Loss)
		Line Item	Gain (Loss)			
Interest rate swaps	\$ (0.4)	Interest expense	\$ (1.9)	\$ —	Interest expense	\$ —
Commodity swaps	4.5	Cost of goods sold	(1.4)	(2.3)	Cost of goods sold	—
Net investment hedge	0.6	Other non-operating expense	—	—	Other non-operating expense	—
Foreign exchange contracts	(0.4)	Net sales	(0.2)	—	Net sales	—
Foreign exchange contracts	6.8	Cost of goods sold	1.2	5.7	Cost of goods sold	—
Total	\$ 11.1		\$ (2.3)	\$ 3.4		\$ —

For the year ended September 30, 2015 (in millions)	Effective Portion				Ineffective portion	
	Gain (Loss) in OCI	Reclassified to Continuing Operations		Reclassified to Discontinued Operations	Line Item	Gain (Loss)
		Line Item	Gain (Loss)			
Interest rate swaps	\$ (3.4)	Interest expense	\$ (1.9)	\$ —	Interest expense	\$ —
Commodity swaps	(7.2)	Cost of goods sold	(0.5)	(0.2)	Cost of goods sold	—
Foreign exchange contracts	0.1	Net sales	0.1	—	Net sales	—
Foreign exchange contracts	21.8	Cost of goods sold	25.4	4.6	Cost of goods sold	—
Total	\$ 11.3		\$ 23.1	\$ 4.4		\$ —

The unrealized loss on derivative contracts in Accumulated Other Comprehensive Loss expected to be recognized during the year ended September 30, 2018 is \$8.9 million.

The following table summarizes the gain (loss) associated with derivative contracts not designated as hedges and recognized as part of income from continuing operations in the Consolidated Statements of Income for the years ended September 30, 2017, 2016 and 2015.

(in millions)	Line Item	2017	2016	2015
Foreign exchange contracts	Other non-operating expenses, net	1.9	3.1	(4.9)

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 14 - EMPLOYEE BENEFIT PLANS

Pension Benefits

The Company has various defined benefit pension plans covering some of its employees. Plans generally provide benefits of stated amounts for each year of service. The Company funds its pension plans in accordance with the requirements of the defined benefit pension plans and, where applicable, in amounts sufficient to satisfy the minimum funding requirements of applicable laws. Additionally, in compliance with the Company's funding policy, annual contributions to defined benefit plans are equal to the actuarial recommendations or statutory requirements in the respective countries. The Company sponsors or participates in a number of other non-U.S. pension arrangements, including various retirement and termination benefit plans, some of which are covered by local law or coordinated with government-sponsored plans, which are not significant in the aggregate. The following tables provide additional information on the Company's pension plans as of September 30, 2017 and 2016:

(in millions)	2017		2016	
Changes in benefit obligation:				
Benefit obligation, beginning of year	\$	85.7	\$	68.5
Service cost		2.5		2.0
Interest cost		1.6		2.0
Actuarial (gain) loss		(11.0)		15.3
Curtailments		(0.2)		—
Benefits paid		(1.5)		(1.6)
Foreign currency exchange rate changes		4.1		(0.5)
Benefit obligation, end of year	\$	81.2	\$	85.7
Changes in plan assets:				
Fair value of plan assets, beginning of year	\$	43.3	\$	41.7
Actual return on plan assets		0.6		0.7
Employer contributions		4.4		2.4
Benefits paid		(1.5)		(1.6)
Foreign currency exchange rate changes		2.2		0.1
Fair value of plan assets, end of year	\$	49.0	\$	43.3
Funded Status	\$	(32.2)	\$	(42.4)
Amounts recognized in statement of financial position				
Other accrued expenses	\$	0.3	\$	0.3
Other long-term liabilities		31.9		42.1
Accumulated other comprehensive loss		19.0		30.0

Weighted average assumptions

Discount rate	1.13 - 7.50%	1.00 - 8.68%
Expected return on plan assets	1.13 - 3.50%	1.00 - 3.50%
Rate of compensation increase	1.37 - 7.00%	2.25 - 7.00%

Amounts reclassified from Accumulated Other Comprehensive Loss associated with employee benefit plan costs and recognized on the Company's Consolidated Statements of Income for the years ended September 30, 2017, 2016 and 2015 were as follows:

(in millions)	2017		2016		2015	
Cost of goods sold	\$	1.2	\$	0.1	\$	0.5
Selling expenses		0.8		0.3		0.3
General and administrative expenses		0.3		0.1		0.1
Amounts reclassified from AOCI to continuing operations	\$	2.3	\$	0.5	\$	0.9

For the years ended September 30, 2017, 2016, and 2015, there was \$3.2 million, \$1.9 million and \$0.5 million of loss reclassified from AOCI associated with employee benefit plan costs recognized in income from discontinued operations, respectively. The net loss in Accumulated Other Comprehensive Loss expected to be recognized in continuing operations during the year ended September 30, 2018 is \$1.1 million.

The following table contains the components of net periodic benefit cost for the years ended September 30, 2017, 2016 and 2015:

(in millions)	2017		2016		2015	
Service cost	\$	2.5	\$	2.0	\$	2.0
Interest cost		1.6		2.0		2.0
Expected return on assets		(1.5)		(1.4)		(1.4)
Curtailment		(0.2)		0.1		0.4
Recognized net actuarial loss		2.3		0.5		0.9
Net periodic benefit cost	\$	4.7	\$	3.2	\$	3.9
Weighted average assumptions						
Discount rate		1.00 - 8.68%		1.00 - 7.00%		2.00 - 7.50%
Expected return on plan assets		1.00 - 3.50%		1.00 - 3.50%		2.00 - 3.50%
Rate of compensation increase		2.25 - 7.00%		2.25 - 5.50%		2.25 - 5.50%

The discount rate is used to calculate the projected benefit obligation. The discount rate used is based on the rate of return on government bonds as well as current market conditions of the respective countries where the plans are established. The expected return on plan assets is based on the Company's expectation of the long-term average rate of return of the capital market in which the plans invest. The expected return reflects the target asset allocations and considers the historical returns earned for each asset category.

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The Company has established formal investment policies for the assets associated with these plans. Policy objectives include maximizing long-term return at acceptable risk levels, diversifying among asset classes, if appropriate, and among investment managers, as well as establishing relevant risk parameters within each asset class. Specific asset class targets are based on the results of periodic asset/liability studies. The investment policies permit variances from the targets within certain parameters. The plan assets currently do not include holdings of the Company's common stock.

Asset Type	2017	2016
Equity Securities	—%	—%
Fixed Income Securities	5 %	5 %
Other	95 %	95 %
Total	100 %	100 %

The fair value of pension plan assets by asset category as of September 30, 2017 and 2016 are as follows:

As of September 30, 2017 (in millions)	Level 1	Level 2	Level 3	Total
Foreign cash & cash equivalents	\$ 8.5	\$ —	\$ —	\$ 8.5
Foreign fixed income securities	—	2.4	—	2.4
Life insurance contracts	—	37.6	—	37.6
Other	—	0.5	—	0.5
Total plan assets	\$ 8.5	\$ 40.5	\$ —	\$ 49.0

As of September 30, 2016 (in millions)	Level 1	Level 2	Level 3	Total
Foreign cash & cash equivalents	\$ 6.0	\$ —	\$ —	\$ 6.0
Foreign fixed income securities	—	2.3	—	2.3
Life insurance contracts	—	34.6	—	34.6
Other	—	0.4	—	0.4
Total plan assets	\$ 6.0	\$ 37.3	\$ —	\$ 43.3

The following benefit payments are expected to be paid:

(in millions)	Amount
2018	\$ 1.9
2019	2.3
2020	2.5
2021	2.6
2022	2.7
2023-2027	17.2

Defined Contribution Plans

The Company sponsors a defined contribution plan for its domestic salaried employees, which allows participants to make contributions by salary reduction pursuant to Section 401(k) of the Internal Revenue Code. The Company also sponsors defined contribution pension plans for employees of certain foreign subsidiaries. Company contributions charged to operations, including discretionary amounts, for the years ended September 30, 2017, 2016 and 2015 were \$8.0 million, \$7.9 million, and \$7.6 million, respectively.

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 15 - INCOME TAXES

Income tax expense was calculated based upon the following components of income from operations before income taxes for the years ended September 30, 2017, 2016, and 2015:

(in millions)	SBH			SB/RH		
	2017	2016	2015	2017	2016	2015
United States	\$ 121.1	\$ 196.7	\$ 26.9	\$ 129.1	\$ 202.4	\$ 33.3
Outside the United States	41.2	34.3	29.5	41.3	34.3	29.5
Income from operations before income taxes	\$ 162.3	\$ 231.0	\$ 56.4	\$ 170.4	\$ 236.7	\$ 62.8

The components of income tax expense for the years ended September 30, 2017, 2016 and 2015 are as follows:

(in millions)	SBH			SB/RH		
	2017	2016	2015	2017	2016	2015
Current tax expense:						
U.S. Federal	\$ 3.9	\$ 2.1	\$ 3.6	\$ 3.9	\$ 2.1	\$ 3.6
Foreign	9.1	10.1	6.3	9.1	10.1	6.3
State and local	0.5	4.4	4.2	0.5	4.4	4.2
Total current tax expense	13.5	16.6	14.1	13.5	16.6	14.1
Deferred tax (benefit) expense:						
U.S. Federal	41.4	(48.2)	(16.3)	45.2	(37.7)	(16.3)
Foreign	(10.5)	(19.6)	11.6	(10.5)	(19.6)	11.6
State and local	(7.1)	1.2	(3.8)	(6.9)	1.7	(3.8)
Total deferred tax expense	23.8	(66.6)	(8.5)	27.8	(55.6)	(8.5)
Income tax expense	\$ 37.3	\$ (50.0)	\$ 5.6	\$ 41.3	\$ (39.0)	\$ 5.6

The following reconciles the total income tax expense, based on the U.S. Federal statutory income tax rate of 35%, with the Company's recognized income tax expense:\

(in millions)	SBH			SB/RH		
	2017	2016	2015	2017	2016	2015
U.S. Statutory federal income tax expense	\$ 56.8	\$ 80.9	\$ 19.8	\$ 59.6	\$ 82.9	\$ 22.0
Permanent items	(1.3)	6.1	7.9	(1.3)	6.1	7.9
Foreign statutory rate vs. U.S. statutory rate	(18.8)	(14.9)	(5.3)	(18.8)	(14.9)	(5.3)
State income taxes, net of federal effect	2.4	4.5	1.6	2.5	4.6	1.8
Residual tax on foreign earnings	(4.0)	8.3	11.5	(4.0)	8.3	11.5
Investment in foreign subsidiary	—	—	(23.3)	—	—	(23.3)
Purchase accounting benefit	—	—	(22.8)	—	—	(22.8)
Benefit from adjustment to tax basis in assets	—	(8.5)	—	—	(8.5)	—
Change in valuation allowance	22.5	(110.6)	(7.9)	22.5	(102.1)	(10.1)
Unrecognized tax expense (benefit)	4.0	5.5	1.0	4.0	5.5	1.0
Foreign tax law changes	—	(3.7)	—	—	(3.7)	—
Share based compensation adjustments	(1.5)	1.1	1.9	(0.3)	1.1	1.9
Impact of IRC Section 9100 relief	—	(16.4)	—	—	(16.4)	—
Adjustment to prior year NOLs	—	—	14.4	—	—	14.4
Research and development tax credits	(6.6)	—	—	(6.6)	—	—
Return to provision adjustments and other, net	(16.2)	(2.3)	6.8	(16.3)	(1.9)	6.6
Income tax expense	\$ 37.3	\$ (50.0)	\$ 5.6	\$ 41.3	\$ (39.0)	\$ 5.6

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

The tax effects of temporary differences that give rise to deferred tax assets and deferred tax liabilities as of September 30, 2017 and 2016 are as follows:

(in millions)	SBH		SB/RH	
	2017	2016	2017	2016
Deferred tax assets				
Employee benefits	\$ 51.9	\$ 76.3	\$ 49.9	\$ 73.4
Restructuring	0.4	2.2	0.4	2.2
Inventories and receivables	35.4	32.9	35.4	32.9
Marketing and promotional accruals	15.8	17.6	15.8	17.6
Prepaid royalty	—	6.0	—	6.0
Property, plant and equipment	30.9	8.3	30.9	8.3
Unrealized losses	16.7	4.2	16.7	4.2
Intangibles	8.5	3.7	8.5	3.7
Investment in subsidiaries	0.4	—	0.4	—
Net operating loss and credit carry forwards	389.2	380.5	376.2	372.6
Other	16.1	22.0	16.1	21.7
Total deferred tax assets	565.3	553.7	550.3	542.6
Deferred tax liabilities				
Property, plant and equipment	34.0	20.1	34.0	20.1
Unrealized gains	5.7	5.1	5.7	5.1
Intangibles	662.8	770.2	662.8	770.2
Investment in partnership	91.5	—	91.5	—
Taxes on unremitted foreign earnings	2.8	2.7	2.8	2.7
Other	1.5	15.0	1.5	15.0
Total deferred tax liabilities	798.3	813.1	798.3	813.1
Net deferred tax liabilities	(233.0)	(259.4)	(248.0)	(270.5)
Valuation allowance	(243.5)	(222.7)	(243.5)	(222.7)
Net deferred tax liabilities, net valuation allowance	\$ (476.5)	\$ (482.1)	\$ (491.5)	\$ (493.2)
Reported as:				
Deferred charges and other	\$ 16.7	\$ 16.7	\$ 1.7	\$ 5.6
Deferred taxes (noncurrent liability)	493.2	498.8	493.2	498.8

During the fourth quarter of the year ended September 30, 2015, the Company recognized \$23.3 million of deferred tax assets related to its investment in one of its foreign subsidiaries because it was expected to reverse in the foreseeable future. The deferred tax asset reversed during the year ended September 30, 2016. The Company also recorded a \$14.4 million reduction in its net operating loss deferred tax assets, with a corresponding reduction in the valuation allowance, to reflect losses used as a result of prior year adjustments.

To the extent necessary, the Company intends to utilize earnings of foreign subsidiaries in order to support management's plans to voluntarily accelerate pay down of U.S. debt, fund distributions to shareholders, fund U.S. acquisitions and satisfy ongoing U.S. operational cash flow requirements. The Company annually estimates the available earnings, permanent reinvestment classification and the availability of and management's intent to use alternative mechanisms for repatriation for each jurisdiction in which the Company does business. Accordingly, the Company is providing residual U.S. and foreign deferred taxes on these earnings to the extent they cannot be repatriated in a tax-free manner.

During the year ended September 30, 2017, the Company concluded that sufficient evidence existed that substantially all of its non-US subsidiaries had invested or would invest their respective undistributed earnings indefinitely or that the earnings would be remitted in a tax-free manner. As a result, the Company recognized approximately \$1.6 million in tax benefit to continuing operations for reducing the deferred tax liability on those earnings that had been established in prior years. The Company provided residual tax expense through continuing operations of \$5.7 million on earnings deemed to be repatriated under US tax law for the year ended September 30, 2017. The tax benefit was recognized as an addition to net operating loss and credit carryforwards deferred tax assets.

During the year ended September 30, 2016, the Company provided \$1.9 million of tax benefit through continuing operations on undistributed foreign earnings and \$3.0 million in tax expense on earnings deemed to be repatriated under subpart F of the US tax law. The residual domestic taxes from foreign earnings were recognized as a reduction to net operating loss and credit carryforwards deferred tax assets.

Remaining undistributed earnings of the Company's foreign operations are \$302.5 million at September 30, 2017, and are intended to remain permanently invested. Accordingly, no residual income taxes have been provided on those earnings. If at some future date these earnings cease to be permanently invested, the Company may be subject to U.S. income taxes and foreign withholding and other taxes on such amounts, which cannot be reasonably estimated at this time.

As of September 30, 2017, the Company has U.S. federal net operating loss carryforwards ("NOLs") of \$703.5 million with a federal tax benefit of \$246.2 million, tax benefits related to state NOLs of \$70.8 million and capital loss carryforwards of \$19.8 million with a federal and state tax benefit of \$7.5 million. The Company has an additional \$4.3 million of federal and state NOLs for which benefits will be recorded to Additional Paid-in Capital when these carryforwards are used. These NOLs expire through years ending in 2037. As of September 30, 2017, the Company has foreign NOLs of \$169.2 million and tax benefits of \$47.4 million, which will expire beginning in the Company's fiscal year ending September 30, 2018. Certain of the foreign NOLs have indefinite carryforward periods. The Company is subject to an annual limitation on the use of its NOLs that arose prior to its emergence from bankruptcy in the fiscal year ended September 30, 2009. The Company has had multiple changes of ownership, as defined under Section 382 of the Internal Revenue Code of 1986, as amended, that subject the Company's U.S. federal and state NOLs and other tax attributes to certain limitations. The annual limitation is based on a number of factors including the value of the Company's stock (as defined for tax purposes) on the date of the ownership change, its net unrealized gain position on that date, the occurrence of realized gains in years subsequent to the ownership change and the effects of subsequent ownership changes (as defined for tax purposes), if any. In addition, separate return year limitations apply to limit the Company's utilization of the acquired Russell Hobbs U.S. federal and state NOLs to future income of the Russell Hobbs subgroup. Due to these limitations, the Company estimates, as of September 30, 2017, that \$468.9 million of the total U.S. federal NOLs with a federal tax benefit of \$164.1 million and \$16.7 million of the tax benefit related to state NOLs will expire unused even if the Company generates sufficient income to otherwise use all of its NOLs. The Company also projects, as of September 30, 2017, that \$45.7 million of tax benefits related to foreign NOLs will not be used. The Company has provided a full valuation allowance against these deferred tax assets.

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

A valuation allowance is recorded when it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of the deferred tax assets depends on the ability of the Company to generate sufficient taxable income of the appropriate character in the future and in the appropriate taxing jurisdictions.

The Company has earned pretax profits in the US each of the last three years. Large, profitable US businesses were acquired in years ended September 30, 2015 and 2013, and the Company's debt levels and blended interest rates have decreased over time. The combination of US operating results and the changes in the Company's US operating profile led the Company to conclude during the year ended September 30, 2016 that it is more likely than not its U.S. deferred tax assets will be used to reduce taxable income, except for tax attributes subject to ownership change limitations, capital losses, and certain state operating losses and credits that will expire unused.

The Company released \$111.1 million of domestic valuation allowance during the year ended September 30, 2016. Approximately \$25.1 million of the domestic valuation allowance release resulted from additional deferred tax assets created by the adoption of ASU No. 2016-09, effective as of October 1, 2015. In December 2015, the Company received a ruling from the Internal Revenue Service ("IRS") which resulted in \$87.8 million of U.S. net operating losses being restored and a release of \$16.2 million of domestic valuation allowance from additional deferred tax assets created by the IRS ruling. The Company recorded tax expense of \$14.7 million related to additional valuation allowance on state NOLs during the year ended September 30, 2017.

As of September 30, 2017, the valuation allowance related to continuing operations was \$243.5 million, of which \$217.1 million is related to U.S. net deferred tax assets and \$26.4 million is related to foreign net deferred tax assets. As of September 30, 2016, the valuation allowance related to continuing operations was \$222.7 million, of which \$203.7 million is related to U.S. net deferred tax assets and \$19.0 million is related to foreign net deferred tax assets. During the year ended September 30, 2017, the Company increased its valuation allowance for deferred tax assets by \$20.8 million of which \$13.4 million is related to an increase in valuation allowance against U.S. net deferred tax assets and \$7.4 million related to an increase in the valuation allowance against foreign net deferred tax assets. During the year ended September 30, 2016, the Company decreased its valuation allowance for deferred tax assets by \$63.7 million, of which \$65.0 million is related to a decrease in valuation allowance against U.S. net deferred tax assets and \$1.3 million related to an increase in the valuation allowance against foreign net deferred tax assets.

The total amount of unrecognized tax benefits at September 30, 2017 and 2016 are \$20.9 million and \$16.5 million, respectively. If recognized in the future, \$20.9 million of the unrecognized tax benefits as of September 30, 2017 will impact the effective tax rate. The Company recognizes interest and penalties related to uncertain tax positions in income tax expense. As of September 30, 2017 and 2016 the Company had \$2.9 million and \$3.0 million, respectively, of accrued interest and penalties related to uncertain tax positions. The impact on income tax expense related to interest and penalties for the years ended September 30, 2017, 2016 and 2015 was a net decrease of \$0.1 million, net increase of \$0.5 million and net decrease of \$0.8 million, respectively. The following table summarizes the changes to the amount of unrecognized tax benefits for the years ended September 30, 2017, 2016 and 2015:

(in millions)	2017		2016		2015	
Unrecognized tax benefits, beginning of year	\$	16.5	\$	12.4	\$	7.6
Gross increase – tax positions in prior period		4.0		4.0		4.1
Gross decrease – tax positions in prior period		(0.5)		(0.4)		(0.5)
Gross increase – tax positions in current period		1.2		1.1		1.4
Settlements		—		(0.6)		—
Lapse of statutes of limitations		(0.3)		—		(0.2)
Unrecognized tax benefits, end of year	\$	20.9	\$	16.5	\$	12.4

The Company files income tax returns in the U.S. federal jurisdiction and various state, local and foreign jurisdictions and is subject to ongoing examination by the various taxing authorities. The Company's major taxing jurisdictions are the U.S., United Kingdom and Germany. In the U.S., federal tax filings for years prior to and including the Company's fiscal year ended September 30, 2013 are closed. However, the federal NOLs from the Company's fiscal years ended September 30, 2013 and prior are subject to Internal Revenue Service ("IRS") examination until the year that such net operating loss carryforwards are utilized and those years are closed for audit. Filings in various U.S. state and local jurisdictions are also subject to audit and to date no significant audit matters have arisen. As of September 30, 2017, certain of the Company's legal entities are undergoing income tax audits. The Company cannot predict the ultimate outcome of the examinations; however, it is reasonably possible that during the next twelve months some portion of previously unrecognized tax benefits could be recognized.

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 16 - RELATED PARTIES

The Company is subject to a stockholder agreement, dated February 9, 2010 (“Stockholder Agreement”), with its majority shareholder, HRG Group, Inc. (“HRG”), which provides certain protective provisions in favor of minority stockholders and provides certain rights and imposes certain obligations on HRG and its affiliates, including:

- for so long as the HRG and their affiliates beneficially own 40% or more of the outstanding voting securities of the Company, HRG and the Company will cooperate to ensure, to the greatest extent possible, the continuation of the structure of the Company’s board of directors as described in the Stockholder Agreement;
- HRG will not effect any transfer of equity securities of the Company to any person that would result in such person and its affiliates owning 40% or more of the outstanding voting securities of the Company, unless specified conditions are met; and
- HRG will be granted certain access and informational rights with respect to the Company and its subsidiaries.

Certain provisions of the Stockholder Agreement terminate on the date on which the HRG no longer constitutes a Significant Stockholder (as defined in the Stockholder Agreement). The Stockholder Agreement terminates when any person, including HRG, acquires 90% or more of the outstanding voting securities of the Company.

HRG and the Company also entered into a registration rights agreement, dated as of February 9, 2010 (the “Registration Rights Agreement”), pursuant to which HRG and its affiliates have, among other things and subject to the terms and conditions set forth therein, certain demand and so-called “piggy back” registration rights with respect to their shares of the Company’s common stock.

Jefferies LLC (“Jefferies”), a wholly owned subsidiary of Leucadia National Corporation, which through subsidiaries beneficially owns more than 10% of the outstanding common stock of HRG, which in turn owns 58% of the Company’s outstanding common stock. For the year ended September 30, 2016, Jefferies acted as one of the initial purchasers for SBI’s offering of €425 million of its 4.00% Notes due 2026, for which Jefferies received \$0.3 million in discounts, commissions and reimbursements of expenses. For the year ended September 30, 2015, Jefferies acted as (i) one of the initial purchasers for SBI’s offering of \$1.0 billion of its 5.75% Notes due 2025, for which Jefferies received \$2.6 million in discounts, commissions and reimbursements of expenses, (ii) one of the underwriters for the Company’s \$575 million offering of common stock in May 2015, for which Jefferies received \$1.5 million in discounts, commissions and reimbursements of expenses, and (iii) one of the financing institutions that committed to provide “back stop” bridge facilities in an aggregate amount of \$1.5 billion in connection with the financing of the AAG acquisition, for which Jefferies received \$2.1 million in fees and reimbursements of expenses.

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 17 – SHARE BASED COMPENSATION

On October 21, 2010, the Board adopted the Spectrum Brands Holdings, Inc. 2011 Omnibus Equity Award Plan (the “Equity Plan”). The Equity Plan has been subsequently amended to increase the number of shares issuable under the Equity Plan to 7,126,676 shares of common stock of the Company, net of cancellations.

The Company measures the compensation expense of its Restricted Stock Units (“RSUs”), based on the fair value of the awards, as determined based on the market price of the Company’s shares of common stock on the grant date and recognizes these costs on a straight-line basis over the requisite period of the awards. Certain RSUs are performance-based awards that are dependent upon achieving specified financial metrics over a designated period of time. In addition to RSUs, the Company also provides for a portion of its annual management incentive compensation plan to be paid in common stock of the Company, in lieu of cash payment, and is considered a liability plan. Share based compensation expense is recognized as General and Administrative Expenses on the Consolidated Statements of Income. The following is a summary of share based compensation expense for the years ended September 30, 2017, 2016 and 2015:

(in millions)	2017	2016	2015
SBH	\$ 47.7	\$ 57.2	\$ 41.0
SB/RH	44.9	52.1	35.2

Total share based compensation expense associated with the annual management incentive compensation plan was \$12.9 million, \$8.9 million and \$7.4 million for the years ended September 30, 2017, 2016 and 2015, respectively. The remaining unamortized compensation cost related to non-vested RSUs at September 30, 2017 is \$20.9 million and \$20.7 million for the SBH and SB/RH, respectively. The following is a summary of activity of the RSUs granted in the year ended September 30, 2017:

(in millions, except per share data)	SBH			SB/RH		
	Shares	Weighted Average Grant Date Fair Value	Fair Value at Grant Date	Shares	Weighted Average Grant Date Fair Value	Fair Value at Grant Date
Time-based grants	0.3	\$ 133.05	\$ 39.3	0.3	\$ 132.93	\$ 37.8
Performance-based grants						
Vesting in less than 12 months	—	\$ 137.54	\$ 0.1	—	\$ 137.54	\$ 0.1
Vesting in 12 to 24 months	0.1	122.65	13.0	0.1	122.65	13.0
Vesting in more than 24 months	0.3	122.43	36.0	0.3	122.43	\$ 36.0
Total performance-based grants	0.4	\$ 122.39	\$ 49.1	0.4	\$ 122.53	\$ 49.1
Total grants	0.7	\$ 127.00	\$ 88.4	0.7	\$ 126.85	\$ 86.9

The following is a summary of the RSU activity for the years ended September 30, 2017, 2016 and 2015:

(in millions, except per share data)	SBH			SB/RH		
	Shares	Weighted Average Grant Date Fair Value	Fair Value at Grant Date	Shares	Weighted Average Grant Date Fair Value	Fair Value at Grant Date
At September 30, 2014	0.8	67.66	\$ 56.0	0.8	67.90	\$ 54.6
Granted	0.6	92.51	52.9	0.5	93.12	42.3
Forfeited	(0.1)	85.16	(5.3)	(0.1)	85.16	(5.3)
Vested	(0.7)	69.00	(50.4)	(0.7)	68.98	(49.5)
At September 30, 2015	0.6	87.50	\$ 53.2	0.5	87.71	\$ 42.1
Granted	0.6	94.88	56.0	0.6	95.00	54.1
Forfeited	(0.1)	92.26	(6.6)	(0.1)	92.26	(6.6)
Vested	(0.5)	86.97	(47.8)	(0.5)	86.78	(44.3)
At September 30, 2016	0.6	\$ 94.97	\$ 54.8	0.5	\$ 96.92	\$ 45.3
Granted	0.7	127.00	88.4	0.7	126.85	86.9
Forfeited	—	118.89	(1.4)	—	118.89	(1.4)
Vested	(0.5)	109.03	(54.6)	(0.5)	111.98	(48.4)
At September 30, 2017	0.8	\$ 114.67	\$ 87.2	0.7	\$ 116.32	\$ 82.4

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 18 - ACCUMULATED OTHER COMPREHENSIVE INCOME

The changes in the components of accumulated other comprehensive income (loss), net of taxes, was as follows:

(in millions)	Foreign Currency Translation	Hedging Activity	Employee Benefit Plans	Total
Year Ended September 30, 2015				
Accumulated other comprehensive (loss) income, as of September 30, 2014	(39.5)	9.2	(32.8)	(63.1)
Other comprehensive (loss) income before reclassification	(113.0)	11.3	(12.9)	(114.6)
Amounts reclassified from accumulated other comprehensive income (loss)	—	(27.5)	1.4	(26.1)
Other comprehensive loss	(113.0)	(16.2)	(11.5)	(140.7)
Deferred tax effect	—	5.2	3.9	9.1
Deferred tax valuation allowance	—	(2.2)	(3.4)	(5.6)
Other comprehensive loss, net of tax	(113.0)	(13.2)	(11.0)	(137.2)
Other comprehensive loss attributable to non-controlling interest	(0.2)	—	—	(0.2)
Other comprehensive loss attributable to controlling interest	(112.8)	(13.2)	(11.0)	(137.0)
Accumulated other comprehensive loss, as of September 30, 2015	(152.3)	(4.0)	(43.8)	(200.1)
Year Ended September 30, 2016				
Other comprehensive (loss) income before reclassification	(6.2)	11.1	(41.4)	(36.5)
Amounts reclassified from accumulated other comprehensive income (loss)	—	(1.1)	2.4	1.3
Other comprehensive (loss) income	(6.2)	10.0	(39.0)	(35.2)
Deferred tax effect	(2.3)	(2.8)	10.9	5.8
Deferred tax valuation allowance	—	(0.1)	(0.1)	(0.2)
Other comprehensive (loss) income, net of tax	(8.5)	7.1	(28.2)	(29.6)
Other comprehensive loss attributable to non-controlling interest	(0.3)	—	—	(0.3)
Other comprehensive (loss) income attributable to controlling interest	(8.2)	7.1	(28.2)	(29.3)
Accumulated other comprehensive (loss) income, as of September 30, 2016	(160.5)	3.1	(72.0)	(229.4)
Year Ended September 30, 2017				
Other comprehensive income (loss) before reclassification	32.0	(31.6)	22.6	23.0
Amounts reclassified from accumulated other comprehensive income (loss)	—	(10.8)	5.5	(5.3)
Other comprehensive income (loss)	32.0	(42.4)	28.1	17.7
Deferred tax effect	(3.1)	13.3	(8.5)	1.7
Deferred tax valuation allowance	0.2	—	—	0.2
Other comprehensive income (loss), net of tax	29.1	(29.1)	19.6	19.6
Other comprehensive loss attributable to non-controlling interest	(0.2)	—	—	(0.2)
Other comprehensive income (loss) attributable to controlling interest	29.3	(29.1)	19.6	19.8
Accumulated other comprehensive loss, as of September 30, 2017	<u>\$ (131.2)</u>	<u>\$ (26.0)</u>	<u>\$ (52.4)</u>	<u>\$ (209.6)</u>

See Note 13 - Derivatives for further detail on the Company's derivative hedging activity. See Note 14 - Employee Benefit Plans for further detail over the Company's defined benefit plans.

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 19 - COMMITMENTS AND CONTINGENCIES

The Company is a defendant in various litigation matters generally arising out of the ordinary course of business. The Company does not believe that any of the matters or proceedings presently pending will have a material adverse effect on its results of operations, financial condition, liquidity or cash flows.

Environmental. The Company has provided for the estimated costs of \$4.4 million, as of September 30, 2017 and September 30, 2016, 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 that may result from resolution of these matters, will not have a material adverse effect on the consolidated financial condition, results of operations or cash flows of the Company.

Product Liability. The Company may be named as a defendant in lawsuits involving product liability claims. The Company has recorded and maintains an estimated liability in the amount of management's estimate for aggregate exposure for such liabilities based upon probable loss from loss reports, individual cases, and losses incurred but not reported. As of September 30, 2017 and September 30, 2016, the Company recognized \$5.3 million and \$5.6 million in product liability accruals, respectively, included in Other Current Liabilities on the Consolidated Statement of Financial Position. The Company believes that any additional liability in excess of the amounts provided that may result from resolution of these matters will not have a material adverse effect on the consolidated financial condition, results of operations or cash flows of the Company.

Product Warranty. The Company recognizes an estimated liability for standard warranty on certain products when we recognize revenue on the sale of the warranted products. Estimated warranty costs incorporate replacement parts, products and delivery, and are recorded as a cost of goods sold at the time of product shipment based on historical and projected warranty claim rates, claims experience and any additional anticipated future costs on previously sold products. The Company recognized \$6.4 million and \$7.0 million of warranty accruals as of September 30, 2017 and September 30, 2016, respectively, included in Other Current Liabilities on the Consolidated Statement of Financial Statement.

Product Safety Recall. On June 10, 2017, the Company initiated a voluntary safety recall of various rawhide chew products for dogs sold by the Company's PET segment due to possible chemical contamination. As a result, the Company recognized a loss related to the recall of \$35.8 million for the year ended September 30, 2017, which comprised of inventory write-offs of \$15.0 million for inventory at our distribution centers and production facilities that were either disposed or to be disposed, customer losses of \$7.1 million for returned or disposed product held by our customers, and \$13.7 million of incremental costs to dispose of product and operational expenses incurred during a temporary shutdown of production facilities. The Company suspended production at facilities impacted by the product safety recall, completed a comprehensive manufacturing review and subsequently recommenced production during the fourth quarter ended September 30, 2017. The amounts for customer losses reflect the cost of the affected products returned to or replaced by the Company and the expected cost to reimburse customers for costs incurred by them related to the recall. The incremental costs incurred directly by the company do not include lost earnings associated with interruption of production at the Company's facilities, or the costs to put into place corrective and preventative actions at those facilities. As of September 30, 2017, the Company has an outstanding accrual of \$5.8 million associated with expected customer losses and disposal costs. The Company's estimates for losses related to the recall are provisional and were determined based on an assessment of information currently available and may be revised in subsequent periods as the Company continues to work with its customers to substantiate claims received to date and any additional claims that may be received. There have been no lawsuits or claims filed against the Company related to the recalled product.

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 20 - SEGMENT INFORMATION

The Company identifies its segments based upon the internal organization that is used by management for making operating decisions and assessing performance as the source of the Company's reportable segments. The Company manufactures, markets and/or distributes multiple product lines through various distribution networks, and in multiple geographic regions. The Company manages its business in four vertically integrated, product-focused reporting segments: (i) Hardware & Home Improvement, which consists of the Company's worldwide hardware, home improvement and plumbing businesses; (ii) Global Pet Supplies, which consists of the Company's worldwide pet supplies business; (iii) Home and Garden, which consists of the Company's home and garden and insect control businesses; and (iv) Global Auto Care, and consists of the Company's automotive appearance and performance products. Global strategic initiatives and financial objectives for each reportable segment are determined at the corporate level. Each segment is responsible for implementing defined strategic initiatives and achieving certain financial objectives, and has a president responsible for the sales and marketing initiatives and financial results for product lines within the segment. Net sales attributable to foreign countries are determined based on the domiciled country of the customer.

Net sales relating to the segments of the Company for the years ended September 30, 2017, 2016 and 2015 are as follows:

Net sales to external customers (in millions)	2017	2016	2015
Hardware & Home Improvement	\$ 1,276.1	\$ 1,241.0	\$ 1,205.5
Global Pet Supplies	793.2	825.7	758.2
Home and Garden	493.3	509.0	474.0
Global Auto Care	446.9	453.7	160.5
Net sales	<u>\$ 3,009.5</u>	<u>\$ 3,029.4</u>	<u>\$ 2,598.2</u>

The Chief Operating Decision Maker uses Adjusted EBITDA as the primary operating metric in evaluating the business and making operating decisions. EBITDA is calculated by excluding the Company's income tax expense, interest expense, depreciation expense and amortization expense (from intangible assets) from net income. Adjusted EBITDA further excludes (i) share based compensation expense as it is a non-cash based compensation cost; (ii) acquisition and integration costs that consist of transaction costs from acquisition transactions during the period, or subsequent integration related project costs directly associated with the acquired business; (iii) restructuring and related costs, which consist of project costs associated with restructuring initiatives across the segments; (iv) non-cash purchase accounting inventory adjustments recognized in earnings subsequent to an acquisition; (v) non-cash asset impairments or write-offs realized; (vi) and other. During the year ended September 30, 2017, other adjustments consisted of estimated costs for a non-recurring voluntary recall of rawhide product by the PET segment (see *Note 19 - Commitments and Contingencies* in Notes to the Consolidated Financial Statements, included elsewhere within this annual report for further details), professional fees associated with non-acquisition based strategic initiatives of the Company (SBH only) and the devaluation of cash and cash equivalents denominated in Venezuelan currency. During the year ended September 30, 2016, other adjustments consisted of costs associated with the onboarding of a key executive and the involuntary transfer of inventory. During the year ended September 30, 2015, other adjustments consisted of costs associated with the exiting of a key executive, coupled with onboarding a key executive, plus a devaluation of cash and cash equivalents denominated in Venezuelan currency.

Segment Adjusted EBITDA in relation to the Company's reportable segments for the years ended September 30, 2017, 2016 and 2015, is as follows:

Segment Adjusted EBITDA (in millions)	SBH			SB/RH		
	2017	2016	2015	2017	2016	2015
Hardware & Home Improvement	\$ 254.4	\$ 241.6	\$ 225.5	\$ 254.4	\$ 241.6	\$ 225.5
Global Pet Supplies	142.7	140.1	124.5	142.7	140.1	124.5
Home and Garden	133.0	138.3	124.5	133.0	138.3	124.5
Global Auto Care	148.4	153.4	47.3	148.4	153.4	47.3
Total Segment Adjusted EBITDA	678.5	673.4	521.8	678.5	673.4	521.8
Corporate expenses	39.3	32.0	28.2	38.5	31.4	27.6
Depreciation and amortization	131.6	119.7	106.4	131.6	119.7	106.4
Share-based compensation	47.7	57.2	41.0	44.9	52.1	35.2
Acquisition and integration related charges	15.6	34.1	54.2	15.6	34.1	54.2
Restructuring and related charges	60.4	14.0	19.5	60.4	14.0	19.5
Interest expense	160.9	182.0	185.8	161.3	182.0	185.8
Write-off from impairment of intangible assets	16.3	2.7	—	16.3	2.7	—
Inventory acquisition step-up	3.3	—	21.7	3.3	—	21.7
Pet safety recall	35.8	—	—	35.8	—	—
Venezuela devaluation	0.4	—	2.5	0.4	—	2.5
Other	4.9	0.7	6.1	—	0.7	6.1
Income from operations before income taxes	<u>\$ 162.3</u>	<u>\$ 231.0</u>	<u>\$ 56.4</u>	<u>\$ 170.4</u>	<u>\$ 236.7</u>	<u>\$ 62.8</u>

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Other financial information relating to the segments of SBH and SB/RH is as follows for the years ended September 30, 2017, 2016 and 2015 and as of September 30, 2017 and 2016:

Depreciation and amortization (in millions)	2017	2016	2015
Hardware & Home Improvement	\$ 38.3	\$ 35.4	\$ 39.4
Global Pet Supplies	43.1	42.7	39.7
Home and Garden	17.6	15.2	13.3
Global Auto Care	21.1	17.5	6.6
Total segments	120.1	110.8	99.0
Corporate	11.5	8.9	7.4
Total depreciation and amortization	\$ 131.6	\$ 119.7	\$ 106.4

Capital expenditures (in millions)	2017	2016	2015
Hardware & Home Improvement	\$ 25.4	\$ 22.3	\$ 16.3
Global Pet Supplies	20.2	14.2	10.3
Home and Garden Business	6.5	6.9	12.3
Global Auto Care	13.9	2.0	1.2
Total segment capital expenditures	66.0	45.4	40.1
Corporate	11.8	15.4	15.0
Total capital expenditures	\$ 77.8	\$ 60.8	\$ 55.1

Segment total assets (in millions)	SBH		SB/RH	
	2017	2016	2017	2016
Hardware & Home Improvement	\$ 1,698.2	\$ 1,594.9	\$ 1,698.2	\$ 1,594.9
Global Pet Supplies	1,395.5	1,072.9	1,395.5	1,072.9
Home and Garden	546.0	1,493.8	546.0	1,493.8
Global Auto Care	1,520.3	556.8	1,520.3	556.8
Total segment assets	5,160.0	4,718.4	5,160.0	4,718.4
Corporate	279.8	375.9	264.0	360.3
Total assets	\$ 5,439.8	\$ 5,094.3	\$ 5,424.0	\$ 5,078.7

Net sales SBH and SB/RH for the years ended September 30, 2017, 2016 and 2015 and long-lived asset information as of September 30, 2017 and 2016 by geographic area are as follows:

Net sales to external parties - Geographic Disclosure (in millions)	2017	2016	2015
United States	\$ 2,417.8	\$ 2,410.2	\$ 2,051.5
Europe/MEA	270.7	300.0	259.6
Latin America	90.3	109.9	93.2
North America - Other	144.7	129.8	95.9
Asia-Pacific	86.0	79.5	98.0
Net sales	\$ 3,009.5	\$ 3,029.4	\$ 2,598.2

Long-lived assets - Geographic Disclosure (in millions)	2017	2016
United States	\$ 361.1	\$ 235.5
Europe/MEA	71.8	69.5
Latin America	25.4	18.5
North America - Other	1.9	3.5
Asia-Pacific	42.9	39.1
Total long-lived assets	\$ 503.1	\$ 366.1

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 21 - EARNINGS PER SHARE - SBH

Basic earnings per share is computed by dividing net income attributable to controlling interest by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the dilution that would occur if restricted stock units were converted into common shares that then shared in the net income of the entity available to common shareholders, as long as their effect is not antidilutive. In computing diluted earnings per share, basic earnings per share is adjusted for the assumed issuance of potentially diluted share-based awards, including restricted stock units. The Company uses the treasury stock method to reflect dilution of restricted stock units.

The reconciliation of the numerator and denominator of the basic and diluted earnings per share calculation and the anti-dilutive shares for the years ended September 30, 2017, 2016 and 2015, are as follows:

(in millions, except per share amounts)	2017	2016	2015
Numerator			
Net income from continuing operations attributable to controlling interest	\$ 125.0	\$ 280.0	\$ 49.9
Income from discontinued operations attributable to controlling interest	170.8	77.1	99.0
Net income attributable to controlling interest	<u>295.8</u>	<u>357.1</u>	<u>148.9</u>
Denominator			
Weighted average shares outstanding - basic	58.6	59.3	55.6
Dilutive shares	0.4	0.3	0.3
Weighted average shares outstanding - diluted	<u>59.0</u>	<u>59.6</u>	<u>55.9</u>
Earnings per share			
Basic earnings per share from continuing operations	\$ 2.13	\$ 4.72	\$ 0.90
Basic earnings per share from discontinued operations	2.91	1.30	1.78
Basic earnings per share	<u>\$ 5.04</u>	<u>\$ 6.02</u>	<u>\$ 2.68</u>
Diluted earnings per share from continuing operations	\$ 2.12	\$ 4.70	\$ 0.90
Diluted earnings per share from discontinued operations	2.90	1.29	1.76
Diluted earnings per share	<u>\$ 5.02</u>	<u>\$ 5.99</u>	<u>\$ 2.66</u>
Weighted average number of anti-dilutive shares excluded from denominator			
Restricted stock units	0.2	0.1	0.1

Performance based restricted stock units are considered anti-dilutive if the performance targets upon which the issuance of the shares is contingent have not been achieved and the respective performance period has not been completed as of the end of the current period.

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 22 – GUARANTOR STATEMENTS – SB/RH

Spectrum Brands, Inc. (“SBI”) with SB/RH as a parent guarantor (collectively, the “Parent”), with SBI’s domestic subsidiaries as subsidiary guarantors, has issued the 6.625% Notes under the 2020/22 Indenture, 6.125% Notes under the 2024 Indenture, the 5.75% Notes under the 2025 Indenture and the 4.00% Notes under the 2026 Indenture.

The following consolidating financial statements illustrate the components of the consolidated financial statements of SB/RH Holdings, LLC. The ‘Parent’ consists of the financial statements of Spectrum Brands, Inc. as the debt issuer, with SB/RH Holdings, LLC as a parent guarantor, without consolidated entities. SB/RH Holdings, LLC financial information is not presented separately as there are no independent assets or operations and is therefore determined not to be material. Investments in subsidiaries are accounted for using the equity method for purposes of illustrating the consolidating presentation. The elimination entries presented herein eliminate investments in subsidiaries and intercompany balances and transactions.

Statement of Financial Position As of September 30, 2017 (in millions)	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	\$ 6.0	\$ 4.8	\$ 157.4	\$ —	\$ 168.2
Trade receivables, net	85.4	102.4	78.2	—	266.0
Intercompany receivables	0.7	1,288.1	335.4	(1,624.2)	—
Other receivables	4.4	4.7	10.6	(1.0)	18.7
Inventories	184.7	205.6	126.4	(20.4)	496.3
Prepaid expenses and other	30.9	8.6	14.6	0.1	54.2
Current assets of business held for sale	228.7	0.2	378.4	(4.3)	603.0
Total current assets	540.8	1,614.4	1,101.0	(1,649.8)	1,606.4
Property, plant and equipment, net	182.2	178.9	142.0	—	503.1
Long-term intercompany receivables	317.2	96.6	12.5	(426.3)	—
Deferred charges and other	244.2	3.0	35.6	(254.4)	28.4
Goodwill	568.6	1,463.4	245.1	—	2,277.1
Intangible assets, net	401.4	1,027.7	182.9	—	1,612.0
Investments in subsidiaries	4,730.1	1,290.3	—	(6,020.4)	—
Noncurrent assets of business held for sale	814.3	124.4	438.2	—	1,376.9
Total assets	\$ 7,798.8	\$ 5,798.7	\$ 2,157.3	\$ (8,350.9)	\$ 7,403.9
Liabilities and Shareholder's Equity					
Current portion of long-term debt	\$ 13.8	\$ 4.3	\$ 5.2	\$ (3.9)	\$ 19.4
Accounts payable	122.2	108.3	141.1	—	371.6
Intercompany accounts payable	1,629.6	—	—	(1,629.6)	—
Accrued wages and salaries	27.5	2.3	20.1	—	49.9
Accrued interest	48.5	—	—	—	48.5
Other current liabilities	50.1	25.6	44.2	(1.0)	118.9
Current liabilities of business held for sale	177.3	0.9	322.4	—	500.6
Total current liabilities	2,069.0	141.4	533.0	(1,634.5)	1,108.9
Long-term debt, net of current portion	3,650.8	92.1	9.4	—	3,752.3
Long-term intercompany debt	12.6	302.1	102.4	(417.1)	—
Deferred income taxes	177.9	523.5	52.0	(260.2)	493.2
Other long-term liabilities	11.5	6.1	40.4	—	58.0
Noncurrent liabilities of business held for sale	22.8	3.4	129.9	—	156.1
Total liabilities	5,944.6	1,068.6	867.1	(2,311.8)	5,568.5
Shareholder's equity:					
Other capital	2,107.1	1,089.9	(1,075.0)	(43.0)	2,079.0
Accumulated (deficit) earnings	(42.8)	3,814.1	2,521.6	(6,335.7)	(42.8)
Accumulated other comprehensive loss	(210.1)	(173.9)	(165.2)	339.6	(209.6)
Total shareholder's equity	1,854.2	4,730.1	1,281.4	(6,039.1)	1,826.6
Non-controlling interest	—	—	8.8	—	8.8
Total equity	1,854.2	4,730.1	1,290.2	(6,039.1)	1,835.4
Total liabilities and equity	\$ 7,798.8	\$ 5,798.7	\$ 2,157.3	\$ (8,350.9)	\$ 7,403.9

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Statement of Financial Position As of September 30, 2016 (in millions)	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Assets					
Cash and cash equivalents	\$ 99.4	\$ 2.5	\$ 168.9	\$ —	\$ 270.8
Trade receivables, net	71.5	99.1	75.0	—	245.6
Intercompany receivables	—	1,160.9	233.0	(1,393.9)	—
Other receivables	—	6.1	28.4	(11.6)	22.9
Inventories	147.6	202.0	115.3	(15.0)	449.9
Prepaid expenses and other	23.1	6.6	9.0	(0.5)	38.2
Current assets of business held for sale	227.4	0.1	376.1	(2.6)	601.0
Total current assets	569.0	1,477.3	1,005.7	(1,423.6)	1,628.4
Property, plant and equipment, net	123.8	108.5	133.8	—	366.1
Long-term intercompany receivables	365.4	188.4	12.7	(566.5)	—
Deferred charges and other	177.7	68.5	26.0	(255.1)	17.1
Goodwill	781.4	1,115.6	236.3	—	2,133.3
Intangible assets, net	725.8	628.6	180.4	—	1,534.8
Investments in subsidiaries	3,858.9	1,174.0	(2.9)	(5,030.0)	—
Noncurrent assets of business held for sale	834.7	126.6	412.5	—	1,373.8
Total assets	<u>\$ 7,436.7</u>	<u>\$ 4,887.5</u>	<u>\$ 2,004.5</u>	<u>\$ (7,275.2)</u>	<u>\$ 7,053.5</u>
Liabilities and Shareholder's Equity					
Current portion of long-term debt	\$ 142.1	\$ 2.1	\$ 2.0	\$ (0.9)	\$ 145.3
Accounts payable	102.2	92.8	119.8	—	314.8
Intercompany accounts payable	1,408.4	—	—	(1,408.4)	—
Accrued wages and salaries	50.5	10.1	19.0	—	79.6
Accrued interest	39.3	—	—	—	39.3
Other current liabilities	54.4	20.1	40.7	(11.7)	103.5
Current liabilities of business held for sale	161.6	0.5	250.0	—	412.1
Total current liabilities	1,958.5	125.6	431.5	(1,421.0)	1,094.6
Long-term debt, net of current portion	3,381.2	25.1	8.4	—	3,414.7
Long-term intercompany debt	12.8	346.1	192.6	(551.5)	—
Deferred income taxes	189.0	530.7	39.3	(260.2)	498.8
Other long-term liabilities	16.0	1.1	43.4	—	60.5
Noncurrent liabilities of business held for sale	40.2	—	115.3	—	155.5
Total liabilities	5,597.7	1,028.6	830.5	(2,232.7)	5,224.1
Shareholder's equity:					
Other capital	2,060.4	151.4	(1,043.5)	832.6	2,000.9
Accumulated (deficit) earnings	8.1	3,912.7	2,366.5	(6,279.2)	8.1
Accumulated other comprehensive loss	(229.5)	(205.2)	(198.8)	404.1	(229.4)
Total shareholder's equity	1,839.0	3,858.9	1,124.2	(5,042.5)	1,779.6
Non-controlling interest	—	—	49.8	—	49.8
Total equity	1,839.0	3,858.9	1,174.0	(5,042.5)	1,829.4
Total liabilities and equity	<u>\$ 7,436.7</u>	<u>\$ 4,887.5</u>	<u>\$ 2,004.5</u>	<u>\$ (7,275.2)</u>	<u>\$ 7,053.5</u>

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Statement of Income

Year ended September 30, 2017 (in millions)	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ 1,164.2	\$ 1,963.8	\$ 1,102.9	\$ (1,221.4)	\$ 3,009.5
Cost of goods sold	782.5	1,393.0	854.5	(1,214.6)	1,815.4
Restructuring and related charges	—	18.1	—	—	18.1
Gross profit	381.7	552.7	248.4	(6.8)	1,176.0
Selling	169.4	175.8	130.1	(1.5)	473.8
General and administrative	167.4	83.1	13.6	0.1	264.2
Research and development	7.9	10.5	8.8	—	27.2
Acquisition and integration related charges	14.2	1.3	0.1	—	15.6
Restructuring and related charges	28.2	7.6	6.5	—	42.3
Write-off from impairment of intangible assets	—	16.3	—	—	16.3
Total operating expense	387.1	294.6	159.1	(1.4)	839.4
Operating income	(5.4)	258.1	89.3	(5.4)	336.6
Interest expense	137.9	18.7	4.7	—	161.3
Other non-operating (income) expense, net	(222.2)	(44.6)	(0.1)	271.8	4.9
Income from continuing operations before income taxes	78.9	284.0	84.7	(277.2)	170.4
Income tax (benefit) expense	(54.8)	60.3	36.6	(0.8)	41.3
Net income from continuing operations	133.7	223.7	48.1	(276.4)	129.1
Income from discontinued operations, net of tax	173.8	140.8	147.7	(290.2)	172.1
Net income	307.5	364.5	195.8	(566.6)	301.2
Net income attributable to non-controlling interest	—	—	1.3	—	1.3
Net income attributable to controlling interest	\$ 307.5	\$ 364.5	\$ 194.5	\$ (566.6)	\$ 299.9

Statement of Income

Year ended September 30, 2016 (in millions)	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ 1,108.4	\$ 1,974.0	\$ 1,096.3	\$ (1,149.3)	\$ 3,029.4
Cost of goods sold	740.2	1,371.1	828.5	(1,148.3)	1,791.5
Restructuring and related charges	—	—	0.2	—	0.2
Gross profit	368.2	602.9	267.6	(1.0)	1,237.7
Selling	163.2	180.1	134.8	(0.7)	477.4
General and administrative	147.0	95.6	16.8	(0.1)	259.3
Research and development	8.5	10.0	8.5	—	27.0
Acquisition and integration related charges	20.1	4.7	9.3	—	34.1
Restructuring and related charges	0.1	10.1	3.6	—	13.8
Write-off from impairment of intangible assets	—	2.7	—	—	2.7
Total operating expense	338.9	303.2	173.0	(0.8)	814.3
Operating income	29.3	299.7	94.6	(0.2)	423.4
Interest expense	151.1	19.9	11.0	—	182.0
Other non-operating (income) expense, net	(372.2)	(131.7)	5.0	503.6	4.7
Income from continuing operations before income taxes	250.4	411.5	78.6	(503.8)	236.7
Income tax (benefit) expense	(23.0)	40.0	(53.4)	(2.6)	(39.0)
Net income from continuing operations	273.4	371.5	132.0	(501.2)	275.7
Income from discontinued operations, net of tax	76.7	62.4	66.0	(128.5)	76.6
Net income	350.1	433.9	198.0	(629.7)	352.3
Net income attributable to non-controlling interest	—	—	0.4	—	0.4
Net income attributable to controlling interest	\$ 350.1	\$ 433.9	\$ 197.6	\$ (629.7)	\$ 351.9

Statement of Income

Year ended September 30, 2015 (in millions)	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$ 1,038.9	\$ 1,208.8	\$ 989.9	\$ (639.4)	\$ 2,598.2
Cost of goods sold	702.5	818.4	725.9	(628.5)	1,618.3
Restructuring and related charges	—	—	1.4	—	1.4
Gross profit	336.4	390.4	262.6	(10.9)	978.5
Selling	139.7	146.5	121.5	(0.5)	407.2
General and administrative	131.8	67.3	26.1	—	225.2
Research and development	7.3	6.1	7.8	—	21.2
Acquisition and integration related charges	33.4	9.7	11.1	—	54.2
Restructuring and related charges	21.6	8.8	(12.3)	—	18.1
Total operating expense	333.8	238.4	154.2	(0.5)	725.9
Operating income	2.6	152.0	108.4	(10.4)	252.6
Interest expense	171.4	7.2	7.2	—	185.8
Other non-operating (income) expense, net	(155.4)	(65.0)	—	224.4	4.0
Income from continuing operations before income taxes	(13.4)	209.8	101.2	(234.8)	62.8
Income tax (benefit) expense	(80.2)	66.2	20.5	(0.9)	5.6
Net income from continuing operations	66.8	143.6	80.7	(233.9)	57.2
Income from discontinued operations, net of tax	98.6	80.4	86.4	(166.8)	98.6
Net income	165.4	224.0	167.1	(400.7)	155.8
Net income attributable to non-controlling interest	—	—	0.4	—	0.4

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Net income attributable to controlling interest	\$ 165.4	\$ 224.0	\$ 166.7	\$ (400.7)	\$ 155.4
---	----------	----------	----------	------------	----------

Statement of Comprehensive Income

Year ended September 30, 2017 (in millions)	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Net income	\$ 307.5	\$ 364.5	\$ 195.8	\$ (566.6)	\$ 301.2
Other comprehensive income (loss), net of tax:					
Foreign currency translation loss	29.1	32.0	34.3	(66.3)	29.1
Unrealized loss on derivative instruments	(29.1)	(15.1)	(15.1)	30.2	(29.1)
Defined benefit pension gain	19.6	14.6	14.7	(29.3)	19.6
Other comprehensive income	19.6	31.5	33.9	(65.4)	19.6
Comprehensive income	327.1	396.0	229.7	(632.0)	320.8
Comprehensive loss attributable to non-controlling interest	—	—	(0.2)	—	(0.2)
Comprehensive income attributable to controlling interest	\$ 327.1	\$ 396.0	\$ 229.9	\$ (632.0)	\$ 321.0

Statement of Comprehensive Income

Year ended September 30, 2016 (in millions)	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Net income	\$ 350.1	\$ 433.9	\$ 198.0	\$ (629.7)	\$ 352.3
Other comprehensive income (loss), net of tax:					
Foreign currency translation loss	(8.5)	(8.3)	(6.1)	14.4	(8.5)
Unrealized gain on derivative instruments	7.0	3.2	3.2	(6.3)	7.1
Defined benefit pension loss	(28.2)	(25.4)	(25.4)	50.8	(28.2)
Other comprehensive loss	(29.7)	(30.5)	(28.3)	58.9	(29.6)
Comprehensive income	320.4	403.4	169.7	(570.8)	322.7
Comprehensive loss attributable to non-controlling interest	—	—	(0.3)	—	(0.3)
Comprehensive income attributable to controlling interest	\$ 320.4	\$ 403.4	\$ 170.0	\$ (570.8)	\$ 323.0

Statement of Comprehensive Income

Year ended September 30, 2015 (in millions)	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Net income	\$ 165.4	\$ 224.0	\$ 167.1	\$ (400.7)	\$ 155.8
Other comprehensive income (loss), net of tax:					
Foreign currency translation loss	(112.9)	(113.9)	(113.9)	227.7	(113.0)
Unrealized loss on derivative instruments	(13.2)	(7.9)	(7.9)	15.8	(13.2)
Defined benefit pension loss	(11.0)	(2.2)	(2.2)	4.4	(11.0)
Other comprehensive (loss) income	(137.1)	(124.0)	(124.0)	247.9	(137.2)
Comprehensive income	28.3	100.0	43.1	(152.8)	18.6
Comprehensive loss attributable to non-controlling interest	—	—	(0.2)	—	(0.2)
Comprehensive income attributable to controlling interest	\$ 28.3	\$ 100.0	\$ 43.3	\$ (152.8)	\$ 18.8

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Statement of Cash Flows

Year ended September 30, 2017 (in millions)	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Net cash provided (used) by operating activities from continuing operations	\$ 625.0	\$ 164.5	\$ (153.4)	\$ (313.1)	\$ 323.0
Net cash provided by operating activities from discontinued operations	22.0	—	23.8	278.8	324.6
Net cash provided (used) by operating activities	647.0	164.5	(129.6)	(34.3)	647.6
Cash flows from investing activities					
Purchases of property, plant and equipment	(26.4)	(25.4)	(26.0)	—	(77.8)
Business acquisitions, net of cash acquired.	(304.7)	—	—	—	(304.7)
Proceeds from sales of property, plant and equipment	0.2	0.3	3.4	—	3.9
Other investing activity	—	(1.2)	(0.3)	—	(1.5)
Net cash used by investing activities from continuing operations	(330.9)	(26.3)	(22.9)	—	(380.1)
Net cash used by investing activities from discontinued operations	(21.0)	—	(15.5)	—	(36.5)
Net cash used by investing activities	(351.9)	(26.3)	(38.4)	—	(416.6)
Cash flows from financing activities					
Proceeds from issuance of debt	250.0	—	15.6	—	265.6
Payment of debt	(213.9)	—	(9.4)	—	(223.3)
Payment of debt issuance costs	(5.9)	—	—	—	(5.9)
Payment of cash dividends to parent	(350.8)	—	—	—	(350.8)
Purchase of non-controlling interest	(12.6)	—	—	—	(12.6)
Advances related to intercompany transactions	(54.3)	(135.9)	155.9	34.3	—
Net cash (used) provided by financing activities from continuing operations	(387.5)	(135.9)	162.1	34.3	(327.0)
Net cash used by financing activities from discontinued operations	(1.0)	—	(8.3)	—	(9.3)
Net cash (used) provided by financing activities	(388.5)	(135.9)	153.8	34.3	(336.3)
Effect of exchange rate changes on cash and cash equivalents due to Venezuela devaluation	—	—	(0.4)	—	(0.4)
Effect of exchange rate changes on cash and cash equivalents	—	—	3.1	—	3.1
Net decrease in cash and cash equivalents	(93.4)	2.3	(11.5)	—	(102.6)
Cash and cash equivalents, beginning of period	99.4	2.5	168.9	—	270.8
Cash and cash equivalents, end of period	\$ 6.0	\$ 4.8	\$ 157.4	\$ —	\$ 168.2

Statement of Cash Flows

Year ended September 30, 2016 (in millions)	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Net cash (used) provided by operating activities from continuing operations	\$ (392.4)	\$ 412.7	\$ (132.0)	\$ 560.0	\$ 448.3
Net cash provided by operating activities from discontinued operations	21.7	—	16.8	114.8	153.3
Net cash (used) provided by operating activities	(370.7)	412.7	(115.2)	674.8	601.6
Cash flows from investing activities					
Purchases of property, plant and equipment	(25.4)	(12.7)	(22.6)	—	(60.7)
Proceeds from sales of property, plant and equipment	0.1	—	0.8	—	0.9
Other investing activities	—	(3.2)	—	—	(3.2)
Net cash used by investing activities from continuing operations	(25.3)	(15.9)	(21.8)	—	(63.0)
Net cash used by investing activities from discontinued operations	(20.8)	—	(14.6)	—	(35.4)
Net cash used by investing activities	(46.1)	(15.9)	(36.4)	—	(98.4)
Cash flows from financing activities					
Proceeds from issuance of debt	491.5	—	6.9	—	498.4
Payment of debt	(862.8)	—	(1.6)	—	(864.4)
Payment of debt issuance costs	(9.3)	—	—	—	(9.3)
Payment of cash dividends to parent	(97.2)	—	—	—	(97.2)
Payment of contingent consideration	(3.2)	—	—	—	(3.2)
Advances related to intercompany transactions	985.1	(402.9)	92.6	(674.8)	—
Net cash provided (used) by financing activities from continuing operations	504.1	(402.9)	97.9	(674.8)	(475.7)
Net cash used by financing activities from discontinued operations	(0.9)	—	(2.3)	—	(3.2)
Net cash provided (used) by financing activities	503.2	(402.9)	95.6	(674.8)	(478.9)
Effect of exchange rate changes on cash and cash equivalents	—	—	(1.4)	—	(1.4)
Net decrease in cash and cash equivalents	86.4	(6.1)	(57.4)	—	22.9
Cash and cash equivalents, beginning of period	13.0	8.6	226.3	—	247.9
Cash and cash equivalents, end of period	\$ 99.4	\$ 2.5	\$ 168.9	\$ —	\$ 270.8

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

Statement of Cash Flows

Year ended September 30, 2015 (in millions)	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated
Net cash (used) provided by operating activities from continuing operations	\$ (126.2)	\$ (767.9)	\$ (1,489.8)	\$ 2,587.0	\$ 203.1
Net cash provided by operating activities from discontinued operations	18.7	0.1	32.0	187.9	238.7
Net cash (used) provided by operating activities	(107.5)	(767.8)	(1,457.8)	2,774.9	441.8
Cash flows from investing activities					
Purchases of property, plant and equipment	(24.1)	(16.4)	(14.6)	—	(55.1)
Business acquisitions, net of cash acquired	(1,026.0)	—	(165.1)	—	(1,191.1)
Proceeds from sales of property, plant and equipment	0.1	—	1.0	—	1.1
Net cash used by investing activities from continuing operations	(1,050.0)	(16.4)	(178.7)	—	(1,245.1)
Net cash used by investing activities from discontinued operations	(18.7)	(0.1)	(15.8)	—	(34.6)
Net cash used by investing activities	(1,068.7)	(16.5)	(194.5)	—	(1,279.7)
Cash flows from financing activities					
Proceeds from issuance of debt	3,281.4	—	38.6	—	3,320.0
Payment of debt	(2,521.2)	—	(275.5)	—	(2,796.7)
Payment of debt issuance costs	(38.1)	—	—	—	(38.1)
Payment of cash dividends to parent	(72.1)	—	—	—	(72.1)
Share based tax withholding payments, net of proceeds upon vesting	(2.6)	—	—	—	(2.6)
Capital contribution from parent	528.3	—	—	—	528.3
Advances related to intercompany transactions	8.7	781.7	1,984.5	(2,774.9)	—
Net cash provided (used) by financing activities from continuing operations	1,184.4	781.7	1,747.6	(2,774.9)	938.8
Net cash used by financing activities from discontinued operations	—	—	(16.2)	—	(16.2)
Net cash provided (used) by financing activities	1,184.4	781.7	1,731.4	(2,774.9)	922.6
Effect of exchange rate changes on cash and cash equivalents due to Venezuela devaluation	—	—	(2.5)	—	(2.5)
Effect of exchange rate changes on cash and cash equivalents	—	—	(27.2)	—	(27.2)
Net decrease in cash and cash equivalents	8.2	(2.6)	49.4	—	55.0
Cash and cash equivalents, beginning of period	4.8	11.2	176.9	—	192.9
Cash and cash equivalents, end of period	\$ 13.0	\$ 8.6	\$ 226.3	\$ —	\$ 247.9

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 23 – SUBSEQUENT EVENTS***Tax Reform Act***

On December 22, 2017, the Tax Cuts and Jobs Act (the "Tax Reform Act") was signed into law. The legislation significantly changes U.S. tax law by, among other things, lowering corporate income tax rates, implementing a dividends received deduction for dividends from foreign subsidiaries, and imposing a tax on deemed repatriated accumulated earnings of foreign subsidiaries. The Tax Reform Act reduces the U.S. corporate income tax rate from a maximum of 35% to a flat 21% rate, effective January 1, 2018. Since the Company files its U.S. tax returns on a September fiscal year basis, its US tax rate for Fiscal 2018 will be a blended rate of 24.53%.

Deferred tax assets and liabilities are measured using enacted tax rate expected to apply to taxable income in the years in which those temporary differences are expected to reverse. As a result of the reduction in the U.S. Corporate tax rate from 35% to 21% under the Tax Reform Act, the Company revalued its deferred tax liabilities subsequent to the year ended September 30, 2017 and recognized a provisional \$206.7 million tax benefit. The Company determined the impact of the U.S. federal corporate income tax rate change on the U.S. deferred tax assets and liabilities is provisional because certain of the timing differences reversing at the Company's Fiscal 2018 blended rate must be estimated until Fiscal 2018 reversing timing differences are known.

The Tax Reform Act provided for a one-time deemed mandatory repatriation of post-1986 undistributed foreign subsidiary earnings and profits ("E&P"). The Company had an estimated \$623.1 million of undistributed foreign E&P subject to the deemed mandatory repatriation and recognized a provisional \$78.8 million of income tax expense subsequent to the year ended September 30, 2017. The mandatory repatriation tax is payable over 8 years and recognized as a long-term liability. The provisional tax expense for the mandatory repatriation is based on currently available information and additional information needs to be prepared, obtained and analyzed in order to determine the final amount, including further analysis of certain foreign exchange gains or losses, earnings and profits, foreign tax credits, and estimated cash and cash equivalents as of the measurement dates in the Tax Reform Act. Tax effects for changes to these items will be recorded in a subsequent quarter, as discrete adjustments to our income tax provision, once complete.

It is currently unclear which of the Tax Reform Act provision will be adopted by the U.S. states. State conformity to the provisions of the Tax Reform Act could have a material impact on the valuation allowance recorded on U.S. state net operating losses.

The Tax Reform Act provides for additional limitations on the deduction of business interest expense, effective with the Company's Fiscal 2019 tax year. Unused interest deductions can be carried forward and may be used in future years to the extent the interest limitation is not exceeded in those periods. It is possible that a portion of the Company's future U.S. interest expense could be nondeductible and impact the Company's effective tax rate.

The Tax Reform Act also contains additional limits on deducting compensation, including performance-based compensation, in excess of \$1 million paid to certain executive officers for any fiscal year, effective with the Company's Fiscal 2019 tax year. The Company's future compensation payments will be subject to these limits, which could impact the Company's effective tax rate.

The Company continues to review the anticipated impacts of the global intangible low taxed income ("GILTI") and base erosion anti-abuse tax ("BEAT") on the Company, which are not effective until fiscal year 2019. The Company has not concluded on any impact associated with either GILTI or BEAT in the tax rate. The FASB allows an accounting policy election of either recognizing deferred taxes for temporary differences expected to reverse as GILTI in future years or treating such taxes as a current-period expense when incurred. Due to the complexity of calculating GILTI under the new law, we have not determined which method we will apply.

In response to the enactment of the Tax Reform Act, the SEC staff issued Staff Accounting Bulletin No. 118 ("SAB 118") to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Reform Act. SAB 118 allows registrants to record provisional amounts during a one year measurement period in a manner similar to accounting for business combinations. The Company has assess provisional tax impacts related to the deemed repatriated earnings and the revaluation of deferred tax assets and liabilities as previously discussed. We have not fully assessed the impact of the Tax Reform Act and SAB 118 and the ultimate impact may differ from these provisional amounts, possibly materially, due to, among other things, additional analysis, changes in interpretations and assumptions the Company has made, additional regulatory guidance that may be issued, and actions the Company may take as a result of the Tax Reform Act.

**SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

HRG Merger

On February 24, 2018, the Company entered into an Agreement and Plan of Merger (the “Merger Agreement”) with HRG Group, Inc., a Delaware corporation (“HRG”), HRG SPV Sub I, Inc., a Delaware corporation and direct wholly owned subsidiary of HRG (“Merger Sub 1”), and HRG SPV Sub II, LLC, a Delaware limited liability company and a direct wholly owned subsidiary of HRG (“Merger Sub 2”, and together with Merger Sub 1, “Merger Sub”).

The Merger Agreement provides that, subject to the terms and conditions thereof, Merger Sub 1 will merge with and into the Company (the “First Merger”, and if the Second Merger Opt-Out Condition has occurred, the “Merger”), with the Company continuing as the surviving corporation (the “Surviving Corporation”) and a wholly owned subsidiary of HRG. Following the effective time of the First Merger (the “Effective Time”) but only if HRG or the Company (or both) do not receive and provide to the other, on the closing date but prior to the Effective Time, a tax opinion to the effect that, assuming the Second Merger does not occur, the Merger will qualify as a “reorganization” within the meaning of Section 368(a) of the Internal Revenue Code (the “Second Merger Opt-Out Condition”), the Surviving Corporation will merge with and into Merger Sub 2 (the “Second Merger”, and if the Second Merger Opt-Out Condition has not occurred, together with the First Merger, the “Merger”), with Merger Sub 2 surviving as a wholly owned subsidiary of HRG.

Immediately prior to the Effective Time, the certificate of incorporation of HRG will be amended and restated (the “Amended HRG Charter”, a form of which is attached as an exhibit to the Merger Agreement, a copy of which is filed herewith as Exhibit 2.1), pursuant to which, among other things, at or as soon as practicable following the Effective Time, the corporate name of HRG will change to “Spectrum Brands Holdings, Inc.”, and each issued and outstanding share of common stock, par value \$0.01 per share, of HRG (“HRG Common Stock”) will, by means of a reverse stock split (the “Reverse Split”), be combined into a fraction of a share of HRG Common Stock equal to (i) the number of shares of common stock, par value \$0.01 per share, of the Company (“Company Common Stock”) held by HRG and its subsidiaries as of immediately prior to the Effective Time, adjusted for HRG’s net indebtedness as of closing, certain transaction expenses of HRG that are unpaid as of closing and a \$200,000,000 upward adjustment, divided by (ii) as of immediately prior to the Reverse Split, the number of outstanding shares of HRG Common Stock on a fully-diluted basis.

At the Effective Time, by virtue of the Merger each share of Company Common Stock issued and outstanding immediately prior to the Effective Time (other than shares held in the treasury of the Company or owned or held, directly or indirectly, by HRG or any wholly owned subsidiary of the Company or HRG, which shall be cancelled and no consideration will be paid with respect thereto) will be converted into the right to receive one share of newly issued HRG Common Stock (and the issuance of HRG Common Stock in the Merger, the “Share Issuance”). No HRG Common Stock will be issued in the Merger in violation of the Amended HRG Charter, including if as a result of such issuance a person would become a holder of more than 4.9% of Corporation Securities (as defined in the Amended HRG Charter). Any shares of HRG Common Stock that would be issuable to a Company stockholder but for the operation of the Merger Agreement and the provisions of Article XIII of the Amended HRG Charter shall instead be treated as Excess Securities (as defined in the Amended HRG Charter) and be delivered to one or more 501(c)(3) charitable organizations or escheated to the state of residence, incorporation or formation (as applicable) of the relevant Company stockholder.

At the Effective Time, pursuant to the Merger Agreement, each restricted stock award, restricted stock unit and performance stock unit granted under an equity plan of the Company, whether vested or unvested (collectively, the “Company Equity Awards”), that is outstanding immediately prior to the Effective Time, will be assumed by HRG and will be automatically converted, by virtue of the Merger, into a corresponding equity-based award in HRG (each a “New HRG Equity Award”) with the right to hold or acquire shares of HRG Common Stock equal to the number of shares of Company Common Stock previously underlying such Company Equity Award. Each New HRG Equity Award will be subject to the same terms and conditions as the corresponding Company Equity Award. At the effective time, pursuant to the Merger Agreement, HRG will assume all rights and obligations in respect of each equity-based plan of the Company.

Prior to the closing of the Merger, each stock option, warrant and restricted stock award granted under an equity-based plan of HRG that is outstanding and unvested immediately prior to the closing will become fully vested and each stock option and warrant (the “HRG Exercisable Awards”) will become exercisable. Each HRG Exercisable Award that is unexercised shall be adjusted (including to give effect to the Reverse Split) and shall remain outstanding, subject to the same terms and conditions as applied to the corresponding award as of immediately prior to the Effective Time. Immediately prior to the Reverse Split, pursuant to the Merger Agreement, each HRG restricted stock award shall become fully vested and be treated as a share of HRG Common Stock for purposes of the Reverse Split and the Merger.

The consummation of the Merger, the filing of the Amended HRG Charter and the Share Issuance are subject to the satisfaction or waiver of certain closing conditions, including, (i) the approval of Company stockholders (including the approval of the holders of a majority of the Company Common Stock not held by HRG, its affiliates and the executive officers of the Company, and the approval required under Section 12 of the Company’s certificate of incorporation in connection with a “Going-Private Transaction” (as defined therein)), (ii) the approval of HRG stockholders, (iii) the effectiveness of a registration statement on Form S-4 registering the HRG Common Stock to be issued in the Merger, (iv) the approval of the shares of HRG Common Stock to be issued in the Merger for listing on the NYSE, (v) the absence of any temporary restraining order, injunction or other judgment, order or decree issued by any governmental entity or other legal restraint or prohibition preventing the consummation of the Merger, (vi) the receipt of certain tax opinions by the Company and/or HRG that the Merger will qualify as a reorganization under the Internal Revenue Code, (vii) the accuracy of certain representations and warranties of the Company, Merger Sub and HRG contained in the Merger Agreement and the compliance by the parties with the covenants contained in the Merger Agreement, and (viii) other conditions specified in the Merger Agreement.

Fifth Amendment to Credit Agreement

On March 28, 2018, the Company entered into a fifth amendment to the Credit Agreement, expanding the overall capacity of the Revolver Facility to \$800 million.

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

NOTE 24 - QUARTERLY RESULTS (UNAUDITED)

SBH 2017 (in millions, except per share)	Quarter Ended			
	September 30, 2017	July 2, 2017	April 2, 2017	January 1, 2017
Net sales	\$ 787.8	\$ 862.9	\$ 756.5	\$ 602.3
Gross profit	310.0	320.2	306.8	239.1
Net income attributable to controlling interest from continuing operations	22.4	50.3	39.9	12.4
Net income attributable to controlling interest from discontinued operations	72.5	26.6	18.9	52.8
Net income attributable to controlling interest	\$ 94.9	\$ 76.9	\$ 58.8	\$ 65.2
Basic earnings per share from continuing operations	\$ 0.39	\$ 0.86	\$ 0.68	\$ 0.21
Basic earnings per share from discontinued operations	1.25	0.45	0.32	0.89
Basic earnings per share	\$ 1.64	\$ 1.31	\$ 1.00	\$ 1.10
Diluted earnings per share from continuing operations	\$ 0.38	\$ 0.86	\$ 0.68	\$ 0.21
Diluted earnings per share from discontinued operations	1.25	0.45	0.32	0.89
Diluted earnings per share	\$ 1.63	\$ 1.31	\$ 1.00	\$ 1.10

SBH 2016 (in millions, except per share)	Quarter Ended			
	September 30, 2016	July 3, 2016	April 3, 2016	January 3, 2016
Net sales	\$ 729.8	\$ 907.5	\$ 784.7	\$ 607.5
Gross profit	305.2	376.1	320.5	235.9
Net income attributable to controlling interest from continuing operations	70.5	116.0	79.2	14.3
Net income (loss) attributable to controlling interest from discontinued operations	18.5	(14.1)	13.4	59.3
Net income attributable to controlling interest	\$ 89.0	\$ 101.9	\$ 92.6	\$ 73.6
Basic earnings per share from continuing operations	\$ 1.19	\$ 1.96	\$ 1.33	\$ 0.24
Basic earnings (loss) per share from discontinued operations	0.31	(0.24)	0.22	1.00
Basic earnings per share	\$ 1.50	\$ 1.72	\$ 1.56	\$ 1.24
Diluted earnings per share from continuing operations	\$ 1.18	\$ 1.95	\$ 1.33	\$ 0.24
Diluted earnings (loss) per share from discontinued operations	0.31	(0.24)	0.22	1.00
Diluted earnings per share	\$ 1.49	\$ 1.71	\$ 1.55	\$ 1.24

SB/RH 2017 (in millions)	Quarter Ended			
	September 30, 2017	July 2, 2017	April 2, 2017	January 1, 2017
Net sales	\$ 787.8	\$ 862.9	\$ 756.5	\$ 602.3
Gross profit	310.0	320.2	306.8	239.1
Net income attributable to controlling interest from continuing operations	23.7	51.1	42.1	12.2
Net income attributable to controlling interest from discontinued operations	72.5	26.6	18.9	52.8
Net income attributable to controlling interest	\$ 96.2	\$ 77.7	\$ 61.0	\$ 65.0

SB/RH 2016 (in millions)	Quarter Ended			
	September 30, 2016	July 3, 2016	April 3, 2016	January 3, 2016
Net sales	\$ 729.8	\$ 907.5	\$ 784.7	\$ 607.5
Gross profit	305.2	376.1	320.5	235.9
Net income attributable to controlling interest from continuing operations	70.4	119.2	69.1	16.1
Net income (loss) attributable to controlling interest from discontinued operations	18.5	(14.1)	13.4	59.3
Net income attributable to controlling interest	\$ 88.9	\$ 105.1	\$ 82.5	\$ 75.4

Spectrum Brands Holdings, Inc.
Fiscal Year Ended September 30, 2017

(in millions, except per share amounts)	Quarter Ended			
	September 30, 2017	July 2, 2017	April 2, 2017	January 1, 2017
Net sales	\$ 787.8	\$ 862.9	\$ 756.5	\$ 602.3
Cost of goods sold	476.2	531.5	445.6	362.1
Restructuring and related charges	1.6	11.2	4.1	1.1
Gross profit	310.0	320.2	306.8	239.1
Selling	120.0	127.9	119.3	106.6
General and administrative	85.0	59.0	68.4	60.2
Research and development	6.3	7.2	7.0	6.6
Acquisition and integration related charges	4.0	5.2	3.2	3.3
Restructuring and related charges	27.4	10.0	3.8	1.1
Write-off from impairment of intangible assets	16.3	—	—	—
Total operating expenses	259.0	209.3	201.7	177.8
Operating income	51.0	110.9	105.1	61.3
Interest expense	39.3	39.8	38.8	43.1
Other non-operating expense, net	2.6	1.4	2.0	(1.0)
Income from continuing operations before income taxes	9.1	69.7	64.3	19.2
Income tax (benefit) expense	(13.3)	19.4	24.4	6.7
Net income from continuing operations	22.4	50.3	39.9	12.5
Income from discontinued operations, net of tax	72.3	28.3	18.7	52.7
Net income	94.7	78.6	58.6	65.2
Net (loss) income attributable to non-controlling interest	(0.2)	1.7	(0.2)	—
Net income attributable to controlling interest	\$ 94.9	\$ 76.9	\$ 58.8	\$ 65.2
Amounts attributable to controlling interest				
Net income from continuing operations attributable to controlling interest	\$ 22.4	\$ 50.3	\$ 39.9	\$ 12.4
Net Income from discontinued operations attributable to controlling interest	72.5	26.6	18.9	52.8
Net Income attributable to controlling interest	\$ 94.9	\$ 76.9	\$ 58.8	\$ 65.2
Earnings Per Share				
Basic earnings per share from continuing operations	\$ 0.39	\$ 0.86	\$ 0.68	\$ 0.21
Basic earnings per share from discontinued operations	1.25	0.45	0.32	0.89
Basic earnings per share	\$ 1.64	\$ 1.31	\$ 1.00	\$ 1.10
Diluted earnings per share from continuing operations	\$ 0.38	\$ 0.86	\$ 0.68	\$ 0.21
Diluted earnings per share from discontinued operations	1.25	0.45	0.32	0.89
Diluted earnings per share	\$ 1.63	\$ 1.31	\$ 1.00	\$ 1.10
Dividends per share	\$ 0.42	\$ 0.42	\$ 0.42	\$ 0.38
Weighted Average Shares Outstanding				
Basic	57.8	58.7	58.8	59.3
Diluted	58.1	58.9	59.0	59.5

Spectrum Brands Holdings, Inc.
Fiscal Year Ended September 30, 2016

Quarter Ended

(in millions, except per share amounts)	Quarter Ended			
	September 30, 2016	July 3, 2016	April 3, 2016	January 3, 2016
Net sales	\$ 729.8	\$ 907.5	\$ 784.7	\$ 607.5
Cost of goods sold	424.6	531.4	464.0	371.6
Restructuring and related charges	—	—	0.2	—
Gross profit	305.2	376.1	320.5	235.9
Selling	119.5	130.8	120.8	106.4
General and administrative	68.1	65.5	70.3	61.0
Research and development	7.6	7.0	6.5	5.9
Acquisition and integration related charges	4.4	7.5	12.6	9.6
Restructuring and related charges	7.0	4.7	1.1	0.9
Write-off from impairment of intangible assets	2.7	—	—	—
Total operating expenses	209.3	215.5	211.3	183.8
Operating income	95.9	160.6	109.2	52.1
Interest expense	59.4	40.4	40.9	41.3
Other non-operating expense, net	1.3	1.0	1.0	1.4
Income from continuing operations before income taxes	35.2	119.2	67.3	9.4
Income tax (benefit) expense	(35.6)	2.8	(12.1)	(5.1)
Net income from continuing operations	70.8	116.4	79.4	14.5
Income (loss) from discontinued operations, net of tax	18.3	(14.3)	13.3	59.2
Net income	89.1	102.1	92.7	73.7
Net income attributable to non-controlling interest	0.1	0.2	0.1	0.1
Net income attributable to controlling interest	\$ 89.0	\$ 101.9	\$ 92.6	\$ 73.6
Amounts attributable to controlling interest				
Net income from continuing operations attributable to controlling interest	\$ 70.5	\$ 116.0	\$ 79.2	\$ 14.3
Net Income (loss) from discontinued operations attributable to controlling interest	18.5	(14.1)	13.4	59.3
Net Income attributable to controlling interest	\$ 89.0	\$ 101.9	\$ 92.6	\$ 73.6
Earnings (Loss) Per Share				
Basic earnings per share from continuing operations	\$ 1.19	\$ 1.96	\$ 1.33	\$ 0.24
Basic earnings (loss) per share from discontinued operations	0.31	(0.24)	0.23	1.00
Basic earnings per share	\$ 1.50	\$ 1.72	\$ 1.56	\$ 1.24
Diluted earnings per share from continuing operations	\$ 1.18	\$ 1.95	\$ 1.33	\$ 0.24
Diluted earnings (loss) per share from discontinued operations	0.31	(0.24)	0.22	1.00
Diluted earnings per share	\$ 1.49	\$ 1.71	\$ 1.55	\$ 1.24
Dividends per share	\$ 0.38	\$ 0.38	\$ 0.38	\$ 0.33
Weighted Average Shares Outstanding				
Basic	59.4	59.4	59.4	59.2
Diluted	59.8	59.6	59.5	59.4

SB/RH Holdings, LLC
Fiscal Year Ended September 30, 2017

(in millions)	Quarter Ended			
	September 30, 2017	July 2, 2017	April 2, 2017	January 1, 2017
Net sales	\$ 787.8	\$ 862.9	\$ 756.5	\$ 602.3
Cost of goods sold	476.2	531.5	445.6	362.1
Restructuring and related charges	1.6	11.2	4.1	1.1
Gross profit	310.0	320.2	306.8	239.1
Selling	120.0	127.9	119.3	106.6
General and administrative	82.5	57.9	64.9	59.1
Research and development	6.3	7.2	7.0	6.6
Acquisition and integration related charges	4.0	5.2	3.2	3.3
Restructuring and related charges	27.4	10.0	3.8	1.1
Write-off from impairment of intangible assets	16.3	—	—	—
Total operating expenses	256.5	208.2	198.2	176.7
Operating income	53.5	112.0	108.6	62.4
Interest expense	39.3	39.8	38.9	43.3
Other non-operating expense, net	2.6	1.4	2.0	(1.0)
Income from continuing operations before income taxes	11.6	70.8	67.7	20.1
Income tax (benefit) expense	(12.1)	19.7	25.6	7.9
Net income from continuing operations	23.7	51.1	42.1	12.2
Income from discontinued operations, net of tax	72.3	28.3	18.7	52.7
Net income	96.0	79.4	60.8	64.9
Net (loss) income attributable to non-controlling interest	(0.2)	1.7	(0.2)	(0.1)
Net income attributable to controlling interest	\$ 96.2	\$ 77.7	\$ 61.0	\$ 65.0
Amounts attributable to controlling interest				
Net income from continuing operations attributable to controlling interest	\$ 23.7	\$ 51.1	\$ 42.1	\$ 12.2
Net income from discontinued operations attributable to controlling interest	72.5	26.6	18.9	52.8
Net income attributable to controlling interest	\$ 96.2	\$ 77.7	\$ 61.0	\$ 65.0

SB/RH Holdings, LLC
Fiscal Year Ended September 30, 2016

(in millions)	Quarter Ended			
	September 30, 2016	July 3, 2016	April 3, 2016	January 3, 2016
Net sales	\$ 729.8	\$ 907.5	\$ 784.7	\$ 607.5
Cost of goods sold	424.6	531.4	464.0	371.6
Restructuring and related charges	—	—	0.2	—
Gross profit	305.2	376.1	320.5	235.9
Selling	119.5	130.8	120.8	106.3
General and administrative	66.9	64.1	69.0	59.3
Research and development	7.6	7.0	6.5	5.9
Acquisition and integration related charges	4.4	7.5	12.6	9.6
Restructuring and related charges	7.0	4.7	1.1	0.9
Write-off from impairment of intangible assets	2.7	—	—	—
Total operating expenses	208.1	214.1	210.0	182.0
Operating income	97.1	162.0	110.5	53.9
Interest expense	59.4	40.4	40.8	41.3
Other non-operating expense, net	1.3	1.0	1.0	1.4
Income from continuing operations before income taxes	36.4	120.6	68.7	11.2
Income tax (benefit) expense	(34.3)	1.1	(0.6)	(5.1)
Net income from continuing operations	70.7	119.5	69.3	16.3
Income (loss) from discontinued operations, net of tax	18.3	(14.3)	13.3	59.2
Net income	89.0	105.2	82.6	75.5
Net income attributable to non-controlling interest	0.1	0.1	0.1	0.1
Net income attributable to controlling interest	\$ 88.9	\$ 105.1	\$ 82.5	\$ 75.4
Amounts attributable to controlling interest				
Net income from continuing operations attributable to controlling interest	\$ 70.4	\$ 119.2	\$ 69.1	\$ 16.1
Net Income (loss) from discontinued operations attributable to controlling interest	18.5	(14.1)	13.4	59.3
Net Income attributable to controlling interest	\$ 88.9	\$ 105.1	\$ 82.5	\$ 75.4