

Edgar Filing: RAYOVAC CORP - Form 10-Q/A

RAYOVAC CORP  
Form 10-Q/A  
May 02, 2003

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

FORM 10-Q/A

Amendment No. 1

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

For the quarterly period ended December 29, 2002

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-13615

Rayovac Corporation  
-----

(Exact name of registrant as specified in its charter)

Wisconsin  
-----

(State or other jurisdiction of  
incorporation or organization)

22-2423556  
-----

(I.R.S. Employer  
Identification Number)

601 Rayovac Drive, Madison, Wisconsin 53711  
-----

(Address of principal executive offices) (Zip Code)

(608) 275-3340  
-----

(Registrant's telephone number, including area code)

Not Applicable  
-----

(Former name, former address and former fiscal year, if  
changed since last report.)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes (X) No ( )

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

## Edgar Filing: RAYOVAC CORP - Form 10-Q/A

The number of shares outstanding of the Registrant's common stock, \$.01 par value, as of April 30, 2003, was 32,461,769.

### EXPLANATORY NOTE

This Amendment No. 1 to the Quarterly Report on Form 10-Q (the "Form 10-Q") of Rayovac Corporation (the "Company") for the quarterly period ended December 29, 2002 is being filed for the purpose of amending and restating Items 1 and 6. In accordance with Rule 12b-15 under the Securities Exchange Act of 1934, the complete text of Items 1 and 6, as amended, is set forth herein. In addition, in connection with the filing of this Amendment No. 1 and pursuant to Rule 12b-15, the Company is including certain currently dated certifications. The remainder of the Company's Quarterly Report on Form 10-Q is unchanged and is not reproduced in this Amendment No. 1. This report speaks as of the original filing date of the Form 10-Q and, except as indicated, has not been updated to reflect events occurring subsequent to the original filing date.

### PART I. FINANCIAL INFORMATION

#### ITEM 1. FINANCIAL STATEMENTS

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

	DECEMBER 29, 2002
	-----
-ASSETS-	
Current assets:	
Cash and cash equivalents	\$ 22,91
Receivables	216,94
Inventories	143,00
Prepaid expenses and other	47,41
Total current assets	----- 430,28
Property, plant and equipment, net	168,68
Deferred charges and other, net	69,05
Intangible assets, net	324,15
Total assets	----- \$ 992,16 =====
-LIABILITIES AND SHAREHOLDERS' EQUITY-	
Current liabilities:	
Current maturities of long-term debt	\$ 17,52
Accounts payable	134,30
Accrued liabilities	97,62
Total current liabilities	----- 249,45

## Edgar Filing: RAYOVAC CORP - Form 10-Q/A

Long-term debt, net of current maturities	465,44
Employee benefit obligations, net of current portion	54,73
Other	44,68
	-----
Total liabilities	814,32
Shareholders' equity:	
Common stock, \$.01 par value, authorized 150,000 shares; issued 61,986 and 61,594 shares, respectively; outstanding 32,450 and 32,058 shares, respectively	62
Additional paid-in capital	185,60
Retained earnings	148,63
Accumulated other comprehensive loss	(17,05)
Notes receivable from officers/shareholders	(4,20)
	-----
	313,60
Less: Treasury stock, at cost, 29,536 shares	(130,07)
Less: Unearned restricted stock compensation	(5,69)
	-----
Total shareholders' equity	177,84
	-----
Total liabilities and shareholders' equity	\$ 992,16
	=====

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

2

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

	THREE MONTHS	
	2003	2002
	-----	-----
Net sales	\$ 260,222	\$ 161,883
Cost of goods sold	156,963	99,151
Special charges	9,705	--
	-----	-----
Gross profit	93,554	62,732
Selling	48,526	27,407
General and administrative	24,904	28,567
Research and development	3,896	3,218
Special charges	5,685	--
	-----	-----
Total operating expenses	83,011	59,192
Income from operations	10,543	3,540
Interest expense	10,102	4,169
Non-operating expense	3,072	--

Edgar Filing: RAYOVAC CORP - Form 10-Q/A

Other income, net	(1,687)	(782)
	-----	-----
(Loss) income before income taxes	(944)	153
Income tax benefit	(359)	(249)
	-----	-----
Net (loss) income	\$ (585)	\$ 402
	=====	=====
BASIC EARNINGS PER SHARE		
Weighted average shares and equivalents outstanding	31,801	31,780
Net (loss) income	\$ (0.02)	\$ 0.01
	=====	=====
DILUTED EARNINGS PER SHARE		
Weighted average shares and equivalents outstanding	31,801	32,412
Net (loss) income	\$ (0.02)	\$ 0.01
	=====	=====

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

3

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

	THREE MO ----- 2003 -----
Cash flows from operating activities:	
Net (loss) income	\$ (585)
Non-cash adjustments to net income:	
Amortization	523
Depreciation	8,286
Other non-cash adjustments	3,791
Net changes in assets and liabilities	12,211
	-----
Net cash provided by operating activities	24,226
Cash flows from investing activities:	
Purchases of property, plant and equipment	(3,052)
Proceeds from sale of property, plant and equipment	113
Payment for acquisitions, net of cash acquired	(245,130)
	-----
Net cash used by investing activities	(248,069)
Cash flows from financing activities:	
Reduction of debt	(257,803)
Proceeds from debt financing	506,771
Debt issuance costs	(12,635)

Edgar Filing: RAYOVAC CORP - Form 10-Q/A

Other	(606)
	-----
Net cash provided (used) by financing activities	235,727
Effect of exchange rate changes on cash and cash equivalents	1,154
	-----
Net increase in cash and cash equivalents	13,038
Cash and cash equivalents, beginning of period	9,881
	-----
Cash and cash equivalents, end of period	\$ 22,919
	=====

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

4

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

1 SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF PRESENTATION:** These financial statements have been prepared by Rayovac Corporation (the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC") and, in the opinion of the Company, include all adjustments (which are normal and recurring in nature) necessary to present fairly the financial position of the Company at December 29, 2002, results of operations and cash flows for the three month periods ended December 29, 2002, and December 30, 2001. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such SEC rules and regulations. These condensed consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto as of September 30, 2002. Certain prior year amounts have been reclassified to conform with the current year presentation.

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

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

The Company has a broad range of customers including many large retail outlet chains, one of which previously accounted for in excess of 20%

## Edgar Filing: RAYOVAC CORP - Form 10-Q/A

of our sales volume. Due to the impacts of the VARTA acquisition, see Footnote 9, Acquisitions, this customer represented approximately 3% and 23%, respectively, of receivables as of December 29, 2002 and September 30, 2002.

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

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

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

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

5

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

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

## Edgar Filing: RAYOVAC CORP - Form 10-Q/A

### DERIVATIVE FINANCIAL INSTRUMENTS:

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

The Company uses interest rate swaps to manage its interest rate risk. The swaps are designated as cash flow hedges with the fair value recorded in Other Comprehensive Income ("OCI") and as a hedge asset or liability, as applicable. The swaps settle periodically in arrears with the related amounts for the current settlement period payable to, or receivable from, the counter-parties included in accrued liabilities or accounts receivable and recognized in earnings as an adjustment to interest expense from the underlying debt to which the swap is designated. During the three month period ended December 29, 2002, \$1,078 of pretax derivative losses from such hedges were recorded as an adjustment to interest expense. At December 29, 2002, the Company had a portfolio of interest rate swaps outstanding which effectively fixes the interest rates on floating rate debt at rates as follows: 4.458% for a notional principal amount of \$70,000 through July 2004, 3.974% for a notional principal amount of \$70,000 from July 2004 through October 2005, 3.769% for a notional principal amount of \$100,000 through August 2004 and 3.799% for a notional principal amount of \$100,000 from August 2004 through November 2005. The derivative net losses on these contracts recorded in OCI at December 29, 2002 was an after-tax loss of \$4,814.

The Company enters into forward and swap foreign exchange contracts, to hedge the risk from forecasted settlement in local currencies of inter-company purchases and sales, trade sales, and trade purchases. These contracts generally require the Company to exchange foreign currencies for U.S. dollars, Euros or Pounds Sterling. These contracts are designated as cash flow hedges with the fair value recorded in OCI and as a hedge asset or liability, as applicable. Once the forecasted transaction has been recognized as a purchase or sale and a related liability or asset recorded in the balance sheet, the gain or loss on the related derivative hedge contract is reclassified from OCI into earnings as an offset to the change in value of the liability or asset. During the three month period ended December 29, 2002, \$11 of pretax derivative losses were recorded as an adjustment to earnings for forward and swap contracts settled at maturity. At December 29, 2002, the Company had no foreign exchange derivative contracts outstanding.

The Company periodically enters into forward foreign exchange contracts, to hedge the risk from changes in fair value from unrecognized firm purchase commitments. These firm purchase commitments generally require the Company to exchange U.S. dollars for foreign currencies. These hedge contracts are designated as fair value hedges with the fair value recorded in earnings on a pretax basis and as a hedge asset or liability, as applicable. To the extent effective, changes in the value of the forward contracts recorded in earnings will be offset by changes in the value of the hedged item, also recorded in earnings on a pretax basis and as an asset or liability, as applicable. Once the firm purchase commitment has been consummated, the firm commitment asset or liability balance will be

reclassified as an addition to or subtraction from, the carrying value of the purchased asset. During the three month period ended December

## Edgar Filing: RAYOVAC CORP - Form 10-Q/A

29, 2002, no such foreign exchange derivative activity occurred. At December 29, 2002, the Company had no such foreign exchange derivative contracts outstanding.

The Company is exposed to risk from fluctuating prices for zinc used in the manufacturing process. The Company hedges a portion of this risk through the use of commodity swaps. The swaps are designated as cash flow hedges with the fair value recorded in OCI and as a hedge asset or liability, as applicable. The fair value of the swaps is reclassified from OCI into earnings when the hedged purchase of zinc metal-based items also affects earnings. The swaps effectively fix the floating price on a specified quantity of zinc through a specified date. During the three month period ended December 29, 2002, \$218 of pretax derivative losses were recorded as an adjustment to cost of sales for swap contracts settled at maturity. At December 29, 2002, the Company had a series of swap contracts outstanding through December 2003 with a contract value of \$5,913. The derivative net losses on these contracts recorded in OCI at December 29, 2002 was an after-tax loss of \$217.

### 2 INVENTORIES

Inventories consist of the following:

	DECEMBER 29, 2002	SEPTEMBER 30, 2001
	-----	-----
Raw material.....	\$42,231	\$19,199
Work-in-process.....	22,404	19,199
Finished goods.....	78,371	45,000
	-----	-----
	\$143,006	\$84,000
	=====	=====

### 3 ACQUIRED INTANGIBLE ASSETS AND GOODWILL

	DECEMBER 29, 2002			
	GROSS CARRYING AMOUNT	ACCUMULATED AMORTIZATION	NET INTANGIBLE	GROSS CARRYING AMOUNT
	-----	-----	-----	-----
<b>AMORTIZED INTANGIBLE ASSETS</b>				
Non-compete agreement.....	\$ 700	\$ 665	\$ 35	\$ 700
Proprietary technology.....	525	316	209	525
	-----	-----	-----	-----
	\$ 1,225	\$ 981	\$ 244	\$ 1,225
	=====	=====	=====	=====
<b>PENSION INTANGIBLES</b>				
Under-funded pension.....	\$ 2,744	\$ --	\$ 2,744	\$ 3,446
	=====	=====	=====	=====
<b>UNAMORTIZED INTANGIBLE ASSETS</b>				
Trade names.....	\$240,782	\$ 4,875	\$235,907	\$ 90,000
	=====	=====	=====	=====



Edgar Filing: RAYOVAC CORP - Form 10-Q/A

	NORTH AMERICA	LATIN AMERICA	EUROPE
	-----	-----	-----
GOODWILL			
Balance as of October 1, 2002, net.....	\$1,035	\$ 26,884	\$2,
Goodwill acquired during year.....	653	5,831	46,
Effect of translation.....	--	(169)	1,
	-----	-----	-----
Balance as of December 29, 2002, net.....	\$ 1,688	\$ 32,546	\$51,
	=====	=====	=====

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

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

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

7

4 OTHER COMPREHENSIVE INCOME

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

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

Edgar Filing: RAYOVAC CORP - Form 10-Q/A

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

5 NET INCOME PER COMMON SHARE

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

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

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

6 COMMITMENTS AND CONTINGENCIES

In March 1998, the Company entered into an agreement to purchase certain equipment and to pay annual royalties. In connection with this 1998 agreement, which supersedes previous agreements dated December 1991, and March 1994, the Company committed to pay royalties of \$2,000 in 1998 and 1999, \$3,000 in 2000 through 2002, and \$500 in each year thereafter, as long as the related equipment patents are enforceable (until 2022). In December 2002, this agreement was modified such that royalty payments in 2003 through 2022 will be \$250.

The Company has provided for the estimated costs associated with environmental remediation activities at some of its current and former manufacturing sites. The Company believes that any additional liability in excess of the amounts provided of \$1,764, which may result from resolution of these matters, will not have a material adverse effect on the financial condition, liquidity, or cash flow of the Company.

During 2002, the Company entered into a long-term lease for a

## Edgar Filing: RAYOVAC CORP - Form 10-Q/A

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

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

### 7 OTHER

During Fiscal 2001, the Company recorded special charges related to: (i) an organizational restructuring in the U.S, (ii) manufacturing and distribution cost rationalization initiatives in the Company's Tegucigalpa, Honduras and Mexico City, Mexico manufacturing facilities and in the Company's European operations, (iii) the closure of the Company's Wonewoc, Wisconsin, manufacturing facility, (iv) the rationalization of uneconomic manufacturing processes at the Company's Fennimore, Wisconsin, manufacturing facility, and rationalization of packaging operations and product lines, and (v) costs associated with the Company's June 2001 secondary offering. The amount recorded includes \$9,100 of employee termination benefits for approximately 570 notified employees, \$9,900 of equipment, inventory, and other asset write-offs, and \$2,000 of other expenses. A summary of the 2001 restructuring activities follows:

#### 2001 RESTRUCTURING SUMMARY

	TERMINATION BENEFITS	OTHER COSTS	TOTAL
Expense accrued.....	\$5,000	\$11,000	\$16,000
Change in estimate.....	4,400	100	4,500
Expense as incurred.....	700	1,100	1,800
Cash expenditures.....	(5,800)	(1,300)	(7,100)
Non-cash charges.....	--	(9,300)	(9,300)
	-----	-----	-----
Balance September 30, 2001.....	\$4,300	\$1,600	\$5,900
Change in estimate.....	(1,000)	(300)	(1,300)
Cash expenditures.....	(3,100)	--	(3,100)
Non-cash charges.....	--	(700)	(700)
	-----	-----	-----
Balance September 30, 2002.....	\$200	\$600	\$800
Cash expenditures.....	--	(100)	(100)
	-----	-----	-----
Balance December 29, 2002.....	\$200	\$500	\$700
	=====	=====	=====

During Fiscal 2002, the Company recorded special charges related to:

## Edgar Filing: RAYOVAC CORP - Form 10-Q/A

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

### 2002 RESTRUCTURING SUMMARY

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

During the three months ended December 29, 2002, the Company recorded special charges related to: (i) the closure in October 2002 of the Company's Mexico City, Mexico plant and integration of production into the Company's Guatemala City, Guatemala manufacturing location, (ii) the commencement of the closure of operations at the Company's Madison, Wisconsin packaging facility and Middleton, Wisconsin distribution center and combination of the two operations into a new leased complex currently being built in Dixon, Illinois, and (iii) a series of restructuring initiatives impacting the Company's sales, marketing, operations and administrative functions in Europe, North America, and Latin America. The Company anticipates the move to the new combined distribution and packaging facility will occur in the third quarter of Fiscal 2003 and the closure of the Madison, Wisconsin and Middleton, Wisconsin facilities will be completed during the fourth quarter of Fiscal 2003. The sales, marketing, operations and administrative restructuring initiatives are anticipated to be substantially complete by the end of the fourth quarter of Fiscal 2003.

The amount recorded includes approximately \$6,200 of employee termination benefits for approximately 600 notified employees, and approximately \$7,800 of equipment, inventory and other asset write-offs primarily reflecting the abandonment of equipment and inventory associated with the closure of the Mexico plant and commencement of the closure of the Company's Wisconsin packaging and distribution locations, and \$1,400 of other expenses. A summary of the 2003 restructuring activities follows:

### 2003 RESTRUCTURING SUMMARY

Edgar Filing: RAYOVAC CORP - Form 10-Q/A

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

8 SEGMENT INFORMATION

The Company manages operations in three reportable segments based upon geographic area. North America includes the United States and Canada; Latin America includes Mexico, Central America, South America and the Caribbean; Europe/Rest of World ("Europe/ROW") includes continental Europe, the United Kingdom, and all other countries in which the Company does business.

The Company manufactures and markets dry cell batteries including alkaline, zinc carbon, alkaline rechargeable, hearing aid, and other specialty batteries and lighting products throughout the world.

Net sales and cost of sales to other segments have been eliminated. The gross contribution of inter segment sales

10

is included in the segment selling the product to the external customer. Segment revenues are based upon the geographic area in which the product is sold.

The reportable segment profits do not include interest expense, interest income, and income tax expense. Also, not included in the reportable segments, are corporate expenses including corporate purchasing expense, general and administrative expense and research and development expense. All depreciation and amortization included in income from operations is related to corporate or reportable segments. Costs are identified to reportable segments or corporate, according to the function of each cost center.

The reportable segment assets do not include cash, deferred tax benefits, investments, long-term intercompany receivables, most deferred charges, and miscellaneous assets. Capital expenditures are related to reportable segments or corporate. Variable allocations of assets are not made for segment reporting.

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

REVENUES FROM EXTERNAL CUSTOMERS	THREE MONTHS	
	2003	2002
	-----	-----
North America.....	\$107,145	\$122,365

Edgar Filing: RAYOVAC CORP - Form 10-Q/A

Latin America.....	34,444	25,989
Europe/ROW.....	118,633	13,529
	-----	-----
Total segments.....	\$260,222	\$161,883
	=====	=====

INTER SEGMENT REVENUES

THREE MONTHS

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

SEGMENT PROFIT

THREE MONTHS

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

SEGMENT ASSETS

DECEMBER 29, 2002

DECEMBER 30, 2001

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

## 9 ACQUISITIONS

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

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

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

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

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

## Edgar Filing: RAYOVAC CORP - Form 10-Q/A

Pro forma net (loss) income.....	\$ (0.02)	\$0.15
	=====	=====
DILUTED EARNINGS PER SHARE		
Reported net (loss) income.....	\$ (0.02)	\$0.01
Pro forma adjustments.....	--	0.14
	-----	-----
Pro forma net (loss) income.....	\$ (0.02)	\$0.15
	=====	=====

12

### ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

#### (a) EXHIBITS

EXHIBIT NUMBER	DESCRIPTION
2.1+++	Joint Venture Agreement dated July 28, 2002, by and among the Company, VARTA and ROV German Limited GmbH, as amended.
3.1+	Amended and Restated Articles of Incorporation of the Company.
3.2++++	Amended and Restated By-laws of the Company, as amended through July 24, 2002.
4.1*	Specimen certificate representing the Common Stock.
10.1	Amended and Restated Employment Agreement, dated as of October 1, 2002, by and between the Company and David A. Jones.
10.2++++	Amended and Restated Employment Agreement, dated as of October 1, 2002, by and between the Company and Kent J. Hussey.
10.3++++	Amended and Restated Employment Agreement, dated as of October 1, 2002, by and between the Company and Kenneth V. Biller.
10.4++++	Amended and Restated Employment Agreement, dated as of October 1, 2002, by and between the Company and Stephen P. Shanesy.
10.5++++	Amended and Restated Employment Agreement, dated as of October 1, 2002, by and between the Company and Merrell M. Tomlin.
10.6++++	Amended and Restated Employment Agreement, dated as of October 1, 2002, by and between the Company and Luis A. Cancio.
10.7++++	Amended and Restated Employment Agreement, dated as of October 1, 2002, by and between the Company and Dr. Paul G. Cheeseman.
10.8++++	Employment Agreement, dated as of August 19, 2002, by and between the Company and Randall J. Steward.
10.9++++	Registered Director's Agreement, effective as of October 1, 2002, by and between ROV German Holding GmbH and Remy Burel.
10.10**	Technology, License and Service Agreement between Battery Technologies (International) Limited and the Company, dated June 1, 1991, as amended April 19, 1993, and December 31, 1995.
10.11**	Building Lease between the Company and SPG Partners dated May 14, 1985, as amended June 24, 1986, and June 10, 1987.
10.12****	Amendment, dated December 31, 1998, between the Company and SPG Partners, to the Building Lease, between the Company and SPG Partners, dated May 14, 1985.
10.13++++	Build-To-Suit Lease Agreement, dated as of May 2, 2002, by and among 200 Corporate Drive, L.L.C., as Landlord, the Company, as Tenant, and Higgins Development Partners, L.L.C., as Developer.
10.14++++	Real Estate Lease, dated September 1, 2001, by and between VARTA Geratebatterie GmbH, as Tenant, and Paula Grundstucksverwaltungsgesellschaft mbH & Co. Vermietungs-KG,



## Edgar Filing: RAYOVAC CORP - Form 10-Q/A

- as Landlord, as amended.
- 10.15+++++ Real Property Leasing Agreement, dated December 21, 2000, by and between VARTA Geratebatterie GmbH, as Tenant, and ROSATA Grundstücks-Vermietungsgesellschaft mbH & Co. object Dischingin KG, as Landlord, as amended.
- 10.16+++ Third Amended and Restated Credit Agreement, dated October 1, 2002, by and among the Company, VARTA Geratebatterie GmbH, the lenders party thereto, LaSalle Bank National Association, as documentation agent, Citicorp North America, Inc., as syndication agent, and Bank of America, N.A., as administrative agent.
- 10.17+++++ Amendment No. 1 to Third Amended and Restated Credit Agreement, dated October 1, 2002, by and among the Company, VARTA Geratebatterie GmbH, the lenders party thereto, LaSalle Bank National Association, as documentation agent, Citicorp North America, Inc., as syndication agent, and Bank of America, N.A., as administrative agent.
- 10.18\*\*\* Rayovac Corporation 1996 Stock Option Plan.
- 10.19\* 1997 Rayovac Incentive Plan.
- 10.20\* Rayovac Profit Sharing and Savings Plan.
- 10.21+++++ Rayovac Corporation Supplemental Executive Retirement Plan.

13

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

-----

- \* Incorporated by reference to the Company's Registration Statement on Form S-1 (Registration No. 333-35181) filed with the Commission.
- \*\* Incorporated by reference to the Company's Registration Statement on Form S-1 (Registration No. 333-17895) filed with the Commission.
- \*\*\* Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 29, 1997, filed with the Commission on August 13, 1997.
- \*\*\*\* Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended January 3, 1999, filed with the Commission on February 17, 1999.
- + Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1997, filed with the Commission on December 23, 1997.
- ++ Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 28, 1998, filed with the Commission on May 5, 1998.

## Edgar Filing: RAYOVAC CORP - Form 10-Q/A

- +++ Incorporated by reference to the Company's Current Report on Form 8-K filed with the Commission on October 16, 2002.
- ++++ Incorporated by reference to the Company's Annual Report on Form 10-K filed with the Commission on December 16, 2002.
- +++++ Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed with the Commission on February 12, 2003.

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

14

### SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

DATE: May 2, 2003

RAYOVAC CORPORATION

/s/ Randall J. Steward

-----  
Randall J. Steward  
Executive Vice President and  
and Chief Financial Officer

15

### EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
2.1+++	Joint Venture Agreement dated July 28, 2002, by and among the Company, VARTA and ROV German Limited GmbH, as amended.
3.1+	Amended and Restated Articles of Incorporation of the Company.
3.2++++	Amended and Restated By-laws of the Company, as amended through July 24, 2002.
4.1*	Specimen certificate representing the Common Stock.
10.1	Amended and Restated Employment Agreement, dated as of October 1, 2002, by and between the Company and David A. Jones.
10.2++++	Amended and Restated Employment Agreement, dated as of October 1, 2002, by and between the Company and Kent J. Hussey.
10.3++++	Amended and Restated Employment Agreement, dated as of October 1, 2002, by and between the Company and Kenneth V. Biller.

## Edgar Filing: RAYOVAC CORP - Form 10-Q/A

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

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

## Edgar Filing: RAYOVAC CORP - Form 10-Q/A

Sarbanes-Oxley Act of 2002.  
99.2 Certification of the Chief Financial Officer pursuant to 18  
U.S.C. Section 1350, as adopted pursuant to Section 906 of the  
Sarbanes-Oxley Act of 2002.

-----

- \* Incorporated by reference to the Company's Registration Statement on Form S-1 (Registration No. 333-35181) filed with the Commission.
- \*\* Incorporated by reference to the Company's Registration Statement on Form S-1 (Registration No. 333-17895) filed with the Commission.
- \*\*\* Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended June 29, 1997, filed with the Commission on August 13, 1997.
- \*\*\*\* Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended January 3, 1999, filed with the Commission on February 17, 1999.
- + Incorporated by reference to the Company's Annual Report on Form 10-K for the fiscal year ended September 30, 1997, filed with the Commission on December 23, 1997.
- ++ Incorporated by reference to the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 28, 1998, filed with the Commission on May 5, 1998.
- +++ Incorporated by reference to the Company's Current Report on Form 8-K filed with the Commission on October 16, 2002.
- ++++ Incorporated by reference to the Company's Annual Report on Form 10-K filed with the Commission on December 16, 2002.
- +++++ Incorporated by reference to the Company's Quarterly Report on Form 10-Q filed with the Commission on February 12, 2003.

17

### CERTIFICATIONS

I, David A. Jones, certify that:

1. I have reviewed this quarterly report on Form 10-Q/A of Rayovac Corporation;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:

Edgar Filing: RAYOVAC CORP - Form 10-Q/A

- a) designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
- a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and
6. The registrant's other certifying officer and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: May 2, 2003

/s/ David A. Jones

-----  
David A. Jones  
Chief Executive Officer

18

I, Randall J. Steward, certify that:

- 1. I have reviewed this quarterly report on Form 10-Q/A of Rayovac Corporation;
- 2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

Edgar Filing: RAYOVAC CORP - Form 10-Q/A

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

Date: May 2, 2003

/s/ Randall J. Steward

-----  
Randall J. Steward  
Chief Financial Officer