# Spectrum Brands

Remington | Russell Hobbs | united INDUSTRIES | VARTA | UNITED PET GROUP, INC | Hardware & Home Improvement | RAYOVAC

## Fiscal 2013 Second Quarter Earnings Call

April 30, 2013

# Agenda

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|---|---|
| ▪ **Introduction** | Dave Prichard<br>Vice President, Investor Relations |
| ▪ **FY13 Q2 Review and Full Year Outlook** | Dave Lumley<br>Chief Executive Officer |
| ▪ **Financial Highlights** | Tony Genito<br>Chief Financial Officer |
| ▪ **Q & A** | Dave Lumley<br>Tony Genito |

# Forward-Looking Statements

Certain matters discussed in this presentation, with the exception of historical matters, may be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements, other than statements of historical facts, 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. These statements are subject to a number of risks and uncertainties that could cause results to differ materially from those anticipated as of the date of this presentation. Important factors that could cause our actual results to differ materially from those expressed or implied herein include, without limitation: our ability to manage and otherwise comply with our covenants with respect to our significant outstanding indebtedness or maintain our credit ratings; changes and developments in external competitive market factors, such as introduction of new product features or technological developments; development of new competitors or competitive brands or competitive promotional activity or spending or industry consolidation; the cost and effect of unanticipated legal, tax or regulatory proceedings or new accounting policies, laws or regulations (including environmental, public health and consumer protection regulations); seasonality of our products and changes in consumer demand for the various types of products we offer resulting in the loss of, or a significant reduction in, sales to significant retail customers; our ability to develop and successfully introduce new products, protect our intellectual property and avoid infringing the intellectual property of third parties; public perception regarding the safety of our products, including the potential for environmental liabilities, product liability claims, litigation and other claims; unfavorable developments in the global credit markets; the impact of overall economic conditions, terrorist attacks, acts of war or other unrest in international markets on consumer spending; fluctuations in commodities prices, supply shortages, the costs or availability of raw materials or terms and conditions available from suppliers; changes in the general economic conditions in countries and regions where we do business, such as stock market prices, interest rates, currency exchange rates, inflation and consumer spending; our ability to successfully implement manufacturing, distribution and other cost efficiencies and to continue to benefit from our cost-cutting initiatives; the impact of expenses resulting from the implementation of new business strategies, divestitures or restructuring activities; our ability to integrate, and to realize synergies from, the combined businesses of Spectrum Brands, Inc. and Russell Hobbs, Inc.; our ability to identify, develop and retain key employees; unfavorable weather conditions or climate change and various other risks and uncertainties, including those discussed herein and those set forth in our filings with the Securities and Exchange Commission (“SEC”).

We also caution the reader that undue reliance should not be placed on any forward-looking statements, which speak only as of the date of this presentation. We undertake no duty or responsibility to update any of these forward-looking statements to reflect events or circumstances after the date of this presentation or to reflect actual outcomes. Additional factors that may affect future results and conditions are described in our filings with the SEC, which are available at the SEC’s web site at www.sec.gov or at Spectrum Brands’ website at www.spectrumbrands.com. The information contained in this presentation is summary information that is intended to be considered in the context of our SEC filings, and other public announcements that we may make, by press release or otherwise, from time to time. In addition, information related to past performance, while helpful as an evaluative tool, is not necessarily indicative of future results, the achievement of which cannot be assured. You should not view our past performance, or information about the market, as indicative of our future results. Further, performance information respecting investment returns on portfolio transactions is not directly equivalent to returns on an investment in our common stock.

# Reconciliation of Non-GAAP Financial Measurements

Management believes that certain non-GAAP financial measures may be useful in certain instances to provide additional meaningful comparisons between current results and results in prior operating periods. Excluding the impact of current exchange rate fluctuations may provide additional meaningful reflection of underlying business trends. In addition, within this presentation, including the tables that follow, reference is made to adjusted earnings before interest, taxes, depreciation and amortization (EBITDA), free cash flow and adjusted gross profit.

Adjusted EBITDA is a metric used by management and frequently used by the financial community which provides insight into an organization's operating trends and facilitates comparisons between peer companies, because interest, taxes, depreciation and amortization can differ greatly between organizations as a result of differing capital structures and tax strategies. Adjusted EBITDA can also be a useful measure of a company's ability to service debt and is one of the measures used for determining the Company's debt covenant compliance. Adjusted EBITDA excludes certain items that are unusual in nature or not comparable from period to period.

In addition, the Spectrum Brands' management uses adjusted gross profit as one means of analyzing the Spectrum Brands' current and future financial performance and identifying trends in its financial condition and results of operations. Management believes that adjusted gross profit is a useful measure for providing further insight into Spectrum Brands' operating performance because it eliminates the effects of certain items that are not comparable from one period to the next.

Also, management believes that free cash flow is useful to both management and investors in their analysis of Spectrum Brands' ability to service and repay its debt and meet its working capital requirements. Free cash flow should not be considered in isolation or as a substitute for pretax income (loss), net income (loss), cash provided by (used in) operating activities or other statement of operations or cash flow statement data prepared in accordance with GAAP or as a measure of profitability or liquidity. In addition, the calculation of free cash flow does not reflect cash used to service debt and therefore, does not reflect funds available for investment or discretionary uses.

Spectrum Brands provides this information to investors to assist in comparisons of past, present and future operating results and to assist in highlighting the results of on-going operations. While Spectrum Brands' management believes that non-GAAP measurements are useful supplemental information, such adjusted results are not intended to replace the Spectrum Brands' GAAP financial results and should be read in conjunction with those GAAP results.

Spectrum Brands

# Dave Lumley
## Chief Executive Officer

## FY13 Q2 Review and Full Year Outlook

# Spectrum Brands FY13 Q2 Review and Full Year Outlook

- Good Q2 results for legacy business in seasonally smallest quarter of the year
  - HHI delivers improved performance in first full quarter with Spectrum Brands
- Markets remain challenged by difficult macro-economic environment
  - Sluggish retail activity
  - Tighter retailer inventory management
  - Stunned consumer juggling higher taxes, stagnant wages and higher everyday expenses
- Spectrum Value Model and product profile serve us well, delivering consistent value
- Company remains on track to deliver another year of record results from the legacy business in FY13, with significant, additional growth from HHI


Spectrum Brands

# FY13 Q2 Review and Full Year Outlook

- Q2 net sales up 1%, including HHI in both periods
  - HHI and Global Pet posted higher revenues
  - Legacy business sales impacted by planned exit from low-margin small appliances promotional business of about $10 million and expected Home and Garden shortfall from difficult comparison with last year's very early spring
- Q2 net loss driven by inventory revaluation related to HHI and one-time acquisition and integration and restructuring costs
- Lower Q2 adjusted diluted EPS of $0.44 due to an increase in non-cash stock compensation expense from employee stock-based award programs
- Q2 adjusted EBITDA up 4**%**, including HHI in both periods
  - Q2 legacy business adjusted EBITDA was 10th consecutive quarter of year-over-year growth
  - Excluding negative FX, Q2 legacy business adjusted EBITDA grew 6%
  - Q2 adjusted EBITDA as percentage of sales improved versus last year, both including HHI and for legacy business alone

# FY13 Full Year Outlook

- Legacy business expected to have measured growth and achieve 4th consecutive record year in FY13, with improvements weighted to second half
  - Net sales should increase at or above rate of GDP
  - Improved adjusted EPS and adjusted EBITDA expected
  - Free cash flow expected to be at least $200 million, or approximately $4 per share
- HHI acquisition provides for updated FY13 outlook
  - Enhanced adjusted EPS and adjusted EBITDA increases from HHI
  - Combined free cash flow now expected to approximate $240 million, or nearly $5 per share, net of HHI acquisition costs
- Deleveraging and strengthening the balance sheet is top priority for use of cash
  - Reiterate plans to reduce total leverage by at least one-half turn per year
  - Major debt reduction of at least $200 million to occur in the last two fiscal quarters, consistent with peak cash flow period
- Long-term objective is to maintain a total leverage ratio in the range of 2.5x-3.5x
- <u>We will continue to manage Spectrum Brands to maximize sustainable free cash flow</u>
  - FY 2012 free cash flow of $208 million was about $4 per share
  - FY 2013 free cash flow, including HHI, to be about $240 million, or nearly $5 per share
  - Opportunity to drive free cash per share on annualized, run-rate basis to perhaps $7 or more in about 18 months from now at end of fiscal 2014

# Global Pet Supplies (United Pet Group)

- FY13 expected to be another record year
- Q2 net sales up 2.6%, or 3.3% on constant currency basis
  - Higher sales of companion animal products in U.S. and Europe, especially Dingo® dog treats
  - North American aquatics improvement continues
- Q2 adjusted EBITDA increased 5%, following 5% growth in Q1
- Full slate of new products to be launched in second half of year in North America, Europe and Japan
- Solid results expected in second half of FY13
  - Sales increases in both companion animal and aquatics
  - Select pricing actions
  - Shelf space increases
  - New products
  - New retail customers
  - Record continuous improvement savings to offset cost increases

# Remington (Personal Care)

- Q2 net sales fell 1% due to a one-time North American shaving and grooming shelf space cutback at a major retailer that continued from the first quarter and impacted the personal care category
  - Net sales would have otherwise increased

- Solid Q2 growth in Europe from gains in shaving and grooming categories and higher Latin American sales from an increase in hair care nearly offset the North American shaving and grooming issue

- Second half outlook encouraging
  - Important new women's and men's distribution is shipping to key North American retailers
  - Growth expected to continue in Europe
  - Unique, FDA-approved i-LIGHT™ hair removal product continues to gain traction in U.S. and Europe as foundation for larger, global consumables business in skin condition/treatment products in next few years
  - i-LIGHT™ just received regulatory clearance in large, promising market of Brazil with approvals pending in other key Latin American countries

- Remington is foundation for increased investment in global e-commerce and consumables, which are new vehicles for growth across the Company

# Small Appliances (Russell Hobbs)

- Q2 net sales drop of 3% due to planned, continued exit of low-margin North American promotions totaling nearly $10 million
  - Strategy begun in FY12 is working well, and boosting margins
  - Q2 North America small appliances gross margin percentage up over 450 basis points with higher EBITDA, similar to Q1 pattern
  - Impact especially significant as North America is the largest geographic segment of the business


- Double-digit Q2 net sales growth in Europe, driven by continuing regional expansion across Western/Eastern Europe

- Global platform products are entering the market successfully, with category management taking hold and working well

- Cost improvement is a success story this year
  - FY13 cost savings are tracking twice the rate of FY12
  - Moderating, but continuing, Asian supplier cost increases expected to be offset from higher cost savings, new products, select pricing, distribution gains and strong expense control

# Home and Garden (United Industries)

- Strong Q2 results, including 23% adjusted EBITDA margin, against record results last year from extremely early spring season and warmest month of March in over 100 years

- Q2 results also overcame coldest March since 1996 and represented strong improvement from more comparable FY11 Q2 results in more normal weather period, demonstrating the magnitude of the growth of the business

- Excellent continuous improvement programs and operating expense management enabled first half adjusted EBITDA to be essentially flat with last year, despite difficult Q2 comparison

- Cold, wet April weather has delayed full start to spring season, but next 6-8 weeks will define the season
  - Home and Garden well-positioned in all categories – controls, household and repellents – from distribution gains, strong promotions and marketing, and new products, including the “new” Black Flag® line
  - Business does not participate in fertilizer, seed and mulch “big bag” category
  - Focused chemicals-based product supplier for inside and outside the home

- Home and Garden intent on delivering another year of improved results in FY13


Spectrum Brands

# Global Batteries

- Global batteries aims for higher FY13 after record FY12
  - Viewed as growth business primarily through higher volumes from market share and distribution gains
  - Strong EBITDA producing, cash flow generator with steady performance
- European VARTA ® growth continued in Q2 from new customer listings, increased distribution/promotions, and geographic expansion
- Latin American business impacted in Q2 by retailer shipment timing in Brazil, but set for second half volume growth
- Rayovac® North American market share increased in Q2 in a competitive, challenged industry
  - Key retailers further tightened inventory levels and trimmed reorders
  - Competitor activities focused on significant discounting
  - Cautious consumers restrained post-holiday spending and were more price sensitive, given higher taxes, stagnant wages and higher expenses
  - Rayovac® is the only branded battery to consistently deliver positive alkaline dollar share gains in each period over the last 12 months
- Global battery long-term strategy is working
  - “Same or better performance/less price” value proposition
  - Retailers embracing Rayovac® and VARTA® batteries and lights
  - Exciting new battery products coming soon
  - Goal remains to help retailer grow the category, increase market share and provide the best value to consumers


# Hardware & Home Improvement (HHI)

- HHI reported Q2 net sales and adjusted EBITDA growth of 11% each versus prior year on a pro forma basis
  - Sales grew primarily from strength in U.S. residential security and plumbing

- HHI is performing as expected
  - Early nudge from slightly better U.S. housing market
  - Initial successes in a few targeted growth areas, such as SmartKey, emerging home automation market, home improvement channels and international

- Integration is progressing smoothly – and ahead of schedule
  - Confident of achieving projected $10 million of synergies in first full two years – and maybe a bit more

- Acquisition of Tong Lung residential lockset business in Far East closed on April 8th
  - Focus is on quickly integrating these strategic assets
  - Tong Lung assets will accelerate HHI's global growth initiatives

SMARTKEY
RE-KEY TECHNOLOGY

Spectrum Brands

# Tony Genito
# Chief Financial Officer

# Financial Highlights

# Financial Highlights

- Q2 gross margin of 32.7%, including HHI, versus 34.8% for legacy business in FY12
  - Margin decrease driven by increased COGS of $26 million from sale of inventory that was revalued in connection with HHI acquisition
  - Inventory revaluation offset gross profit improvement of more than 450 basis points from low-margin product sales exit in North American small appliances of nearly $10 million
  - Q2 gross margin, as adjusted, was 35.7% for legacy business only versus 35.1% last year

- Q2 SG&A expenses, excluding HHI, were essentially flat versus last year

- Q2 interest expense fell from prior year due to non-recurring costs from replacement of our 12% Notes last year of $27 million, and savings primarily from refinancing our 12% Notes, offset by higher interest expense of $21 million from debt financing for HHI acquisition

- Q2 effective tax rate was 249% vs.142% a year ago
  - Fixed amount of tax expense on indefinite lived intangibles means the closer to zero our income is, the greater the impact on our effective tax rate

- Restructuring, acquisition and integration charges increased to $20 million in Q2 vs. $12 million last year, primarily driven by the HHI acquisition

- Q2 cash interest was $18 million vs. $28 million last year
  - Excludes unusual 2012 cash items related to refinancing of 12% Notes totaling $25 million
  - Difference due to timing and lower interest from 12% Notes refinancing

- FY13 cash interest, excluding one-time HHI financing items of $23 million, expected to be approximately $185-$190 million

# Financial Highlights

- Q2 cash taxes of $6 million decreased versus $10 million last year due to timing
- Level of NOLs to be utilized means no U.S. federal tax payments for 5 to 10 years
- Normal annual run rate of cash taxes, including HHI for a full year, is expected to be $60 to $70 million
- FY13 cash taxes estimated at $65-$75 million, including HHI for 3 quarters, primarily due to timing of payments between FY12 and FY13 in Germany
- Solid liquidity position at end of Q2 with $77 million drawn on $400 million ABL facility, cash balance of $77 million and total debt at par of $3,263 million
- FY13 free cash flow estimated at approximately $240 million, or nearly $5 per share, net of HHI acquisition costs
- Normal annual Cap-x level is $65-$70 million, including HHI for a full year
- FY13 Cap-x estimated at slightly higher level of $70-$80 million, including HHI
  - Over 2/3 is investments in new production capacity, lockset production infrastructure for Tong Lung integration, technology infrastructure, new product development, and cost reduction
  - FY13 investments will accelerate R&D, new product enhancements and new product introductions in FY14 and beyond

# Spectrum Brands

REMINGTON | Russell Hobbs — At the heart of your home | UNITED PET GROUP, INC

united INDUSTRIES | Hardware & Home Improvement | VARTA | RAYOVAC

Cutter | Hot Shot | Spectracide | ULTRA PRO | REPEL | Tetra | Kwikset | Garden Safe | DINGO

WEISER SECURITY & INNOVATION | iLIGHT PRO professional hair removal results at home | MARINELAND | Instant Ocean | STANLEY | FURminator PROFESSIONAL PET PRODUCTS | PRO·SENSE

NATURE'S MIRACLE | BALDWIN | 8in1 | WET 2 STRAIGHT | Pfister | EZSET | LITTER MAID

smooth & silky | BLACK FLAG | Sportsman | Real-Kill | BIRDOLA Wildlife feeding specialists | Jungle | Perfect Coat | TAT INSECTICIDES | PRO LINE ADVANCED

Balanced-By-Nature ECOTRITION | National Hardware | PETNATION | GEO by BLACK & DECKER | Wild Harvest | Breadman | UltraStop | FORTIS PURO DESIGN ITALIANO

Toastmaster | BLACK & DECKER | FARBERWARE | FANAL | Juiceman | Excel | GEORGE FOREMAN

# Appendix

**Table 1**
**SPECTRUM BRANDS HOLDINGS, INC.**
**Condensed Consolidated Statements of Operations**
For the three and six months ended March 31, 2013 and April 1, 2012
(Unaudited)
($ in millions, except per share amounts)

| | THREE MONTHS | | | SIX MONTHS | | |
|---|---|---|---|---|---|---|
| | F2013 | F2012 | INC(DEC) % | F2013 | F2012 | INC(DEC) % |
| Net sales | $ 987.8 | $ 746.3 | 32.4% | $ 1,858.0 | $ 1,595.1 | 16.5% |
| Cost of goods sold | 662.3 | 484.6 | | 1,243.3 | 1,044.7 | |
| Restructuring and related charges | 2.6 | 1.7 | | 3.7 | 6.3 | |
| Gross profit | 322.9 | 260.0 | 24.2% | 611.0 | 544.1 | 12.3% |
| Selling | 171.0 | 129.9 | | 299.8 | 261.7 | |
| General and administrative | 70.4 | 56.5 | | 127.2 | 107.2 | |
| Research and development | 11.9 | 8.0 | | 20.0 | 15.2 | |
| Acquisition and integration related charges | 12.0 | 7.8 | | 32.8 | 15.4 | |
| Restructuring and related charges | 5.3 | 2.6 | | 10.8 | 5.7 | |
| Total operating expenses | 270.6 | 204.8 | | 490.6 | 405.2 | |
| Operating income | 52.3 | 55.2 | | 120.4 | 138.9 | |
| Interest expense | 60.4 | 69.3 | | 130.2 | 110.4 | |
| Other expense (income), net | 3.7 | (2.2) | | 5.3 | - | |
| (Loss) income from continuing operations before income tax expense | (11.8) | (11.9) | | (15.1) | 28.5 | |
| Income tax expense | 29.1 | 16.8 | | 39.8 | 44.1 | |
| Net loss | (40.9) | (28.7) | | (54.9) | (15.6) | |
| Less: Net income (loss) attributable to noncontrolling interest | 0.3 | - | | (0.2) | - | |
| Net loss attributable to controlling interest | $ (41.2) | $ (28.7) | | $ (54.7) | $ (15.6) | |
| **Average shares outstanding (a)** | **52.1** | **51.5** | | **51.9** | **51.8** | |
| **Basic loss per share attributable to controlling interest** | **$ (0.79)** | **$ (0.56)** | | **$ (1.05)** | **$ (0.30)** | |
| **Average shares and common stock equivalents outstanding (a) (b)** | **52.1** | **51.5** | | **51.9** | **51.8** | |
| **Diluted loss per share attributable to controlling interest** | **$ (0.79)** | **$ (0.56)** | | **$ (1.05)** | **$ (0.30)** | |
| Cash dividends declared per common share | $ 0.25 | $ - | | $ 0.25 | $ - | |

(a) Per share figures calculated prior to rounding.

(b) For the three and six months ended March 31, 2013 and April 1, 2012, we have not assumed the exercise of common stock equivalents as the impact would be antidilutive.

**Table 2**
**SPECTRUM BRANDS HOLDINGS, INC.**
**Supplemental Financial Data**
As of and for the three and six months ended March 31, 2013 and April 1, 2012
(Unaudited)
($ in millions)

| Supplemental Financial Data | F2013 | F2012 |
|---|---|---|
| Cash and cash equivalents | $ 77.5 | $ 51.8 |
| Trade receivables, net | $ 480.0 | $ 370.2 |
| Days Sales Outstanding (a) | 40 | 40 |
| Inventories | $ 705.4 | $ 551.0 |
| Inventory Turnover (b) | 4.0 | 4.0 |
| Total Debt | $ 3,258.9 | $ 1,882.1 |

| | THREE MONTHS | | SIX MONTHS | |
|---|---|---|---|---|
| Supplemental Cash Flow Data | F2013 | F2012 | F2013 | F2012 |
| Depreciation and amortization, excluding amortization of debt issuance costs | $ 47.2 | $ 32.3 | $ 78.2 | $ 60.6 |
| Capital expenditures | $ 11.4 | $ 9.7 | $ 20.7 | $ 18.6 |

| | THREE MONTHS | | SIX MONTHS | |
|---|---|---|---|---|
| Supplemental Segment Sales & Profitability | F2013 | F2012 | F2013 | F2012 |
| Net Sales | | | | |
| Global Batteries & Appliances | $ 468.6 | $ 480.1 | $ 1,134.6 | $ 1,169.3 |
| Global Pet Supplies | 160.5 | 156.5 | 300.2 | 291.5 |
| Home and Garden | 102.0 | 109.7 | 132.5 | 134.3 |
| Hardware & Home Improvement | 256.7 | - | 290.7 | - |
| Total net sales | $ 987.8 | $ 746.3 | $ 1,858.0 | $ 1,595.1 |
| Segment Profit | | | | |
| Global Batteries & Appliances | $ 41.4 | $ 40.4 | $ 136.8 | $ 138.6 |
| Global Pet Supplies | 20.4 | 19.3 | 36.3 | 35.3 |
| Home and Garden | 20.8 | 22.2 | 16.5 | 16.3 |
| Hardware & Home Improvement | 6.7 | - | 3.5 | - |
| Total segment profit | 89.3 | 81.9 | 193.1 | 190.2 |
| Corporate | 17.1 | 14.6 | 25.4 | 23.9 |
| Acquisition and integration related charges | 12.0 | 7.8 | 32.8 | 15.4 |
| Restructuring and related charges | 7.9 | 4.3 | 14.5 | 12.0 |
| Interest expense | 60.4 | 69.3 | 130.2 | 110.4 |
| Other expense (income), net | 3.7 | (2.2) | 5.3 | - |
| (Loss) income from continuing operations before income taxes | $ (11.8) | $ (11.9) | $ (15.1) | $ 28.5 |

(a) Reflects actual days sales outstanding at end of period.

(b) Reflects cost of sales (excluding restructuring and related charges) during the last twelve months divided by average inventory as of the end of the period.

**Table 3**
**SPECTRUM BRANDS HOLDINGS, INC.**
**Reconciliation of GAAP Diluted Income (Loss) Per Share to Adjusted Diluted Income Per Share**
For the three and six months ended March 31, 2013 and April 1, 2012
(Unaudited)

| | THREE MONTHS | | | SIX MONTHS | | |
|---|---|---|---|---|---|---|
| | F2013 | | F2012 | | F2013 | | F2012 | |
| Diluted loss per share, as reported | $ (0.79) | | $ (0.56) | | $ (1.05) | | $ (0.30) | |
| Adjustments, net of tax: | | | | | | | | |
| Pre-acquisition earnings of HHI | - | | 0.13 | (b) | 0.06 | (a) | 0.29 | (b) |
| Acquisition and integration related charges | 0.15 | (c) | 0.10 | (e) | 0.41 | (d) | 0.19 | (f) |
| Restructuring and related charges | 0.10 | (g) | 0.06 | (h) | 0.18 | (g) | 0.15 | (h) |
| Debt refinancing costs | - | | 0.34 | (j) | 0.36 | (i) | 0.34 | (j) |
| Purchase accounting inventory adjustment | 0.32 | (k) | - | | 0.38 | (k) | - | |
| Venezuela devaluation | 0.03 | (l) | - | | 0.02 | (l) | - | |
| Income taxes | 0.63 | (m) | 0.40 | (n) | 0.86 | (m) | 0.65 | (n) |
| | 1.23 | | 1.03 | | 2.27 | | 1.62 | |
| **Diluted income per share, as adjusted** | **$ 0.44** | | **$ 0.47** | | **$ 1.22** | | **$ 1.32** | |

(a) For the six months ended March 31, 2013, reflects $3.2 million, net of tax, of preacquisition earnings related to the acquired HHI business.

(b) For the three and six months ended April 1, 2012, reflects $6.6 million, net of tax, and $15.0 million, net of tax, respectively, of preacquisition earnings related to the acquired HHI business.

(c) For the three months ended March 31, 2013, reflects $7.8 million, net of tax, of Acquisition and integration related charges, as follows: (i) $6.6 million related to the acquisition of the HHI Business, consisting primarily of legal and professional fees; (ii) $0.1 million related to the acquisition of Shaser, consisting of integration and legal and professional fees; (iii) $0.7 million related to the Merger with Russell Hobbs, consisting of integration costs; and (iv) $0.4 million related to the acquisition of FURminator, consisting of integration costs.

(d) For the six months ended March 31, 2013, reflects $21.3 million, net of tax, of Acquisition and integration related charges, as follows: (i) $16.1 million related to the acquisition of the HHI Business, consisting primarily of legal and professional fees; (ii) $2.8 million related to the acquisition of Shaser, consisting of integration and legal and professional fees; (iii) $1.6 million related to the Merger with Russell Hobbs, consisting of integration costs; and (iv) $0.8 million related to the acquisition of FURminator, consisting of integration costs.

(e) For the three months ended April 1, 2012, reflects $5.0 million, net of tax, of Acquisition and integration related charges as follows: (i) $3.2 million related to the merger with Russell Hobbs which consisted primarily of integration costs; (ii) $1.4 million related to the acquisition of FURminator, consisting primarily of legal and professional fees; and (iii) $0.4 million related to the acquisition of Black Flag, consisting primarily of legal and professional fees.

(f) For the six months ended April 1, 2012, reflects $10.0 million, net of tax, of Acquisition and integration related charges as follows: (i) $5.6 million related to the merger with Russell Hobbs which consisted primarily of integration costs; (ii) $3.0 million related to the acquisition of FURminator, consisting primarily of legal and professional fees; and (iii) $1.4 million related to the acquisition of Black Flag and other acquisition activity, consisting primarily of legal and professional fees.

(g) For the three and six months ended March 31, 2013, reflects $5.1 million, net of tax, and $9.4 million, net of tax, respectively, of Restructuring and related charges primarily related to the Global Cost Reduction Initiatives announced in Fiscal 2009.

(h) For the three and six months ended April 1, 2012, reflects $2.8 million, net of tax, and $7.8 million, net of tax, respectively, of Restructuring and related charges primarily related to the Global Cost Reduction Initiatives announced in Fiscal 2009.

(i) For the six months ended March 31, 2013, reflects $18.7 million, net of tax, related to financing fees and the write off of unamortized debt issuance costs in connection with the replacement of the Company's Term Loan and the issuance of the 6.375% Notes and 6.625% Notes in connection with the acquisition of the HHI Business.

(j) For the three and six months ended April 1, 2012, reflects $17.9 million, net of tax, related to financing fees and the write off of unamortized debt issuance costs in connection with the replacement of the Company's 12% Notes during the fiscal quarter ended April 1, 2012.

(k) For the three and six months ended March 31, 2013, reflects a $16.7 million, net of tax, and a $20.2 million, net of tax, respectively, non-cash increase to cost of goods sold related to the sales of inventory that was subject to fair value adjustments in conjunction with the acquisition of the HHI Business.

(l) For the three and six months ended March 31, 2013, reflects an adjustment of $1.3 million, net of tax, related to the devaluation of the Venezuelan Bolivar Fuerte.

(m) For the three and six months ended March 31, 2013, reflects adjustments to income tax expense of $33.3 million and $45.0 million, respectively, to exclude the impact of the valuation allowance against deferred taxes and other tax related items in order to reflect a normalized ongoing effective tax rate.

(n) For the three and six months ended April 1, 2012, reflects adjustments to income tax expense of $21.0 million and $34.1 million, respectively, to exclude the impact of the valuation allowance against deferred taxes and other tax related items in order to reflect a normalized ongoing effective tax rate.

**Table 4**
**SPECTRUM BRANDS HOLDINGS, INC.**
**Reconciliation of GAAP Net Income (Loss) to Adjusted EBITDA**
**for the three months ended March 31, 2013**
(Unaudited)
($ in millions)

| | Global Batteries & Appliances | Global Pet Supplies | Home & Garden | Hardware & Home Improvement | Corporate / Unallocated Items (a) | Consolidated Spectrum Brands Holdings, Inc. |
|---|---|---|---|---|---|---|
| Net income (loss) attributable to controlling interest, as adjusted (a) | $ 34.3 | $ 16.4 | $ 20.6 | $ 0.6 | $ (113.2) | $ (41.2) |
| Net income attributable to non-controlling interest | 0.3 | - | - | - | - | 0.3 |
| Net income (loss) as adjusted (a) | 34.6 | 16.4 | 20.6 | 0.6 | (113.2) | (40.9) |
| Income tax expense | - | - | - | - | 29.1 | 29.1 |
| Interest expense | - | - | - | - | 60.4 | 60.4 |
| Acquisition and integration related charges | 1.9 | 0.6 | - | 2.8 | 6.7 | 12.0 |
| Restructuring and related charges | 1.8 | 3.1 | 0.2 | 2.7 | 0.1 | 7.9 |
| HHI Business inventory fair value adjustment | - | | | 25.8 | - | 25.8 |
| Venezuela devaluation | 2.0 | - | - | - | - | 2.0 |
| Adjusted EBIT | 40.3 | 20.1 | 20.8 | 31.9 | (17.0) | 96.1 |
| Depreciation and amortization (b) | 16.6 | 7.4 | 2.9 | 8.8 | 11.5 | 47.2 |
| Adjusted EBITDA | $ 56.9 | $ 27.5 | $ 23.7 | $ 40.7 | $ (5.5) | $ 143.3 |

Note: Amounts calculated prior to rounding

(a) It is the Company's policy to record Income tax expense and Interest expense on a consolidated basis. Accordingly, such amounts are not reflected in the results of the operating segments and are presented within Corporate/Unallocated Items.

(b) Included within depreciation and amortization is amortization of unearned restricted stock compensation.

**Table 4**
**SPECTRUM BRANDS HOLDINGS, INC.**
**Reconciliation of GAAP Net Income (loss) to Adjusted EBITDA**
**for the six months ended March 31, 2013**
(Unaudited)
($ in millions)

| | Global Batteries & Appliances | Global Pet Supplies | Home & Garden | Hardware & Home Improvement | Corporate / Unallocated Items (a) | Consolidated Spectrum Brands, Holdings, Inc. |
|---|---|---|---|---|---|---|
| Net income (loss) attributable to controlling interest, as adjusted (a) | $ 126.8 | $ 26.6 | $ 16.1 | $ (2.9) | $ (221.3) | (54.7) |
| Net loss attributable to non-controlling interest | (0.2) | - | - | - | - | (0.2) |
| Net income (loss), as adjusted (a) | 126.6 | 26.6 | 16.1 | (2.9) | (221.3) | (54.9) |
| Pre-acquisition earnings of HHI | - | - | - | 30.3 | - | 30.3 |
| Income tax expense | - | - | - | - | 39.8 | 39.8 |
| Interest expense | - | - | - | - | 130.2 | 130.2 |
| Acquisition and integration related charges | 3.2 | 1.2 | - | 2.9 | 25.5 | 32.8 |
| Restructuring and related charges | 3.1 | 8.1 | 0.4 | 2.7 | 0.2 | 14.5 |
| HHI Business inventory fair value adjustment | - | - | - | 31.0 | - | 31.0 |
| Venezuela devaluation | 2.0 | - | - | - | - | 2.0 |
| Adjusted EBIT | 134.9 | 35.9 | 16.5 | 64.0 | (25.6) | 225.7 |
| Depreciation and amortization (b) | 32.7 | 14.7 | 5.8 | 10.3 | 14.7 | 78.2 |
| Adjusted EBITDA | $ 167.6 | $ 50.6 | $ 22.3 | $ 74.3 | $ (10.9) | $ 303.9 |

Note: Amounts calculated prior to rounding

(a) It is the Company's policy to record Income tax expense and Interest expense on a consolidated basis. Accordingly, such amounts are not reflected in the results of the operating segments and are presented within Corporate/Unallocated Items.

(b) Included within depreciation and amortization is amortization of unearned restricted stock compensation.

**Table 4**
**SPECTRUM BRANDS HOLDINGS, INC.**
**Reconciliation of GAAP Net Income (Loss) to Adjusted EBITDA**
**for the three months ended April 1, 2012**
(Unaudited)
($ in millions)

| | Global Batteries & Appliances | Global Pet Supplies | Home & Garden | Hardware & Home Improvement | Corporate / Unallocated Items (a) | Consolidated Spectrum Brands Holdings, Inc. |
|---|---|---|---|---|---|---|
| Net income (loss), as adjusted (a) | $ 35.6 | $ 14.8 | $ 21.2 | $ - | $ (100.1) | $ (28.7) |
| Pre-acquisition earnings of HHI | - | - | - | 36.7 | - | 36.7 |
| Income tax expense | - | - | - | - | 16.8 | 16.8 |
| Interest expense | - | - | - | - | 69.3 | 69.3 |
| Acquisition and integration related charges | 1.2 | 2.3 | 0.6 | - | 0.1 | 4.3 |
| Restructuring and related charges | 5.0 | 1.9 | 0.4 | - | 0.5 | 7.8 |
| Adjusted EBIT | 41.8 | 19.0 | 22.2 | 36.7 | (13.4) | 106.2 |
| Depreciation and amortization (b) | 15.4 | 7.1 | 3.0 | - | 6.8 | 32.3 |
| Adjusted EBITDA | $ 57.2 | $ 26.1 | $ 25.2 | $ 36.7 | $ (6.6) | $ 138.5 |

Note: Amounts calculated prior to rounding.

(a) It is the Company's policy to record Income tax expense and Interest expense on a consolidated basis. Accordingly, such amounts are not reflected in the results of the operating segments and are presented within Corporate/Unallocated Items.

(b) Included within depreciation and amortization is amortization of unearned restricted stock compensation.

**Table 4**
**SPECTRUM BRANDS HOLDINGS, INC.**
**Reconciliation of GAAP Net Income (Loss) to Adjusted EBITDA**
**for the six months ended April 1, 2012**
(Unaudited)
($ in millions)

| | Global Batteries & Appliances | Global Pet Supplies | Home & Garden | Hardware & Home Improvement | Corporate / Unallocated Items (a) | Consolidated Spectrum Brands Holdings, Inc. |
|---|---|---|---|---|---|---|
| Net income (loss), as adjusted (a) | $ 125.6 | $ 27.9 | $ 14.8 | $ - | $ (183.8) | $ (15.5) |
| Pre-acquisition earnings of HHI | - | - | - | 77.6 | - | 77.6 |
| Income tax expense | - | - | - | - | 44.1 | 44.1 |
| Interest expense | - | - | - | - | 110.4 | 110.4 |
| Acquisition and integration related charges | 5.1 | 5.2 | 1.0 | - | 0.7 | 12.0 |
| Restructuring and related charges | 8.2 | 1.9 | 0.5 | - | 4.7 | 15.4 |
| Adjusted EBIT | 138.9 | 35.0 | 16.3 | 77.6 | (23.9) | 243.9 |
| Depreciation and amortization (b) | 30.5 | 13.1 | 5.8 | - | 11.3 | 60.6 |
| Adjusted EBITDA | $ 169.4 | $ 48.1 | $ 22.1 | $ 77.6 | $ (12.6) | $ 304.5 |

Note: Amounts calculated prior to rounding.

(a) It is the Company's policy to record Income tax expense and Interest expense on a consolidated basis. Accordingly, such amounts are not reflected in the results of the operating segments and are presented within Corporate/Unallocated Items.

(b) Included within depreciation and amortization is amortization of unearned restricted stock compensation.

**Table 5**
**SPECTRUM BRANDS HOLDINGS, INC.**
**Pro Forma Net Sales Comparison**
**For the three and six months ended March 31, 2013 and April 1, 2012**
(Unaudited)
($ in millions)

| | THREE MONTHS | | | SIX MONTHS | | |
|---|---|---|---|---|---|---|
| | F2013 | F2012 | INC(DEC) % | F2013 | F2012 | INC(DEC) % |
| Spectrum Brands Holdings, Inc. | $ 987.8 | $ 746.3 | 32.4% | $ 1,858.0 | $ 1,595.1 | 16.5% |
| HHI (a) | - | 232.2 | | 191.8 | 463.9 | |
| Pro Forma Net Sales | $ 987.8 | $ 978.5 | 1.0% | $ 2,049.8 | $ 2,059.0 | (0.4)% |

(a) For all periods presented, net sales for HHI have been restated to reflect the acquisition as if it occurred at the beginning of the period presented.

**Table 6**
**SPECTRUM BRANDS HOLDINGS, INC.**
**Reconciliation of Forecasted Cash Flow from Operating Activities to Forecasted Free Cash Flow**
**for the twelve months ending September 30, 2013**
(Unaudited)
($ in millions)

**Forecasted:**

| | |
|---|---|
| Net Cash provided from Operating Activities | $ 310 - 320 |
| Purchases of property, plant and equipment | (70) - (80) |
| Free Cash Flow | $ 240 |