Spectrum Brands, Inc.
Form 10-Q
August 11, 2011
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended July 3, 2011

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

Spectrum Brands, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**22-2423556**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
601 Rayovac Drive Madison, Wisconsin	**53711**
(Address of principal executive offices)	**(Zip Code)**

(608) 275-3340

(Registrant s telephone number, including area code)

N/A

(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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ¨ No ¨

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	x	Smaller reporting company	¨

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ¨ No x

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes x No ¨

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SPECTRUM BRANDS, INC.

QUARTERLY REPORT ON FORM 10-Q

FOR QUARTER ENDED July 3, 2011

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SPECTRUM BRANDS, INC.

Condensed Consolidated Statements of Financial Position

July 3, 2011 and September 30, 2010

(Unaudited)

(Amounts in thousands, except per share figures)

	July 3, 2011	September 30, 2010
Assets		
Current assets:		
Cash and cash equivalents	$ 88,378	$ 170,614
Receivables:		
Trade accounts receivable, net of allowances of $4,086 and $4,351, respectively	359,667	365,002
Other	52,071	41,548
Inventories	548,376	530,342
Deferred income taxes	32,688	35,735
Prepaid expenses and other	56,789	56,574
Total current assets	1,137,969	1,199,815
Property, plant and equipment, net	216,523	201,164
Deferred charges and other	49,647	46,352
Goodwill	621,907	600,055
Intangible assets, net	1,751,812	1,769,360
Debt issuance costs	45,411	56,961
Total assets	$ 3,823,269	$ 3,873,707
Liabilities and Shareholders Equity		
Current liabilities:		
Current maturities of long-term debt	$ 26,677	$ 20,710
Accounts payable	305,383	332,231
Accrued liabilities:		
Wages and benefits	58,421	93,971
Income taxes payable	44,466	37,118
Restructuring and related charges	15,855	23,793
Accrued interest	18,208	31,652
Other	114,192	123,048
Total current liabilities	583,202	662,523
Long-term debt, net of current maturities	1,721,919	1,723,057
Employee benefit obligations, net of current portion	91,558	92,725
Deferred income taxes	312,789	277,843
Other	61,095	70,828
Total liabilities	2,770,563	2,826,976
Commitments and contingencies		

Shareholders equity:		
Other capital	1,331,439	1,314,768
Accumulated deficit	(301,387)	(260,540)
Accumulated other comprehensive income (loss)	22,654	(7,497)
Total shareholders equity	1,052,706	1,046,731
Total liabilities and shareholders equity	$ 3,823,269	$ 3,873,707

See accompanying notes which are an integral part of these condensed consolidated financial statements

(Unaudited).

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SPECTRUM BRANDS, INC.

Condensed Consolidated Statements of Operations

For the three and nine month periods ended July 3, 2011 and July 4, 2010

(Unaudited)

(Amounts in thousands, except per share figures)

	THREE MONTHS ENDED		NINE MONTHS ENDED	
	2011	2010	2011	2010
Net sales	$ 804,635	$ 653,486	$ 2,359,586	$ 1,778,012
Cost of goods sold	508,656	398,727	1,506,283	1,125,571
Restructuring and related charges	2,285	1,890	4,932	5,530
Gross profit	293,694	252,869	848,371	646,911
Selling	133,187	112,380	403,768	327,832
General and administrative	60,006	53,619	179,099	139,763
Research and development	9,192	7,078	25,557	21,346
Acquisition and integration related charges	7,444	17,002	31,487	22,472
Restructuring and related charges	4,781	2,954	12,846	11,132
Total operating expenses	214,610	193,033	652,757	522,545
Operating income	79,084	59,836	195,614	124,366
Interest expense	40,398	132,238	165,923	230,130
Other expense, net	770	1,443	1,372	8,427
Income (loss) from continuing operations before reorganization items and income taxes	37,916	(73,845)	28,319	(114,191)
Reorganization items expense, net				3,646
Income (loss) from continuing operations before income taxes	37,916	(73,845)	28,319	(117,837)
Income tax expense	8,995	12,460	69,169	45,016
Income (loss) from continuing operations	28,921	(86,305)	(40,850)	(162,853)
Loss from discontinued operations, net of tax				(2,735)
Net income (loss)	$ 28,921	$ (86,305)	$ (40,850)	$ (165,588)

See accompanying notes which are an integral part of these condensed consolidated financial statements

(Unaudited).

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SPECTRUM BRANDS, INC.

Condensed Consolidated Statements of Cash Flows

For the nine month periods ended July 3, 2011 and July 4, 2010

(Unaudited)

(Amounts in thousands)

	NINE MONTHS ENDED	
	2011	**2010**
Cash flows from operating activities:		
Net loss	$ (40,850)	$ (165,588)
Loss from discontinued operations		(2,735)
Loss from continuing operations	(40,850)	(162,853)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation	34,719	39,488
Amortization of intangibles	43,073	31,744
Amortization of unearned restricted stock compensation	22,515	12,259
Amortization of debt issuance costs	8,745	6,657
Administrative related reorganization items		3,646
Payments for administrative related reorganization items		(47,173)
Payments of acquisition related expenses for Russell Hobbs	(3,637)	(22,452)
Non-cash increase to cost of goods sold due to fresh-start reporting inventory valuation		34,865
Non-cash interest expense on 12% Notes		20,317
Non-cash debt accretion	3,622	17,358
Write off of unamortized discount on retired debt	8,950	59,162
Write off of debt issuance costs	15,420	6,551
Other non-cash adjustments	8,312	10,355
Net changes in assets and liabilities, net of discontinued operations	(101,935)	(53,651)
Net cash used by operating activities of continuing operations	(1,066)	(43,727)
Net cash used by operating activities of discontinued operations	(291)	(9,812)
Net cash used by operating activities	(1,357)	(53,539)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(27,433)	(17,392)
Acquisitions, net of cash acquired	(11,053)	(2,577)
Proceeds from sale of property, plant and equipment	188	260
Proceeds from sale of Assets Held for Sale	6,997	
Other investing activity	(1,530)	
Net cash used by investing activities	(32,831)	(19,709)
Cash flows from financing activities:		
Proceeds from new Senior Credit Facilities, excluding new ABL Revolving Credit Facility, net of discount		1,474,755
Payment of senior credit facilities, excluding old ABL revolving credit facility	(93,400)	(1,278,760)
Prepayment penalty of term loan facility	(7,500)	
Debt issuance costs	(10,769)	(55,135)
Proceeds from other debt financing	15,349	29,849
Reduction of debt	(905)	(8,366)
New ABL Revolving Credit Facility, net	55,000	22,000

Extinguished old ABL revolving credit facility, net		(33,225)
Payments of extinguished supplemental loan		(45,000)
Refund of debt issuance costs		204
Treasury stock purchases	(3,409)	(2,207)
Net cash (used) provided by financing activities	(45,634)	104,115
Effect of exchange rate changes on cash and cash equivalents	(2,414)	(7,086)
Effect of exchange rate changes on cash and cash equivalents due to Venezuela hyperinflation		(5,640)
Net (decrease) increase in cash and cash equivalents	(82,236)	18,141
Cash and cash equivalents, beginning of period	170,614	97,800
Cash and cash equivalents, end of period	$ 88,378	$ 115,941

See accompanying notes which are an integral part of these condensed consolidated financial statements

(Unaudited).

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SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited)

(Amounts in thousands, except per share figures)

1 DESCRIPTION OF BUSINESS

Spectrum Brands Holdings, Inc., a Delaware corporation (SB Holdings), is a global branded consumer products company and was created in connection with the combination of Spectrum Brands, Inc. (Spectrum Brands or the Company), a global branded consumer products company, and Russell Hobbs, Inc. (Russell Hobbs), a global branded small appliance company, to form a new combined company (the Merger). The Merger was consummated on June 16, 2010. As a result of the Merger, both Spectrum Brands and Russell Hobbs are wholly-owned subsidiaries of SB Holdings and Russell Hobbs is a wholly-owned subsidiary of Spectrum Brands. SB Holdings trades on the New York Stock Exchange under the symbol SPB.

In connection with the Merger, Spectrum Brands refinanced its existing senior debt, except for Spectrum Brands 12% Senior Subordinated Toggle Notes due 2019 (the 12% Notes), which remain outstanding, and a portion of Russell Hobbs existing senior debt through a combination of a $750,000 United States (U.S.) dollar term loan due June 16, 2016, $750,000 9.5% Senior Secured Notes maturing June 15, 2018 (the 9.5% Notes) and a $300,000 ABL revolving facility due June 16, 2014 (the ABL Revolving Credit Facility). The term loan facility established in connection with the Merger was subsequently refinanced in February 2011 (the Term Loan), and the ABL Revolving Credit Facility was amended in April 2011. (See also Note 6, Debt, for a more complete discussion of the Company s outstanding debt.)

On February 3, 2009, Spectrum Brands, at the time a Wisconsin corporation, and each of its wholly owned U.S. subsidiaries (collectively, the Debtors) filed voluntary petitions under Chapter 11 of the U.S. Bankruptcy Code (the Bankruptcy Code), in the U.S. Bankruptcy Court for the Western District of Texas (the Bankruptcy Court). On August 28, 2009 (the Effective Date), the Debtors emerged from Chapter 11 of the Bankruptcy Code. As of the Effective Date and pursuant to the Debtors confirmed plan of reorganization, Spectrum Brands converted from a Wisconsin corporation to a Delaware corporation. Prior to and including August 30, 2009, all operations of the business resulted from the operations of the Predecessor Company (as defined below). In accordance with Accounting Standard Codification (ASC) Topic 852: *Reorganizations,* the Company determined that all conditions required for the adoption of fresh-start reporting were met upon emergence from Chapter 11 of the Bankruptcy Code on the Effective Date. However in light of the proximity of that date to the Company s August accounting period close, which was August 30, 2009, the Company elected to adopt a convenience date of August 30, 2009 for recording fresh-start reporting.

On June 28, 2011 the Company filed a Form S-3 registration statement with the U.S. Securities and Exchange Commission (SEC) under which 1,150 shares of its common stock and 6,320 shares of the Company s common stock held by Harbinger Capital Partners Master Fund I, Ltd. (the Selling Stockholder) were offered to the public. Net proceeds to the Company from the sale of the 1,150 shares, after underwriting discounts and estimated expenses, were approximately $30,356. The Company did not receive any proceeds from the sale of the common stock by the Selling Stockholder. SB Holdings expects to use the net proceeds of the sale of common shares for general corporate purposes, which may include, among other things, working capital needs, the refinancing of existing indebtedness, the expansion of its business and acquisitions.

Unless the context indicates otherwise, the term Company is used to refer to both Spectrum Brands and its subsidiaries prior to the Merger and SB Holdings and its subsidiaries subsequent to the Merger. The term Predecessor Company refers only to the Company prior to the Effective Date and the term Successor Company refers to Spectrum Brands or the Company subsequent to the Effective Date.

The Company is a diversified global branded consumer products company with positions in seven major product categories: consumer batteries; small appliances; pet supplies; electric shaving and grooming; electric personal care; portable lighting; and home and garden controls.

Effective October 1, 2010, the Company s chief operating decision-maker decided to manage the businesses of the Company in three vertically integrated, product-focused reporting segments: (i) Global Batteries & Appliances, which consists of the Company s worldwide battery, electric shaving and grooming, electric personal care, portable lighting business and small appliances primarily in the kitchen and home product categories (Global Batteries & Appliances); (ii) Global Pet Supplies, which consists of the Company s worldwide pet supplies business (Global Pet Supplies); and (iii) Home and Garden Business, which consists of the Company s home and garden and insect control business (the Home and Garden Business). The current reporting segment structure reflects the combination of the former Global Batteries & Personal Care segment (Global Batteries & Personal Care), which consisted of the worldwide battery, electric shaving and grooming, electric personal care and portable lighting business, with substantially all of the former Small Appliances segment (Small Appliances), which consisted of the Russell Hobbs

business acquired on June 16, 2010, to form the Global Batteries & Appliances segment. In addition, certain pest control and pet products included in the former Small Appliances segment have been reclassified into the Home and Garden Business and Global Pet Supplies segments, respectively. The presentation of all historical segment reporting herein has been changed to conform to this segment reporting.

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SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

The Company s operations include the worldwide manufacturing and marketing of alkaline, zinc carbon and hearing aid batteries, as well as aquariums and aquatic health supplies and the designing and marketing of rechargeable batteries, battery-powered lighting products, electric shavers and accessories, grooming products and hair care appliances. The Company s operations also include the manufacturing and marketing of specialty pet supplies. The Company also manufactures and markets herbicides, insecticides and insect repellents in North America. The Company also designs, markets and distributes a broad range of branded small appliances and personal care products. The Company s operations utilize manufacturing and product development facilities located in the U.S., Europe and Latin America.

The Company sells its products in approximately 130 countries through a variety of trade channels, including retailers, wholesalers and distributors, hearing aid professionals, industrial distributors and original equipment manufacturers and enjoys name recognition in its markets under the Rayovac, VARTA and Remington brands, each of which has been in existence for more than 80 years, and under the Tetra, 8-in-1, Spectracide, Cutter, Black & Decker, George Foreman, Russell Hobbs, Farberware and various other brands.

2 SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation: These condensed consolidated financial statements have been prepared by the Company, without audit, pursuant to the rules and regulations of 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 July 3, 2011 and September 30, 2010, and the results of operations for the three and nine month periods ended July 3, 2011 and July 4, 2010 and the cash flows for the nine month periods ended July 3, 2011 and July 4, 2010. Certain information and footnote disclosures normally included in consolidated financial statements prepared in accordance with U.S. Generally Accepted Accounting Principles (GAAP) 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 consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the fiscal year ended September 30, 2010. Certain prior period amounts have been reclassified to conform to the current period presentation.

Significant Accounting Policies and Practices: The condensed consolidated financial statements include the condensed consolidated financial statements of SB Holdings and its subsidiaries and are prepared in accordance with GAAP. All intercompany transactions have been eliminated.

The preparation of the 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.

Discontinued Operations: On November 11, 2008, the Predecessor Company s board of directors approved the shutdown of the growing products portion of the Home and Garden Business, which included the manufacturing and marketing of fertilizers, enriched soils, mulch and grass seed. The decision to shutdown the growing products portion of the Home and Garden Business was made only after the Predecessor Company was unable to successfully sell this business, in whole or in part. The shutdown of the growing products portion of the Home and Garden Business was completed during the second quarter of the Company s fiscal year ended September 30, 2009.

The presentation herein of the results of continuing operations excludes the growing products portion of the Home and Garden Business for all periods presented. The following amounts have been segregated from continuing operations and are reflected as discontinued operations for the nine month period ended July 4, 2010:

Net sales	$
Loss from discontinued operations before income taxes	$ (2,512)

Provision for income tax expense	223
Loss from discontinued operations, net of tax	$ (2,735)

Intangible Assets: Intangible assets are recorded at cost or at fair value if acquired in a purchase business combination. Customer relationships and proprietary technology intangibles are amortized, using the straight-line method, over their estimated

SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

useful lives of approximately 4 to 20 years. Excess of cost over fair value of net assets acquired (goodwill) and trade name intangibles are not amortized. Goodwill is tested for impairment at least annually at the reporting unit level, with such groupings being consistent with the Company s reportable segments. If an impairment is indicated, a write-down to fair value (normally measured by discounting estimated future cash flows) is recorded. Trade name intangibles are tested for impairment at least annually by comparing the fair value with the carrying value. Any excess of carrying value over fair value is recognized as an impairment loss in income from operations. The Company s annual impairment testing is completed at the August financial period end. ASC Topic 350: *Intangibles-Goodwill and Other,* requires that goodwill and indefinite-lived intangible assets be tested for impairment annually, or more often if an event or circumstance indicates that an impairment loss may have been incurred. Management uses its judgment in assessing whether assets may have become impaired between annual impairment tests. Indicators such as unexpected adverse business conditions, economic factors, unanticipated technological change or competitive activities, loss of key personnel, and acts by governments and courts may signal that an asset has become impaired.

The Company s goodwill and indefinite lived trade name intangibles were tested in conjunction with the Company s realignment of reportable segments on October 1, 2010. The Company concluded that the fair values of its reporting units, which are the same as the Company s reporting segments, and indefinite lived trade name intangible assets were in excess of the carrying amounts of those assets, under both the Company s prior reportable segment structure and the current reportable segment structure, and, accordingly, no impairment of goodwill or indefinite lived trade name intangibles was recorded.

Shipping and Handling Costs: The Company incurred shipping and handling costs of $51,172 and $150,140 for the three and nine month periods ended July 3, 2011, respectively, and $40,204 and $111,615 for the three and nine month periods ended July 4, 2010, respectively. These costs are included in Selling expenses in the accompanying Condensed Consolidated Statements of Operations (Unaudited). Shipping and handling costs include costs incurred with third-party carriers to transport products to customers as well as salaries and overhead costs related to activities to prepare the Company s products for shipment from its distribution facilities.

Concentrations of Credit Risk: Trade receivables subject the Company to credit risk. 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, and generally does not require collateral. The Company monitors its customers credit and financial condition based on changing economic conditions and makes adjustments to credit policies as required. Provision for losses on uncollectible trade receivables are determined principally on the basis of past collection experience applied to ongoing evaluations of the Company s receivables and evaluations of the risks of nonpayment for a given customer.

The Company has a broad range of customers including many large retail outlet chains, one of which accounts for a significant percentage of its sales volume. This customer represented approximately 25% and 23% of the Company s Net sales during the three and nine month periods ended July 3, 2011, respectively. This customer represented approximately 24% and 22% of the Company s Net sales during the three and nine month periods ended July 4, 2010, respectively. This customer also represented approximately 14% and 15% of the Company s Trade accounts receivable, net at July 3, 2011 and September 30, 2010, respectively.

Approximately 40% and 44% of the Company s Net sales during the three and nine month periods ended July 3, 2011, respectively, and 37% and 43% of the Company s Net sales during the three and nine month periods ended July 4, 2010, respectively, occurred outside the U.S. 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.

Stock-Based Compensation: On the Effective Date all of the existing common stock of the Predecessor Company was extinguished and deemed cancelled, including restricted stock and other stock-based awards.

In September 2009, the Successor Company s board of directors (the Board) adopted the 2009 Spectrum Brands Inc. Incentive Plan (the 2009 Plan). In conjunction with the Merger, the 2009 Plan was assumed by SB Holdings. Up to 3,333 shares of common stock, net of forfeitures and cancellations, could have been issued under the 2009 Plan. After October 21, 2010, no further awards may be made under the 2009 Plan (as described in further detail below) as the Spectrum Brands Holdings, Inc. 2011 Omnibus Equity Award Plan (the 2011 Plan) was approved by the

shareholders of the Company on March 1, 2011.

In conjunction with the Merger, the Company assumed the Spectrum Brands Holdings, Inc. 2007 Omnibus Equity Award Plan (formerly known as the Russell Hobbs, Inc. 2007 Omnibus Equity Award Plan, as amended on June 24, 2008) (the 2007 RH Plan). Up to 600 shares of common stock, net of forfeitures and cancellations, could have been issued under the 2007 RH Plan. After October 21, 2010, no further awards may be made under the 2007 RH Plan (as described in further detail below) as the 2011 Plan was approved by the shareholders of the Company on March 1, 2011.

SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

On October 21, 2010, the Board adopted the 2011 Plan, which received shareholder approval at the Annual Meeting of the shareholders of the Company held on March 1, 2011. Upon such shareholder approval, no further awards will be granted under the 2009 Plan and the 2007 RH Plan. Up to 4,626 shares of common stock of the Company, net of cancellations, may be issued under the 2011 Plan.

Under ASC Topic 718: Compensation-Stock Compensation, the Company is required to recognize expense related to its stock-based plans based on the fair value of its employee stock awards.

Total stock compensation expense associated with restricted stock awards and restricted stock units recognized by the Company during the three and nine month periods ended July 3, 2011 was $8,408, or $5,465, net of taxes, and $22,515, or $14,635, net of taxes, respectively. Total stock compensation expense associated with restricted stock awards recognized by the Company during the three and nine month periods ended July 4, 2010 was $5,866 or $3,813, net of taxes and $12,259, or $7,968, net of taxes respectively.

The Company granted approximately 310 shares of restricted stock during the three month period ended July 4, 2010. Of these grants, approximately 271 restricted stock units were granted in conjunction with the consummation of the merger with Russell Hobbs and are time-based and vest over a one year period. The remaining 39 shares are restricted stock grants that are time-based and vest over a three year period. The Company also granted 629 shares of restricted stock during the three month period ended January 3, 2010. Of these grants, 18 shares are time-based and vest after a one year period and 611 shares are time-based and vest over a two year period. All vesting dates are subject to the recipient s continued employment with the Company, except as otherwise permitted by the Board or in certain cases if the employee is terminated without cause. The total market value of the restricted shares on the date of grant was approximately $23,299.

The Company granted approximately 1,565 restricted stock units during the nine month period ended July 3, 2011. Of these grants, 18 restricted stock units are time-based and vest over a three year period. The remaining 1,547 restricted stock units are performance and time-based with 665 units vesting over a two year period and 882 units vesting over a three year period. The total market value of the restricted stock units on the dates of the grants was approximately $45,614.

The fair value of restricted stock awards and restricted stock units is determined based on the market price of the Company s shares of common stock on the grant date. A summary of the status of the Company s non-vested restricted stock awards and restricted stock units as of July 3, 2011 is as follows:

Restricted Stock Awards	**Shares**	**Weighted Average Grant Date Fair Value**	**Fair Value**
Restricted stock awards at September 30, 2010	428	$ 23.57	$ 10,088
Vested	(305)	23.31	(7,111)
Restricted stock awards at July 3, 2011	123	$ 24.20	$ 2,977

Restricted Stock Units	**Shares**	**Weighted Average Grant Date Fair Value**	**Fair Value**
Restricted stock units at September 30, 2010	249	$ 28.22	$ 7,028

Granted	1,565	29.15	45,614
Forfeited	(17)	29.29	(498)
Vested	(235)	28.39	(6,671)
Restricted stock units at July 3, 2011	1,562	$ 29.11	$ 45,473

SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

Reorganization Items: In accordance with ASC Topic 852: *Reorganizations,* reorganization items are presented separately in the accompanying Condensed Consolidated Statements of Operations (Unaudited) and represent expenses, income, gains and losses that the Company has identified as directly relating to its voluntary petitions under Chapter 11 of the Bankruptcy Code. See Note 2, Voluntary Reorganization Under Chapter 11 in the Company s Annual Report on Form 10-K for the fiscal year ended September 30, 2010 for additional information regarding the Chapter 11 filing and subsequent emergence. Reorganization items expense, net for the nine month period ended July 4, 2010 is summarized as follows:

	2010
Legal and professional fees	$ 3,536
Provision for rejected leases	110
Reorganization items expense, net	$ 3,646

Acquisition and Integration Related Charges: Acquisition and integration related charges reflected in Operating expenses in the accompanying Condensed Consolidated Statements of Operations (Unaudited) include, but are not limited to, transaction costs such as banking, legal and accounting professional fees directly related to the acquisition, termination and related costs for transitional and certain other employees, integration related professional fees and other post business combination related expenses associated with the Company s acquisitions.

Acquisition and integration related charges associated with the Merger incurred by the Company during the three and nine month periods ended July 3, 2011 and July 4, 2010 are summarized as follows:

	Three Months		Nine Months	
	2011	2010	2011	2010
Legal and professional fees	$ 360	$ 15,512	$ 3,949	$ 20,982
Employee termination charges	310	1,387	5,206	1,387
Integration costs	6,718	103	22,088	103
Total Acquisition and integration related charges	$ 7,388	$ 17,002	$ 31,243	$ 22,472

Additionally, the Company incurred $22 and $210 of legal and professional fees and integration costs, respectively, associated with the acquisition of Seed Resources, LLC (Seed Resources) during the three and nine month periods ended July 3, 2011 and $34 in legal and professional fees associated with the acquisition of Value Garden Supply, LLC (Ultra Stop) during the three months ended July 3, 2011. (See Note 14, Acquisitions for additional information on the Seed Resources and Ultra Stop acquisitions.)

3 OTHER COMPREHENSIVE INCOME (LOSS)

Comprehensive income (loss) and the components of other comprehensive income (loss), net of tax, for the three and nine month periods ended July 3, 2011 and July 4, 2010 are as follows:

	Three Months		Nine Months	
	2011	2010	2011	2010
Net income (loss)	$ 28,921	$ (86,305)	$ (40,850)	$ (165,588)
Other comprehensive income (loss):				
Foreign currency translation	13,139	(2,870)	33,009	(9,306)
Valuation allowance adjustments	(216)	668	860	(2,453)
Pension liability adjustments				(52)
Net unrealized loss on derivative instruments	(653)	1,548	(3,718)	(1,850)
Net change to derive comprehensive income (loss) for the period	12,270	(654)	30,151	(13,661)
Comprehensive income (loss)	$ 41,191	$ (86,959)	$ (10,699)	$ (179,249)

Net exchange gains or losses resulting from the translation of assets and liabilities of foreign subsidiaries are accumulated in the Accumulated other comprehensive income (AOCI) 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 and nine month periods ended July 3, 2011 and July 4, 2010 were primarily attributable to the impact of translation of the net assets of the Company s European and Latin American operations, primarily denominated in Euros, Pounds Sterling and Brazilian Real.

SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

4 INVENTORIES

Inventories for the Company, which are stated at the lower of cost or market, consist of the following:

	July 3, 2011	September 30, 2010
Raw materials	$ 70,183	$ 62,857
Work-in-process	35,077	28,239
Finished goods	443,116	439,246
	$ 548,376	$ 530,342

5 GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets for the Company consist of the following:

	Global Batteries & Appliances	Global Pet Supplies	Home and Garden Business	Total
Goodwill:				
Balance at September 30, 2010	$ 268,420	$ 159,985	$ 171,650	$ 600,055
Additions		10,029	255	10,284
Effect of translation	8,429	3,139		11,568
Balance at July 3, 2011	$ 276,849	$ 173,153	$ 171,905	$ 621,907
Intangible Assets:				
Trade names Not Subject to Amortization				
Balance at September 30, 2010	$ 569,945	$ 211,533	$ 76,000	$ 857,478
Additions		2,630	150	2,780
Effect of translation	5,145	6,314		11,459
Balance at July 3, 2011	$ 575,090	$ 220,477	$ 76,150	$ 871,717
Intangible Assets Subject to Amortization				
Balance at September 30, 2010, net	$ 516,324	$ 230,248	$ 165,310	$ 911,882
Amortization during period	(24,868)	(11,519)	(6,686)	(43,073)
Effect of translation	7,517	3,769		11,286
Balance at July 3, 2011, net	$ 498,973	$ 222,498	$ 158,624	$ 880,095
Total Intangible Assets, net at July 3, 2011	$ 1,074,063	$ 442,975	$ 234,774	$ 1,751,812

Intangible assets subject to amortization include proprietary technology, customer relationships and certain trade names. The carrying value of technology assets was $55,848, net of accumulated amortization of $11,765 at July 3, 2011 and $60,792, net of accumulated amortization of $6,305 at September 30, 2010. Trade names subject to amortization relate to the valuation under fresh-start reporting and the Merger. The carrying value of these trade names was $136,520, net of accumulated amortization of $13,180 at July 3, 2011 and $145,939, net of accumulated amortization of $3,750 at September 30, 2010. Remaining intangible assets subject to amortization include customer relationship intangibles. The carrying value of customer relationships was $687,727, net of accumulated amortization of $69,077 at July 3, 2011 and $705,151, net of accumulated amortization of $35,865 at September 30, 2010. The useful life of the Company s intangible assets subject to amortization are 8 years for technology assets related to the Global Pet Supplies segment, 9 to 17 years for technology assets associated with the Global Batteries & Appliances segment, 15 to 20 years for customer relationships of the Global Batteries & Appliances segment, 20 years for customer relationships of the Home and Garden Business and Global Pet Supplies segments, 12 years for a trade name within the Global Batteries & Appliances segment and 4 years for a trade name within the Home and Garden Business segment.

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SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

Amortization expense for the three and nine month periods ended July 3, 2011 and July 4, 2010 is as follows:

	Three Months		Nine Months	
	2011	2010	2011	2010
Proprietary technology amortization	$ 1,649	$ 1,563	$ 4.946	$ 4,655
Customer relationships amortization	9,650	8,767	28,708	26,476
Trade names amortization	3,140	549	9,419	613
	$ 14,439	$ 10,879	$ 43,073	$ 31,744

The Company estimates annual amortization expense for the next five fiscal years will approximate $57,800 per year.

6 DEBT

Debt consists of the following:

	July 3, 2011		September 30, 2010	
	Amount	Rate	Amount	Rate
Term Loan, U.S. Dollar, due June 17, 2016	$ 656,600	5.1%	$ 750,000	8.1%
9.5% Notes, due June 15, 2018	750,000	9.5%	750,000	9.5%
12% Notes, due August 28, 2019	245,031	12.0%	245,031	12.0%
ABL Revolving Credit Facility, expiring April 21, 2016	55,000	2.5%		4.1%
Other notes and obligations	29,061	12.7%	13,605	10.8%
Capitalized lease obligations	26,956	5.0%	11,755	5.2%
	1,762,648		1,770,391	
Original issuance discounts on debt	(14,052)		(26,624)	
Less current maturities	26,677		20,710	
Long-term debt	$ 1,721,919		$ 1,723,057	

In connection with the Merger, Spectrum Brands (i) entered into a new senior secured term loan pursuant to a new senior credit agreement (the Senior Credit Agreement) consisting of a $750,000 U.S. dollar term loan, (ii) issued $750,000 of 9.5% Notes and (iii) entered into a $300,000 ABL Revolving Credit Facility. The proceeds from such financings were used to repay Spectrum Brands then-existing senior term credit facility, that existed at the time of emergence under Chapter 11 of the Bankruptcy Code (the Prior Term Facility) and Spectrum Brands then-existing asset based revolving loan facility, to pay fees and expenses in connection with the refinancing and for general corporate purposes.

The 9.5% Notes and 12% Notes were issued by Spectrum Brands. SB/RH Holdings, LLC, a wholly-owned subsidiary of SB Holdings, and the wholly owned domestic subsidiaries of Spectrum Brands are the guarantors under the 9.5% Notes. The wholly owned domestic subsidiaries of Spectrum Brands are the guarantors under the 12% Notes. SB Holdings is not an issuer or guarantor of the 9.5% Notes or the 12% Notes. SB Holdings is also not a borrower or guarantor under the Company s Term Loan or the ABL Revolving Credit Facility. Spectrum Brands is the borrower under the Term Loan and its wholly owned domestic subsidiaries along with SB/RH Holdings, LLC are the guarantors under that

facility. Spectrum Brands and its wholly owned domestic subsidiaries are the borrowers under the ABL Revolving Credit Facility and SB/RH Holdings, LLC is a guarantor of that facility.

Senior Term Credit Facility

On February 1, 2011, the Company completed the refinancing of its term loan facility established in connection with the Merger, which had an aggregate amount outstanding of $680,000, with an amended and restated credit agreement, together with the amended ABL Revolving Credit Facility, the Senior Credit Facilities) at a lower interest rate.

The Term Loan was issued at par with a maturity date of June 17, 2016. Subject to certain mandatory prepayment events, the Term Loan is subject to repayment according to a scheduled amortization, with the final payment of all amounts outstanding, plus accrued and unpaid interest, due at maturity. Among other things, the Term Loan provides for interest at a rate per annum equal to, at the Company s option, the LIBO rate (adjusted for statutory reserves) subject to a 1.00% floor plus a margin equal to 4.00%, or an alternate base rate plus a margin equal to 3.00%.

SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

The Term Loan contains financial covenants with respect to debt, including, but not limited to, a maximum leverage ratio and a minimum interest coverage ratio, which covenants, pursuant to their terms, become more restrictive over time. In addition, the Term Loan contains customary restrictive covenants, including, but not limited to, restrictions on the Company s ability to incur additional indebtedness, create liens, make investments or specified payments, give guarantees, pay dividends, make capital expenditures and merge or acquire or sell assets. Pursuant to a guarantee and collateral agreement, the Company and its domestic subsidiaries have guaranteed their respective obligations under the Term Loan and related loan documents and have pledged substantially all of their respective assets to secure such obligations. The Term Loan also provides for customary events of default, including payment defaults and cross-defaults on other material indebtedness.

The Company recorded $8,698 of fees in connection with the Term Loan during the nine month period ended July 3, 2011. The fees are classified as Debt issuance costs within the accompanying Condensed Consolidated Statements of Financial Position (Unaudited) and are amortized as an adjustment to interest expense over the remaining life of the Term Loan. The Company recorded cash charges of $6,800 and accelerated amortization of portions of the unamortized discount and unamortized Debt issuance costs totaling $24,370 as an adjustment to increase interest expense, in connection with the refinancing of the term loan facility established in connection with the Merger, during the nine month period ended July 3, 2011. In connection with voluntary prepayments of $90,000 of term debt during the nine month period ended July 3, 2011, the Company recorded cash charges of $700 and accelerated amortization of portions of the unamortized discount and unamortized Debt issuance costs totaling $4,121 as an adjustment to increase interest expense.

At July 3, 2011 and September 30, 2010, the aggregate amount outstanding under the Term Loan totaled $656,600 and $750,000, respectively.

On July 27, 2011, the Company made a voluntary prepayment of $40,000 on its Term Loan.

9.5% Notes

At both July 3, 2011 and September 30, 2010, the Company had outstanding principal of $750,000 under the 9.5% Notes maturing June 15, 2018.

The Company may redeem all or a part of the 9.5% Notes, upon not less than 30 or more than 60 days notice, at specified redemption prices. Further, the indenture governing the 9.5% Notes (the 2018 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.

The 2018 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 2018 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 on or acceleration of certain other indebtedness, and certain events of bankruptcy and insolvency. Events of default under the 2018 Indenture arising from certain events of bankruptcy or insolvency will automatically cause the acceleration of the amounts due under the 9.5% Notes. If any other event of default under the 2018 Indenture occurs and is continuing, the trustee for the 2018 Indenture or the registered holders of at least 25% in the then aggregate outstanding principal amount of the 9.5% Notes may declare the acceleration of the amounts due under those notes.

The 9.5% Notes were issued at a 1.37% discount and were recorded net of the $10,245 amount incurred. The discount is reflected as an adjustment to the carrying value of principal, and is being amortized with a corresponding charge to interest expense over the remaining life of the 9.5% Notes. During Fiscal 2010, the Company recorded $20,823 of fees in connection with the issuance of the 9.5% Notes. The fees are classified as Debt issuance costs within the accompanying Condensed Consolidated Statements of Financial Position (Unaudited) and are amortized as an adjustment to interest expense over the remaining life of the 9.5% Notes.

12% Notes

On August 28, 2009, in connection with emergence from the voluntary reorganization under Chapter 11 of the Bankruptcy Code and pursuant to the Debtors confirmed plan of reorganization, the Company issued $218,076 in aggregate principal amount of 12% Notes maturing August 28, 2019. Semiannually, at its option, the Company may elect to pay interest on the 12% Notes in cash or as payment in kind (PIK). PIK interest is added to principal on the relevant semi-annual interest payment date. Under the Prior Term

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SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

Facility, the Company agreed to make interest payments on the 12% Notes through PIK for the first three semi-annual interest payment periods. As a result of the refinancing of the Prior Term Facility, the Company is no longer required to make interest payments as payment in kind after the semi-annual interest payment date of August 28, 2010. Effective with the semi-annual interest payment date of February 28, 2011, the Company gave notice to the trustee that the interest payment due August 28, 2011 would be made in cash.

The Company may redeem all or a part of the 12% Notes, upon not less than 30 or more than 60 days notice, beginning August 28, 2012 at specified redemption prices. Further, the indenture governing the 12% Notes (the 2019 Indenture) require 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.

At July 3, 2011 and September 30, 2010, the Company had outstanding principal of $245,031 under the 12% Notes, including PIK interest of $26,955 added to principal during Fiscal 2010.

The 2019 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 2019 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 on or acceleration of certain other indebtedness, and certain events of bankruptcy and insolvency. Events of default under the 2019 Indenture arising from certain events of bankruptcy or insolvency will automatically cause the acceleration of the amounts due under the 12% Notes. If any other event of default under the 2019 Indenture occurs and is continuing, the trustee for the indenture or the registered holders of at least 25% in the then aggregate outstanding principal amount of the 12% Notes may declare the acceleration of the amounts due under those notes.

The Company is subject to certain limitations as a result of the Company s Fixed Charge Coverage Ratio under the 2019 Indenture being below 2:1. Until the test is satisfied, Spectrum Brands and certain of its subsidiaries are limited in their ability to make significant acquisitions or incur significant additional senior credit facility debt beyond the Senior Credit Facilities. The Company does not expect its inability to satisfy the Fixed Charge Coverage Ratio test to impair its ability to provide adequate liquidity to meet the short-term and long-term liquidity requirements of its existing businesses, although no assurance can be given in this regard.

In connection with the Merger, the Company obtained the consent of the note holders to certain amendments to the 2019 Indenture (the Supplemental Indenture). The Supplemental Indenture became effective upon the closing of the Merger. Among other things, the Supplemental Indenture amended the definition of change in control to exclude the Harbinger Capital Partners Master Fund I, Ltd. (Harbinger Master Fund), Harbinger Capital Partners Special Situations Fund, L.P. (Harbinger Special Fund) and, together with Harbinger Master Fund, the HCP Funds), Global Opportunities Breakaway Ltd. (together with the HCP Funds, the Harbinger Parties), and their respective affiliates and increased the Company s ability to incur indebtedness up to $1,850,000.

During Fiscal 2010, the Company recorded $2,966 of fees in connection with the consent. The fees are classified as Debt issuance costs within the accompanying Condensed Consolidated Statements of Financial Position (Unaudited) and are amortized as an adjustment to interest expense over the remaining life of the 12% Notes effective with the closing of the Merger.

ABL Revolving Credit Facility

On April 21, 2011 the Company amended the ABL Revolving Credit Facility. The amended facility carries an interest rate, at the Company s option, which is subject to change based on availability under the facility, of either: (a) the base rate plus currently 1.25% per annum or (b) the reserve-adjusted LIBO rate (the Eurodollar Rate) plus currently 2.25% per annum. No amortization is required with respect to the ABL Revolving Credit Facility. The ABL Revolving Credit Facility is scheduled to expire on April 21, 2016.

The ABL Revolving Credit Facility is governed by a credit agreement (the ABL Credit Agreement) with Bank of America as administrative agent (the Agent). The ABL Revolving Credit Facility consists of revolving loans (the Revolving Loans), with a portion available for letters of credit and a portion available as swing line loans, in each case subject to the terms and limits described therein.

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SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

The Revolving Loans may be drawn, repaid and re-borrowed without premium or penalty. The proceeds of borrowings under the ABL Revolving Credit Facility are to be used for costs, expenses and fees in connection with the ABL Revolving Credit Facility, working capital requirements of the Company and its subsidiaries, restructuring costs, and for other general corporate purposes.

The ABL Credit Agreement contains various representations and warranties and covenants, including, without limitation, enhanced collateral reporting, and a maximum fixed charge coverage ratio. The ABL Credit Agreement also provides for customary events of default, including payment defaults and cross-defaults on other material indebtedness.

During Fiscal 2010, the Company recorded $9,839 of fees in connection with the ABL Revolving Credit Facility. During the three month and nine month period ended July 3, 2011, the Company recorded $2,071 of fees in connection with the amendment. The fees are classified as Debt issuance costs within the accompanying Condensed Consolidated Statements of Financial Position (Unaudited) and are amortized as an adjustment to interest expense over the remaining life of the ABL Revolving Credit Facility. Pursuant to the credit and security agreement, the obligations under the ABL credit agreement are secured by certain current assets of the guarantors, including, but not limited to, deposit accounts, trade receivables and inventory.

As a result of borrowings and payments under the ABL Revolving Credit Facility at July 3, 2011, the Company had aggregate borrowing availability of approximately $146,893, net of lender reserves of $48,769 and outstanding letters of credit of $24,105.

7 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. When hedge accounting is elected at inception, the Company formally designates the financial instrument as a hedge of a specific underlying exposure if such criteria are met, and documents both the risk management objectives and strategies for undertaking the hedge. The Company formally assesses both at the inception and at least quarterly thereafter, whether the financial instruments that are used in hedging transactions are effective at offsetting changes in the forecasted cash flows of the related underlying exposure. Because of the high degree of effectiveness between the hedging instrument and the underlying exposure being hedged, fluctuations in the value of the derivative instruments are generally offset by changes in the forecasted cash flows of the underlying exposures being hedged. Any ineffective portion of a financial instrument s change in fair value is immediately recognized in earnings. For derivatives that are not designated as cash flow hedges, or do not qualify for hedge accounting treatment, the change in the fair value is also immediately recognized in earnings.

Under ASC Topic 815: *Derivatives and Hedging,* (ASC 815), entities are required to provide enhanced disclosures for derivative and hedging activities.

SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

The Company s fair value of outstanding derivative contracts recorded as assets in the accompanying Condensed Consolidated Statements of Financial Position (Unaudited) were as follows:

Asset Derivatives		**July 3, 2011**	**September 30, 2010**
Derivatives designated as hedging instruments under ASC 815:			
Commodity contracts	Receivables Other	$ 1,997	$ 2,371
Commodity contracts	Deferred charges and other	1,424	1,543
Foreign exchange contracts	Receivables Other	588	20
Foreign exchange contracts	Deferred charges and other	2	55
Total asset derivatives designated as hedging instruments under ASC 815		$ 4,011	$ 3,989
Derivatives not designated as hedging instruments under ASC 815:			
Foreign exchange contracts	Receivables Other	38	
Total asset derivatives		$ 4,049	$ 3,989

The Company s fair value of outstanding derivative contracts recorded as liabilities in the accompanying Condensed Consolidated Statements of Financial Position (Unaudited) were as follows:

Liability Derivatives		**July 3, 2011**	**September 30, 2010**
Derivatives designated as hedging instruments under ASC 815:			
Interest rate contracts	Accounts payable	$ 2,620	$ 3,734
Interest rate contracts	Accrued interest	854	861
Interest rate contracts	Other long term liabilities		2,032
Commodity contracts	Accounts payable	105	
Foreign exchange contracts	Accounts payable	13,644	6,544
Foreign exchange contracts	Other long term liabilities	1,517	1,057
Total liability derivatives designated as hedging instruments under ASC 815		$ 18,740	$ 14,228
Derivatives not designated as hedging instruments under ASC 815:			
Foreign exchange contracts	Accounts payable	15,520	9,698
Foreign exchange contracts	Other long term liabilities	22,669	20,887

Total liability derivatives	$ 56,929	$ 44,813

Cash Flow Hedges

For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of AOCI and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on the derivative representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness, are recognized in current earnings.

SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

The following table summarizes the pretax impact of derivative instruments designated as cash flow hedges on the accompanying Condensed Consolidated Statements of Operations (Unaudited) for the three month period ended July 3, 2011:

Derivatives in ASC 815 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Commodity contracts	$ (109)	Cost of goods sold	$ 587	Cost of goods sold	$ 16
Interest rate contracts	(42)	Interest expense	(839)	Interest expense	(44)
Foreign exchange contracts	(11)	Net sales	105	Net sales	
Foreign exchange contracts	(5,011)	Cost of goods sold	(4,346)	Cost of goods sold	
Total	$ (5,173)		$ (4,493)		$ (28)

The following table summarizes the pretax impact of derivative instruments designated as cash flow hedges on the accompanying Condensed Consolidated Statements of Operations (Unaudited) for the nine month period ended July 3, 2011:

Derivatives in ASC 815 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Location of Gain (Loss) Recognized in Income on Derivative (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Commodity contracts	$ 1,764	Cost of goods sold	$ 1,921	Cost of goods sold	$ 17
Interest rate contracts	(102)	Interest expense	(2,527)	Interest expense	(294)
Foreign exchange contracts	216	Net sales	(102)	Net sales	
Foreign exchange contracts	(15,801)	Cost of goods sold	(8,438)	Cost of goods sold	

Total	$ (13,923)	$ (9,146)	$ (277)

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SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

The following table summarizes the pretax impact of derivative instruments designated as cash flow hedges on the accompanying Condensed Consolidated Statements of Operations (Unaudited) for the three month period ended July 4, 2010:

Derivatives in ASC 815 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Location of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Commodity contracts	$ (4,647)	Cost of goods sold	$ 155	Cost of goods sold	$ (73)
Interest rate contracts	(998)	Interest expense	(587)	Interest expense	(5,845)[1]
Foreign exchange contracts	(864)	Net sales	(216)	Net sales	
Foreign exchange contracts	5,820	Cost of goods sold	1,601	Cost of goods sold	
Total	$ (689)		$ 953		$ (5,918)

[1] Includes $(4,305) reclassified from AOCI associated with the refinancing of the senior credit facility. (See also Note 6, Debt, for a more complete discussion of the Company s refinancing of its senior credit facility.)

The following table summarizes the pretax impact of derivative instruments designated as cash flow hedges on the accompanying Condensed Consolidated Statements of Operations (Unaudited) for the nine month period ended July 4, 2010:

Derivatives in ASC 815 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Location of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Commodity contracts	$ (2,201)	Cost of goods sold	$ 1,106	Cost of goods sold	$ 68
Interest rate contracts	(12,644)	Interest expense	(3,565)	Interest expense	(5,845)[(1)]
Foreign exchange contracts	(1,214)	Net sales	(402)	Net sales	
Foreign exchange contracts	7,865	Cost of goods sold	1,382	Cost of goods sold	
Total	$ (8,194)		$ (1,479)		$ (5,777)

(1) Includes $(4,305) reclassified from AOCI associated with the refinancing of the senior credit facility. (See also Note 6, Debt, for a more complete discussion of the Company s refinancing of its senior credit facility.)

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SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

Derivative Contracts

For derivative instruments that are used to economically hedge the fair value of the Company s third party and intercompany foreign exchange payments, commodity purchases and interest rate payments, the gain (loss) is recognized in earnings in the period of change associated with the derivative contract. During the three month period ended July 3, 2011 and the three month period ended July 4, 2010, the Company recognized the following gains (losses) on these derivative contracts:

Derivatives Not Designated as Hedging Instruments Under ASC 815	Amount of Gain (Loss) Recognized in Income on Derivatives 2011	2010	Location of Gain or (Loss) Recognized in Income on Derivatives
Commodity contracts	$	$ (53)	Cost of goods sold
Foreign exchange contracts	(7,578)	(9,538)	Other expense, net
Total	$ (7,578)	$ (9,591)	

During the nine month period ended July 3, 2011 and the nine month period ended July 4, 2010, the Company recognized the following gains (losses) on these derivative contracts:

Derivatives Not Designated as Hedging Instruments Under ASC 815	Amount of Gain (Loss) Recognized in Income on Derivatives 2011	2010	Location of Gain or (Loss) Recognized in Income on Derivatives
Commodity contracts	$	$ 99	Cost of goods sold
Foreign exchange contracts	(17,468)	(11,827)	Other expense, net
Total	$ (17,468)	$ (11,728)	

Credit Risk

The Company is exposed to the default risk of the counterparties with which the Company transacts. 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 primarily concentrated with a foreign financial institution counterparty. The Company considers these exposures when measuring its credit reserve on its derivative assets, which was $62 and $75 at July 3, 2011 and September 30, 2010, respectively. Additionally, the Company does not require collateral or other security to support financial instruments subject to credit risk.

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. At July 3, 2011 and September 30, 2010, the Company had posted cash collateral of $294 and $2,363, respectively, related to such liability positions. In addition, at July 3, 2011 and September 30, 2010, the Company had posted standby letters of credit of $2,000 and $4,000, respectively, related to such liability positions. The cash collateral is included in Current Assets Receivables-Other

within the accompanying Condensed Consolidated Statements of Financial Position (Unaudited).

Derivative Financial Instruments

Cash Flow Hedges

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 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 receivables, respectively, and recognized in earnings as an adjustment to interest expense from the underlying debt to which the swap is designated. At July 3, 2011, the Company had a portfolio of U.S. dollar-denominated interest rate swaps outstanding which effectively fix the interest on floating rate debt, exclusive of lender spreads as follows: 2.25% for a notional principal amount of $300,000 through December 2011 and 2.29% for a notional principal amount of $300,000 through January 2012. At September 30, 2010, the Company had a portfolio of U.S. dollar-denominated interest rate swaps outstanding which effectively fixed the interest on floating rate debt, exclusive of lender spreads as follows: 2.25% for a notional principal amount of $300,000 through December 2011 and 2.29% for a notional principal amount of $300,000 through January 2012 (the U.S. dollar swaps). The

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derivative net loss on these contracts recorded in AOCI by the Company at July 3, 2011 was $(1,172), net of tax benefit of $718. The derivative net (loss) on the U.S. dollar swaps contracts recorded in AOCI by the Company at September 30, 2010 was $(2,675), net of tax benefit of $1,640. At July 3, 2011, the portion of derivative net losses estimated to be reclassified from AOCI into earnings by the Company over the next 12 months is $(1,172), net of tax.

The Company periodically enters into forward foreign exchange contracts to hedge the risk from forecasted foreign denominated third party and intercompany sales or payments. These obligations generally require the Company to exchange foreign currencies for U.S. Dollars, Euros, Pounds Sterling, Australian Dollars, Brazilian Reals, Canadian Dollars or Japanese Yen. These foreign exchange contracts are cash flow hedges of fluctuating foreign exchange 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 derivative 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. At July 3, 2011 the Company had a series of foreign exchange derivative contracts outstanding through September 2012 with a contract value of $270,955. At September 30, 2010, the Company had a series of foreign exchange derivative contracts outstanding through June 2012 with a contract value of $299,993. The derivative net loss on these contracts recorded in AOCI by the Company at July 3, 2011 was $(10,301), net of tax benefit of $4,270. The derivative net (loss) on these contracts recorded in AOCI by the Company at September 30, 2010 was $(5,322), net of tax benefit of $2,204. At July 3, 2011, the portion of derivative net losses estimated to be reclassified from AOCI into earnings by the Company over the next 12 months is $(9,251), net of tax.

The Company is exposed to risk from fluctuating prices for raw materials, specifically zinc used in its manufacturing processes. The Company hedges a portion of the risk associated with 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 July 3, 2011 the Company had a series of such swap contracts outstanding through September 2012 for 10 tons with a contract value of $20,872. At September 30, 2010, the Company had a series of such swap contracts outstanding through September 2012 for 15 tons with a contract value of $28,897. The derivative net gain on these contracts recorded in AOCI by the Company at July 3, 2011 was $2,153, net of tax expense of $1,147. The derivative net gain on these contracts recorded in AOCI by the Company at September 30, 2010 was $2,256, net of tax expense of $1,201. At July 3, 2011, the portion of derivative net gains estimated to be reclassified from AOCI into earnings by the Company over the next 12 months is $1,246, net of tax.

Derivative 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, Euros or Australian Dollars. These foreign exchange contracts are fair value hedges of a related liability or asset recorded in the accompanying Condensed Consolidated Statements of Financial Position (Unaudited). 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 July 3, 2011 and September 30, 2010, the Company had $277,510 and $333,562, respectively, of notional value for such foreign exchange derivative contracts outstanding.

8 FAIR VALUE OF FINANCIAL INSTRUMENTS

ASC Topic 820: *Fair Value Measurements and Disclosures,* (ASC 820) establishes a framework for measuring fair value and expands related disclosures. Broadly, the ASC 820 framework requires fair value to be determined based on 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. ASC 820 establishes market or observable inputs as the preferred source of values, followed by assumptions based on hypothetical transactions in the absence of market inputs. The Company utilizes valuation techniques that attempt to maximize the use of observable inputs and minimize the use of unobservable inputs. The determination of the fair values considers various factors, including closing exchange or over-the-counter market pricing quotations, time value and credit quality factors underlying options and contracts. 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 instruments 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

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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 its valuation techniques in measuring the fair value of any financial assets and liabilities during the periods presented.

The valuation techniques required by ASC 820 are based upon observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect market assumptions made by the Company. These two types of inputs create the following fair value 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 maintains policies and procedures to value instruments using the best and most relevant data available. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls must be determined based on the lowest level input that is significant to the fair value measurement. The Company s assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment, and considers factors specific to the asset or liability. In addition, the Company has risk management teams that review valuation, including independent price validation for certain instruments. Further, in other instances, the Company retains independent pricing vendors to assist in valuing certain instruments.

The Company s derivatives are valued using internal models, which are based on market observable inputs including interest rate curves and both forward and spot prices for currencies and commodities.

The Company s net derivative portfolio as of July 3, 2011, contains Level 2 instruments and represents commodity, interest rate and foreign exchange contracts.

	Level 1	Level 2	Level 3	Total
Assets:				
Commodity contracts, net	$	$ 3,316	$	$ 3,316
Total Assets	$	$ 3,316	$	$ 3,316
Liabilities:				
Interest rate contracts	$	$ (3,474)	$	$ (3,474)
Foreign exchange contracts, net		(52,722)		(52,722)
Total Liabilities	$	$ (56,196)	$	$ (56,196)

The Company s net derivative portfolio as of September 30, 2010, contains Level 2 instruments and represents commodity, interest rate and foreign exchange contracts.

	Level 1	Level 2	Level 3	Total
Assets:				
Commodity contracts, net	$	$ 3,914	$	$ 3,914
Total Assets	$	$ 3,914	$	$ 3,914
Liabilities:				
Interest rate contracts	$	$ (6,627)	$	$ (6,627)
Foreign exchange contracts, net		(38,111)	$	(38,111)
Total Liabilities	$	$ (44,738)	$	$ (44,738)

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The carrying values of cash and cash equivalents, accounts and other receivables, accounts payable and short-term debt approximate fair value. The fair values of long-term debt and derivative financial instruments are generally based on quoted or observed market prices.

Goodwill, intangible assets and other long-lived assets are also tested annually, or more frequently if a triggering event occurs that indicates an impairment loss may have been incurred, using fair value measurements with unobservable inputs (Level 3). (See also Note 2, Significant Accounting Policies Intangible Assets, for further details on impairment testing.)

The carrying amounts and fair values of the Company s financial instruments are summarized as follows ((liability)/asset):

	July 3, 2011		September 30, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Total debt	$ (1,748,596)	$ (1,873,943)	$ (1,743,767)	$ (1,868,754)
Interest rate swap agreements	(3,474)	(3,474)	(6,627)	(6,627)
Commodity swap and option agreements	3,316	3,316	3,914	3,914
Foreign exchange forward agreements	(52,722)	(52,722)	(38,111)	(38,111)

9 EMPLOYEE BENEFIT PLANS

Pension Benefits

The Company has various defined benefit pension plans covering some of its employees in the U.S. and certain employees in other countries, primarily the United Kingdom and Germany. These pension plans generally provide benefits of stated amounts for each year of service. The Company funds its U.S. pension plans in accordance with the Internal Revenue Service (IRS) defined guidelines 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 non-U.S. defined benefit plans are equal to the actuarial recommendations or statutory requirements in the respective countries. The Company also 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 and therefore are not included in the information presented below. The Company also has various nonqualified deferred compensation agreements with certain of its employees. Under certain of these agreements, the Company has agreed to pay certain amounts annually for the first 15 years subsequent to retirement or to a designated beneficiary upon death. It is management s intent that life insurance contracts owned by the Company will fund these agreements. Under the remaining agreements, the Company has agreed to pay such deferred amounts in up to 15 annual installments beginning on a date specified by the employee, subsequent to retirement or disability, or to a designated beneficiary upon death.

Other Benefits

Under the Rayovac postretirement plan, the Company provides certain health care and life insurance benefits to eligible retired employees. Participants earn retiree health care benefits over the succeeding years of service after reaching age 45 and remain eligible until reaching age 65. The plan is contributory and, accordingly, retiree contributions have been established as a flat dollar amount with contribution rates expected to increase at the active medical trend rate. This plan is unfunded.

Under the Tetra U.S. postretirement plan, the Company provides postretirement medical benefits to full-time employees who meet minimum age and service requirements. The plan is contributory with retiree contributions adjusted annually and contains other cost-sharing features such as deductibles, coinsurance and copayments.

The Company s results of operations for the three and nine month periods ended July 3, 2011 and July 4, 2010 reflect the following pension and deferred compensation benefit costs:

	Three Months		Nine Months	
Components of net periodic pension benefit and deferred compensation benefit cost	**2011**	**2010**	**2011**	**2010**
Service cost	$ 781	$ 725	$ 2,344	$ 2,174
Interest cost	2,557	1,932	7,670	5,558
Expected return on assets	(1,965)	(1,382)	(5,896)	(3,926)
Amortization of prior service cost		1		4

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Components of net periodic pension benefit and deferred compensation benefit cost	Three Months 2011	Three Months 2010	Nine Months 2011	Nine Months 2010
Recognized net actuarial loss	97	22	291	25
Employee contributions	(129)	(88)	(386)	(265)
Net periodic benefit cost	$ 1,341	$ 1,210	$ 4,023	$ 3,570

Pension and deferred compensation contributions	Three Months 2011	Three Months 2010	Nine Months 2011	Nine Months 2010
Contributions made during period	$ 3,189	$ 1,711	$ 6,145	$ 3,714

The following table sets forth the fair value of the Company s pension plan assets as of July 3, 2011 segregated by level within the fair value hierarchy (See Note 8 Fair Value of Financial Instruments, for discussion of the fair value hierarchy and fair value principles):

	Level 1	Level 2	Level 3	Total
U.S. Defined Benefit Plan Assets:				
Common collective trust equity	$	$ 34,321	$	$ 34,321
Common collective trust fixed income		13,528		13,528
Total U.S. Defined Benefit Plan Assets	$	$ 47,849	$	$ 47,849
International Defined Benefit Plan Assets:				
Common collective trust equity	$	$ 33,298	$	$ 33,298
Common collective trust fixed income		10,859		10,859
Insurance contracts general fund		43,689		43,689
Other		5,844		5,844
Total International Defined Benefit Plan Assets	$	$ 93,690	$	$ 93,690

The following table sets forth the fair value of the Company s pension plan assets as of September 30, 2010 segregated by level within the fair value hierarchy:

	Level 1	Level 2	Level 3	Total
U.S. Defined Benefit Plan Assets:				
Common collective trust equity	$	$ 28,168	$	$ 28,168
Common collective trust fixed income		16,116		16,116
Total U.S. Defined Benefit Plan Assets	$	$ 44,284	$	$ 44,284
International Defined Benefit Plan Assets:				
Common collective trust equity	$	$ 28,090	$	$ 28,090
Common collective trust fixed income		9,725		9,725

Insurance contracts general fund		40,347		40,347
Other		3,120		3,120
Total International Defined Benefit Plan Assets	$	$ 81,282	$	$ 81,282

The Company sponsors a defined contribution pension 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 currently contributes annually from 3% to 6% of participants compensation based on age or service, and has the ability to make additional discretionary contributions. The Company also sponsors defined contribution pension plans for employees of certain foreign subsidiaries. Company contributions charged to operations, including discretionary amounts, for the three and nine month periods ended July 3, 2011 were $1,439 and $4,192, respectively. Company contributions charged to operations, including discretionary amounts, for the three and nine month periods ended July 4, 2010 were $933 and $2,408, respectively.

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10 INCOME TAXES

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, 2007 are closed. However, the federal net operating loss carryforward from the Company s fiscal year ended September 30, 2007 is subject to IRS examination until the year that such net operating loss carryforward is utilized and that year is closed for audit. The Company s fiscal years ended September 30, 2008, 2009, and 2010 remain open to examination by the IRS. Filings in various U.S. state and local jurisdictions are also subject to audit and to date no significant audit matters have arisen.

In the U.S., federal tax filings for years prior to and including Russell Hobbs fiscal year ended June 30, 2008 are closed. However, the federal net operating loss carryforward from Russell Hobbs fiscal year ended June 30, 2008 is subject to IRS examination until the year that such net operating loss carryforward is utilized and that year is closed for audit. Russell Hobbs fiscal years ended June 30, 2009 and June 16, 2010 remain open to examination by the IRS. Filings in various U.S. state and local jurisdictions are also subject to audit and to date no significant audit matters have arisen.

11 SEGMENT RESULTS

Effective October 1, 2010 the Company began managing its business in three vertically integrated, product-focused reporting segments: (i) Global Batteries & Appliances; (ii) Global Pet Supplies; and (iii) the Home and Garden Business (See Note 1, Description of Business, for additional information regarding the Company s realignment of its reporting segments).

Global strategic initiatives and financial objectives for each reportable segment are determined at the corporate level. Each reportable segment is responsible for implementing defined strategic initiatives and achieving certain financial objectives and has a general manager responsible for the sales and marketing initiatives and financial results for product lines within that segment.

Net sales and Cost of goods sold to other business segments have been eliminated. The gross contribution of intersegment sales is included in the segment selling the product to the external customer. Segment net sales are based upon the segment from which the product is shipped.

The operating segment profits do not include restructuring and related charges, acquisition and integration related charges, reorganization items expense, interest expense, interest income and income tax expense. In connection with the realignment of reportable segments discussed above, as of October 1, 2010, certain general and administrative expenses which were previously reflected in operating segment profits, have been excluded in the determination of reportable segment profits. Accordingly, corporate expenses primarily include general and administrative expenses and global long-term incentive compensation plans costs which are evaluated on a consolidated basis and not allocated to the Company s operating segments. All depreciation and amortization included in income from operations is related to operating segments or corporate expense. Costs are identified to operating segments or corporate expense according to the function of each cost center.

All capital expenditures are related to operating segments. Variable allocations of assets are not made for segment reporting.

The financial information presented herein reflects the impact of all of the segment structure changes discussed above for all periods presented.

Segment information for the three and nine month periods ended July 3, 2011 and July 4, 2010 is as follows:

	Three Months		**Nine Months**	
	2011	**2010**	**2011**	**2010**

Net sales from external customers				
Global Batteries & Appliances	$ 505,213	$ 353,585	$ 1,661,177	$ 1,090,521
Global Pet Supplies	143,839	136,089	425,106	421,261
Home and Garden Business	155,583	163,812	273,303	266,230
Total segments	$ 804,635	$ 653,486	$ 2,359,586	$ 1,778,012

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Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

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	Three Months		Nine Months	
	2011	**2010**	**2011**	**2010**
Segment profit				
Global Batteries & Appliances	$ 45,480	$ 35,399	$ 180,460	$ 118,496
Global Pet Supplies	19,240	17,743	53,951	38,339
Home and Garden Business	42,921	40,106	51,008	41,493
Total segments	107,641	93,248	285,419	198,328
Corporate expense	14,047	11,566	40,540	34,828
Acquisition and integration related charges	7,444	17,002	31,487	22,472
Restructuring and related charges	7,066	4,844	17,778	16,662
Interest expense	40,398	132,238	165,923	230,130
Other expense, net	770	1,443	1,372	8,427
Income (loss) from continuing operations before reorganization items and income taxes	$ 37,916	$ (73,845)	$ 28,319	$ (114,191)

	July 3, 2011	September 30, 2010
Segment total assets		
Global Batteries & Appliances	$ 2,378,130	$ 2,477,091
Global Pet Supplies	866,916	839,191
Home and Garden Business	527,256	496,143
Total segments	3,772,302	3,812,425
Corporate	50,967	61,282
Total assets at period end	$ 3,823,269	$ 3,873,707

The Global Batteries & Appliances segment does business in Venezuela through a Venezuelan subsidiary. At January 4, 2010, the beginning of the Company s second quarter of Fiscal 2010, the Company determined that Venezuela meets the definition of a highly inflationary economy under GAAP. As a result, beginning January 4, 2010, the U.S. dollar is the functional currency for the Company s Venezuelan subsidiary. Accordingly, going forward, currency remeasurement adjustments for this subsidiary s financial statements and other transactional foreign exchange gains and losses are reflected in earnings. Through January 3, 2010, prior to being designated as highly inflationary, translation adjustments related to the Venezuelan subsidiary were reflected in Shareholders equity as a component of AOCI.

In addition, on January 8, 2010, the Venezuelan government announced its intention to devalue its currency, the Bolivar fuerte, relative to the U.S. dollar. The official exchange rate for imported goods classified as essential, such as food and medicine, changed from 2.15 to 2.6 to the U.S. dollar, while payments for other non-essential goods moved to an exchange rate of 4.3 to the U.S. dollar. Some of the Company s imported products fall into the essential classification and qualify for the 2.6 rate; however, the Company s overall results in Venezuela were reflected at the 4.3 rate expected to be applicable to dividend repatriations beginning in the second quarter of Fiscal 2010. As a result, the Company remeasured the local statement of financial position of its Venezuela entity during the second quarter of Fiscal 2010 to reflect the impact of the devaluation. Based on actual exchange activity, the Company determined on September 30, 2010 that the most likely method of exchanging its Bolivar fuertes for U.S. dollars will be to formally apply with the Venezuelan government to exchange through commercial banks at the SITME rate specified by the Central Bank of Venezuela. The SITME rate as of September 30, 2010 was quoted at 5.3 Bolivar fuerte per U.S. dollar. Therefore, the Company changed the rate used to remeasure Bolivar fuerte denominated transactions as of September 30, 2010 from the official

non-essentials exchange rate to the 5.3 SITME rate in accordance with ASC 830, Foreign Currency Matters as it is the expected rate that exchanges of Bolivar fuerte to U.S. dollars will be settled. There is also an ongoing immaterial impact related to measuring the Company s Venezuelan statement of operations at the new exchange rate of 5.3 to the U.S. dollar.

The designation of the Company s Venezuela entity as a highly inflationary economy and the devaluation of the Bolivar fuerte resulted in a $150 and $1,306 reduction to the Company s operating income during the three and nine month periods ended July 4, 2010, respectively. The Company also reported a foreign exchange loss in Other expense (income), net, of $5,823 for the nine month period ended July 4, 2010.

12 RESTRUCTURING AND RELATED CHARGES

The Company reports restructuring and related charges associated with manufacturing and related initiatives in Cost of goods sold. Restructuring and related charges reflected in Cost of goods sold include, but are not limited to, termination, compensation and related costs associated with manufacturing employees, asset impairments relating to manufacturing initiatives, and other costs directly related to the restructuring or integration initiatives implemented.

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The Company reports restructuring and related charges relating to administrative functions 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 functional areas described above, and other costs directly related to the initiatives implemented as well as consultation, legal and accounting fees related to the evaluation of the Predecessor Company s capital structure incurred prior to the filing under the Bankruptcy Code.

The following table summarizes restructuring and related charges incurred by segment for the three and nine month periods ended July 3, 2011 and July 4, 2010:

	Three Months		Nine Months	
	2011	2010	2011	2010
Cost of goods sold:				
Global Batteries & Appliances	$ 408	$ 1,185	$ 508	$ 2,638
Global Pet Supplies	1,877	705	4,424	2,854
Home and Garden Business				38
Total restructuring and related charges in cost of goods sold	2,285	1,890	4,932	5,530
Operating expenses:				
Global Batteries & Appliances	1,678	51	2,295	(155)
Global Pet Supplies	1,855	222	5,435	724
Home and Garden Business	747	(220)	2,082	7,805
Corporate	501	2,901	3,034	2.758
Total restructuring and related charges in operating expenses	4,781	2,954	12,846	11,132
Total restructuring and related charges	$ 7,066	$ 4,844	$ 17,778	$ 16,662

2009 Restructuring Initiatives

The Company implemented a series of initiatives within the Global Batteries & Appliances segment, the Global Pet Supplies segment and the Home and Garden Business segment to reduce operating costs as well as evaluate the Company s opportunities to improve its capital structure (the Global Cost Reduction Initiatives). These initiatives include headcount reductions within each of the Company s segments and the exit of certain facilities in the U.S. related to the Global Pet Supplies and Home and Garden Business segments. These initiatives also included consultation, legal and accounting fees related to the evaluation of the Company s capital structure. The Company recorded $6,462 and $14,569 of pretax restructuring and related charges during the three and nine month periods ended July 3, 2011, respectively, and the Company recorded $2,553 and $13,942 of pretax restructuring and related charges during the three and nine month periods ended July 4, 2010, respectively, related to the Global Cost Reduction Initiatives. Costs associated with these initiatives, which are expected to be incurred through March 31, 2014, are projected to total approximately $65,000.

Global Cost Reduction Initiatives Summary

The following table summarizes the remaining accrual balance associated with the 2009 initiatives and the activity during the nine month period ended July 3, 2011:

	Termination Benefits	Other Costs	Total
Accrual balance at September 30, 2010	$ 6,447	$ 4,005	$ 10,452
Provisions	5,795	492	6,287
Cash expenditures	(5,021)	(2,486)	(7,507)
Non-cash items	183	570	753
Accrual balance at July 3, 2011	$ 7,404	$ 2,581	$ 9,985
Expensed as incurred[(A)]	$ 686	$ 7,596	$ 8,282

(A) Consists of amounts not impacting the accrual for restructuring and related charges.

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The following table summarizes the expenses incurred during the nine month period ended July 3, 2011, the cumulative amount incurred to date and the total future expected costs to be incurred associated with the Global Cost Reduction Initiatives by operating segment:

	Global Batteries & Appliances	Global Pet Supplies	Home and Garden Business	Corporate	Total
Restructuring and related charges during the nine month period ended July 3, 2011	$ 2,628	$ 9,859	$ 2,082	$	$ 14,569
Restructuring and related charges since initiative inception	$ 9,667	$ 20,069	$ 16,086	$ 7,591	$ 53,413
Total future restructuring and related charges expected	$	$ 8,700	$ 2,781	$	$ 11,481

2008 Restructuring Initiatives

The Company implemented an initiative within the Global Batteries & Appliances segment in China to reduce operating costs and rationalize the Company s manufacturing structure. These initiatives include the plan to exit the Company s Ningbo, China battery manufacturing facility (the Ningbo Exit Plan). The Company recorded $119 and $219 of pretax restructuring and related charges during the three and nine month period ended July 3, 2011, respectively, and $193 and $1,526 of pretax restructuring and related charges during the three and nine month periods ended July 4, 2010, respectively, in connection with the Ningbo Exit Plan. The Company has recorded pretax restructuring and related charges of $29,597 since the inception of the Ningbo Exit Plan, which is now substantially complete.

Ningbo Exit Plan Summary

The following table summarizes the remaining accrual balance associated with the 2008 initiatives and the activity during the nine month period ended July 3, 2011:

	Other Costs
Accrual balance at September 30, 2010	$ 491
Provisions	24
Cash expenditures	(143)
Non-cash items	(372)
Accrual balance at July 3, 2011	$
Expensed as incurred[(A)]	$ 195

[(A)] Consists of amounts not impacting the accrual for restructuring and related charges.

2007 Restructuring Initiatives

In Fiscal 2007, the Company began managing its business in three vertically integrated, product-focused reporting segments: Global Batteries & Personal Care (which, effective October 1, 2010, includes the appliance portion of Russell Hobbs, collectively, Global Batteries & Appliances),

Global Pet Supplies and the Home and Garden Business. As part of this realignment, the Company s Global Operations organization, previously included in corporate expense, consisting of research and development, manufacturing management, global purchasing, quality operations and inbound supply chain, is now included in each of the operating segments. In connection with these changes, the Company undertook a number of cost reduction initiatives, primarily headcount reductions, at the corporate and operating segment levels (the Global Realignment Initiatives). In connection with the Global Realignment Initiatives, the Company recorded $485 and $2,990 of pretax restructuring and related charges during the three and nine month periods ended July 3, 2011, respectively, and $2,098 and $1,115 of pretax restructuring and related charges during the three and nine month periods ended July 4, 2010, respectively. Costs associated with these initiatives, which are expected to be incurred through June 30, 2013, relate primarily to severance and are projected at approximately $92,300, the majority of which are cash costs.

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Global Realignment Initiatives Summary

The following table summarizes the remaining accrual balance associated with the Global Realignment Initiatives and the activity during the nine month period ended July 3, 2011:

	Termination Benefits	Other Costs	Total
Accrual balance at September 30, 2010	$ 8,721	$ 2,281	$ 11,002
Provisions	1,207	93	1,300
Cash expenditures	(7,096)	(619)	(7,715)
Non-cash items	(676)	498	(178)
Accrual balance at July 3, 2011	$ 2,156	$ 2,253	$ 4,409
Expensed as incurred[(A)]	$	$ 1,690	$ 1,690

(A) Consists of amounts not impacting the accrual for restructuring and related charges.

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SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

The following table summarizes the expenses incurred during the nine month period ended July 3, 2011, the cumulative amount incurred to date and the total future expected costs to be incurred associated with the Global Realignment Initiatives by operating segment:

	Global Batteries & Appliances	Home and Garden Business	Corporate	Total
Restructuring and related charges during the nine month period ended July 3, 2011	$ (44)	$	$ 3,034	$ 2,990
Restructuring and related charges since initiative inception	$ 46,625	$ 6,762	$ 38,190	$ 91,577
Total future restructuring and related charges expected	$	$	$ 750	$ 750

2006 Restructuring Initiatives

The Company implemented a series of initiatives within the Global Batteries & Appliances segment in Europe to reduce operating costs and rationalize the Company s manufacturing structure (the European Initiatives). These initiatives, which are substantially complete, include the relocation of certain operations at the Ellwangen, Germany packaging center to the Dischingen, Germany battery plant and restructuring its sales, marketing and support functions. The Company recorded no pretax restructuring and related charges during the three and nine month periods ended July 3, 2011 or during the three and nine month periods ended July 4, 2010 in connection with the European Initiatives. The Company has recorded pretax restructuring and related charges of $26,965 since the inception of the European Initiatives.

European Initiatives Summary

The following table summarizes the remaining accrual balance associated with the 2006 initiatives and the activity during the nine month period ended July 3, 2011:

	Termination Benefits	Other Costs	Total
Accrual balance at September 30, 2010	$ 1,801	$ 47	$ 1,848
Cash expenditures	(455)	(39)	(494)
Non-cash items	115	(8)	107
Accrual balance at July 3, 2011	$ 1,461	$	$ 1,461

13 COMMITMENTS AND CONTINGENCIES

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 approximately $8,560, which may result from resolution of these matters, will not have a material adverse effect on the financial condition, results of operations or cash flows of the Company.

In December 2009, San Francisco Technology, Inc. filed an action in the Federal District Court for the Northern District of California against the Company, as well as a number of unaffiliated defendants, claiming that each of the defendants had falsely marked patents on certain of its products in violation of Article 35, Section 292 of the U.S. Code and seeking to have civil fines imposed on each of the defendants for such

claimed violations. In July 2011, the parties reached a full and final settlement of this matter and the case has been dismissed.

Applica Consumer Products, Inc. (Applica), a wholly-owned subsidiary of the Company, is a defendant in three asbestos lawsuits in which the plaintiffs have alleged injury as the result of exposure to asbestos in hair dryers distributed by that subsidiary over 20 years ago. Although Applica never manufactured such products, asbestos was used in certain hair dryers distributed by it prior to 1979. The Company believes that these actions are without merit, but may be unable to resolve the disputes successfully without incurring significant expenses which the Company is unable to estimate at this time. At this time, the Company does not believe it has coverage under its insurance policies for the asbestos lawsuits.

The Company is a defendant in various other matters of litigation generally arising out of the ordinary course of business.

SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

The Company does not believe that any other matters or proceedings presently pending will have a material adverse effect on its results of operations, financial condition, liquidity or cash flows.

14 ACQUISITIONS

Russell Hobbs

On June 16, 2010, the Company consummated the Merger, pursuant to which Spectrum Brands became a wholly-owned subsidiary of the Company and Russell Hobbs became a wholly owned subsidiary of Spectrum Brands. Headquartered in Miramar, Florida, Russell Hobbs is a designer, marketer and distributor of a broad range of branded small household appliances. Russell Hobbs markets and distributes small kitchen and home appliances, pet and pest products and personal care products. Russell Hobbs has a broad portfolio of recognized brand names, including Black & Decker, George Foreman, Russell Hobbs, Toastmaster, LitterMaid, Farberware, Breadman and Juiceman. Russell Hobbs customers include mass merchandisers, specialty retailers and appliance distributors primarily in North America, South America, Europe and Australia.

The results of Russell Hobbs operations since June 16, 2010 are included in the Company s Condensed Consolidated Statements of Operations (Unaudited). Effective October 1, 2010, substantially all of the financial results of Russell Hobbs are reported within the Global Batteries & Appliances segment. In addition, certain pest control and pet products included in the former Small Appliances segment have been reclassified into the Home and Garden Business and Global Pet Supplies segments, respectively.

In accordance with ASC Topic 805, *Business Combinations* (ASC 805), the Company accounted for the Merger by applying the acquisition method of accounting. The acquisition method of accounting requires that the consideration transferred in a business combination be measured at fair value as of the closing date of the acquisition. After consummation of the Merger, the stockholders of Spectrum Brands, inclusive of the Harbinger Parties, owned approximately 60% of SB Holdings and the stockholders of Russell Hobbs owned approximately 40% of SB Holdings. Inasmuch as Russell Hobbs was a private company and its common stock was not publicly traded, the closing market price of the Spectrum Brands common stock at June 15, 2010 was used to calculate the purchase price. The total purchase price of Russell Hobbs was approximately $597,579 determined as follows:

Spectrum Brands closing price per share on June 16, 2010	$ 28.15
Purchase price Russell Hobbs allocation 20,704 shares[(1)(2)]	$ 575,203
Cash payment to pay off Russell Hobbs North American credit facility	22,376
Total purchase price of Russell Hobbs	$ 597,579

(1) Number of shares calculated based upon conversion formula, as defined in the Merger Agreement, using balances as of June 16, 2010.

(2) The fair value of 271 shares of unvested restricted stock units as they relate to post combination services will be recorded as operating expense over the remaining service period and were assumed to have no fair value for the purchase price.

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SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

Purchase Price Allocation

The total purchase price for Russell Hobbs was allocated to the net tangible and intangible assets based upon their fair values at June 16, 2010 as set forth below. The excess of the purchase price over the net tangible assets and intangible assets was recorded as goodwill. The measurement period for the Merger has closed, during which no adjustments were made to the preliminary purchase price allocation. The final purchase price allocation for Russell Hobbs is as follows:

Current assets	$ 307,809
Property, plant and equipment	15,150
Intangible assets	363,327
Goodwill[A]	120,079
Other assets	15,752
Total assets acquired	$ 822,117
Current liabilities	142,046
Total debt	18,970
Long-term liabilities	63,522
Total liabilities assumed	$ 224,538
Net assets acquired	$ 597,579

[A] Consists of $25,426 of tax deductible Goodwill.

Pre-Acquisition Contingencies Assumed

The Company has evaluated pre-acquisition contingencies relating to Russell Hobbs that existed as of the acquisition date. Based on the evaluation, the Company has determined that certain pre-acquisition contingencies are probable in nature and estimable as of the acquisition date. Accordingly, the Company has recorded its best estimates for these contingencies as part of the purchase price allocation for Russell Hobbs. The Company continues to gather information relating to all pre-acquisition contingencies that it has assumed from Russell Hobbs. As the measurement period has closed, adjustments to pre-acquisition contingency amounts are reflected in the Company s results of operations.

ASC 805 requires, among other things, that most assets acquired and liabilities assumed be recognized at their fair values as of the acquisition date. Accordingly, the Company performed a preliminary valuation of the assets and liabilities of Russell Hobbs at June 16, 2010. Significant adjustments as a result of the purchase price allocation are summarized as follows:

Inventories An adjustment of $1,721 was recorded to adjust inventory to fair value. Finished goods were valued at estimated selling prices less the sum of costs of disposal and a reasonable profit allowance for the selling effort.

Deferred tax liabilities, net An adjustment of $43,086 was recorded to adjust deferred taxes for the preliminary fair value allocations.

Property, plant and equipment, net An adjustment of $(455) was recorded to adjust the net book value of property, plant and equipment to fair value giving consideration to their highest and best use. Key assumptions used in the valuation of the Company s property, plant and equipment were based on the cost approach.

Certain indefinite-lived intangible assets were valued using a relief from royalty methodology. Customer relationships and certain definite-lived intangible assets were valued using a multi-period excess earnings method. Certain intangible assets are subject to sensitive business factors of which only a portion are within control of the Company s management. The total fair value of indefinite and definite lived intangibles was $363,327 as of June 16, 2010. A summary of the significant key inputs were as follows:

The Company valued customer relationships using the income approach, specifically the multi-period excess earnings method. In determining the fair value of the customer relationship, 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 included an expected growth rate of 3%. The Company assumed a customer retention rate of approximately 93%, which was supported by historical retention rates. Income taxes were estimated at 36% and amounts were discounted using a rate of 15.5%. The customer relationships were valued at $38,000 under this approach.

SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

The Company valued trade names and trademarks using the income approach, specifically 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 name was not owned. Royalty rates were selected based on consideration of several factors, including prior transactions of Russell Hobbs related trademarks and trade names, other similar trademark licensing and transaction agreements and the relative profitability and perceived contribution of the trademarks and trade names. Royalty rates used in the determination of the fair values of trade names and trademarks ranged from 2.0% to 5.5% of expected net sales related to the respective trade names and trademarks. The Company anticipates using the majority of the trade names and trademarks for an indefinite period as demonstrated by the sustained use of each subject trademark. In estimating the fair value of the trademarks and trade names, Net sales for significant trade names and trademarks were estimated to grow at a rate of 1%-14% annually with a terminal year growth rate of 3%. Income taxes were estimated at a range of 30%-38% and amounts were discounted using rates between 15.5%-16.5%. Trade name and trademarks were valued at $170,930 under this approach.

The Company valued a trade name license agreement using the income approach, specifically the multi-period excess earnings method. In determining the fair value of the trade name license agreement, 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 trade name license agreement after deducting contributory asset charges. The incremental after-tax cash flows attributable to the subject intangible asset are then discounted to their present value. In estimating the fair value of the trade name license agreement, net sales were estimated to grow at a rate of (3)%-1% annually. The Company assumed a twelve year useful life of the trade name license agreement. Income taxes were estimated at 37% and amounts were discounted using a rate of 15.5%. The trade name license agreement was valued at $149,200 under this approach.

The Company valued technology using the income approach, specifically 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 of Russell Hobbs related licensing agreements and the importance of the technology and profit levels, among other considerations. Royalty rates used in the determination of the fair values of technologies were 2% of expected net sales related to the respective technology. The Company anticipates using these technologies through the legal life of the underlying patent and therefore the expected life of these technologies was equal to the remaining legal life of the underlying patents ranging from 9 to 11 years. In estimating the fair value of the technologies, net sales were estimated to grow at a rate of 3%-12% annually. Income taxes were estimated at 37% and amounts were discounted using the rate of 15.5%. The technology assets were valued at $4,100 under this approach.

SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

Supplemental Pro Forma Information

The following reflects the Company s pro forma results had the results of Russell Hobbs been included for all periods beginning after September 30, 2009.

	Three Months		Nine Months	
	2011	2010	2011	2010
Net sales:				
Reported Net sales	$ 804,635	$ 653,486	$ 2,359,586	$ 1,778,012
Russell Hobbs adjustment		137,540		543,952
Pro forma Net sales	$ 804,635	$ 791,026	$ 2,359,586	$ 2,321,964
Income (loss) from continuing operations:				
Reported income (loss) from continuing operations	$ 28,921	$ (86,305)	$ (40,850)	$ (162,853)
Russell Hobbs adjustment		(20,547)		(5,504)
Pro forma income (loss) from continuing operations	$ 28,921	$ (106,852)	$ (40,850)	$ (168,357)

Seed Resources

On December 3, 2010, the Company completed the $10,524 cash acquisition of Seed Resources. Seed Resources is a wild bird seed cake producer through its Birdola premium brand seed cakes. This acquisition was not significant individually. In accordance with ASC 805, the Company accounted for the acquisition by applying the acquisition method of accounting. The acquisition method of accounting requires that the consideration transferred in a business combination be measured at fair value as of the closing date of the acquisition.

The results of Seed Resources operations since December 3, 2010 are included in the Company s Condensed Consolidated Statements of Operations (Unaudited) and are reported as part of the Global Pet Supplies business segment. The preliminary purchase price of $12,500, which includes a $1,476 sales earn out and a $500 manufacturing earn out, has been allocated to the acquired net assets, including a $1,100 trade name intangible asset and $10,029 of goodwill, was based upon a preliminary valuation. The Company s estimates and assumptions for this acquisition are subject to change as the Company obtains additional information for its estimates during the respective measurement period. The primary areas of the purchase price allocation that are not yet finalized relate to certain legal matters, income and non-income based taxes and residual goodwill.

Ultra Stop

On April 14, 2011, the Company completed the $775 cash acquisition of Ultra Stop. Ultra Stop is a trade name used to market a variety of home and garden control products at a major customer. This acquisition was not material to the Company individually. In accordance with ASC 805, the Company accounted for the acquisition by applying the acquisition method of accounting. The acquisition method of accounting requires that the consideration transferred in a business combination be measured at fair value as of the closing date of the acquisition.

The results of Ultra Stop s operations since April 14, 2011 are included in the Company s Condensed Consolidated Statements of Operations (Unaudited) and are reported as part of the Home and Garden Business segment. The preliminary purchase price of $775 has been allocated to the acquired net assets, including a $150 trade name intangible asset and $255 of goodwill, was based upon a preliminary valuation. The Company s estimates and assumptions for this acquisition are subject to change as the Company obtains additional information for its estimates

during the respective measurement period.

SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

15 RELATED PARTY TRANSACTIONS

Merger Agreement and Exchange Agreement

On June 16, 2010 (the Closing Date), SB Holdings completed the Merger pursuant to the Agreement and Plan of Merger, dated as of February 9, 2010, as amended on March 1, 2010, March 26, 2010 and April 30, 2010, by and among SB Holdings, Russell Hobbs, Spectrum Brands, Battery Merger Corp., and Grill Merger Corp. (the Merger Agreement). As a result of the Merger, each of Spectrum Brands and Russell Hobbs became a wholly-owned subsidiary of SB Holdings. At the effective time of the Merger, (i) the outstanding shares of Spectrum Brands common stock were canceled and converted into the right to receive shares of SB Holdings common stock, and (ii) the outstanding shares of Russell Hobbs common stock and preferred stock were canceled and converted into the right to receive shares of SB Holdings common stock.

Pursuant to the terms of the Merger Agreement, on February 9, 2010, Spectrum Brands entered into support agreements with the Harbinger Parties and Avenue International Master, L.P. and certain of its affiliates (the Avenue Parties), in which the Harbinger Parties and the Avenue Parties agreed to vote their shares of Spectrum Brands common stock acquired before the date of the Merger Agreement in favor of the Merger and against any alternative proposal that would impede the Merger.

Immediately following the consummation of the Merger, the Harbinger Parties owned approximately 64% of the outstanding SB Holdings common stock and the stockholders of Spectrum Brands (other than the Harbinger Parties) owned approximately 36% of the outstanding SB Holdings common stock.

On January 7, 2011, the Harbinger Parties contributed 27,757 shares of SB Holdings common stock to Harbinger Group Inc. (HRG) and received in exchange for such shares an aggregate of 119,910 shares of HRG common stock (such transaction, the Share Exchange), pursuant to a Contribution and Exchange Agreement (the Exchange Agreement). Immediately following the Share Exchange, (i) HRG owned approximately 54.4% of the outstanding shares of SB Holding s common stock and the Harbinger Parties owned approximately 12.7% of the outstanding shares of SB Holdings common stock, and (ii) the Harbinger Parties owned 129,860 shares of HRG common stock, or approximately 93.3% of the outstanding HRG common stock.

On June 28, 2011 the Company filed a Form S-3 registration statement with the SEC under which 1,150 shares of its common stock and 6,320 shares of the Company s common stock held by Harbinger Capital Partners Master Fund I, Ltd. were offered to the public.

In connection with the Merger, the Harbinger Parties and SB Holdings entered into a stockholder agreement, dated February 9, 2010 (the Stockholder Agreement), which provides for certain protective provisions in favor of minority stockholders and provides certain rights and imposes certain obligations on the Harbinger Parties, including:

- for so long as the Harbinger Parties and their affiliates beneficially own 40% or more of the outstanding voting securities of SB Holdings, the Harbinger Parties and the Company will cooperate to ensure, to the greatest extent possible, the continuation of the structure of the SB Holdings board of directors as described in the Stockholder Agreement;

- the Harbinger Parties will not effect any transfer of equity securities of SB Holdings to any person that would result in such person and its affiliates owning 40% or more of the outstanding voting securities of SB Holdings, unless specified conditions are met; and

- the Harbinger Parties will be granted certain access and informational rights with respect to SB Holdings and its subsidiaries.

Pursuant to a joinder to the Stockholder Agreement entered into by the Harbinger Parties and HRG, upon consummation of the Share Exchange, HRG became a party to the Stockholder Agreement, and is subject to all of the covenants, terms and conditions of the Stockholder Agreement to

the same extent as the Harbinger Parties were bound thereunder prior to giving effect to the Share Exchange.

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

Also in connection with the Merger, the Harbinger Parties and SB Holdings entered into a registration rights agreement, dated as of February 9, 2010 (the SB Holdings Registration Rights Agreement), pursuant to which the Harbinger Parties 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 SB Holdings common stock. On September 10, 2010, the Harbinger Parties and HRG entered into a joinder to the SB Holdings Registration Rights Agreement, pursuant to which, effective upon the consummation of the Share Exchange, HRG will become a party to the SB Holdings Registration Rights Agreement, entitled to the rights and subject to the obligations of a holder thereunder.

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SPECTRUM BRANDS, INC.

Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

(Amounts in thousands, except per share figures)

Other Agreements

On August 28, 2009, in connection with Spectrum Brands emergence from Chapter 11 reorganization proceedings, Spectrum Brands entered into a registration rights agreement with the Harbinger Parties, the Avenue Parties and D.E. Shaw Laminar Portfolios, L.L.C. (D.E. Shaw), pursuant to which the Harbinger Parties, the Avenue Parties and D.E. Shaw 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 Spectrum Brands 12% Notes.

In connection with the Merger, Russell Hobbs and Harbinger Master Fund entered into an indemnification agreement, dated as of February 9, 2010 (the Indemnification Agreement), by which Harbinger Master Fund agreed, among other things and subject to the terms and conditions set forth therein, to guarantee the obligations of Russell Hobbs to pay (i) a reverse termination fee to Spectrum Brands under the merger agreement and (ii) monetary damages awarded to Spectrum Brands in connection with any willful and material breach by Russell Hobbs of the Merger Agreement. The maximum amount payable by Harbinger Master Fund under the Indemnification Agreement was $50,000 less any amounts paid by Russell Hobbs or the Harbinger Parties, or any of their respective affiliates as damages under any documents related to the Merger. No such amounts became due under the Indemnification Agreement. Harbinger Master Fund also agreed to indemnify Russell Hobbs, SB Holdings and their subsidiaries for out-of-pocket costs and expenses above $3,000 in the aggregate that become payable after the consummation of the Merger and that relate to the litigation arising out of Russell Hobbs business combination transaction with Applica. In February 2011, the parties to the litigation reached a full and final settlement of their disputes. Neither the Company, Applica or any other subsidiary of the Company was required to make any payments in connection with the settlement.

16 NEW ACCOUNTING PRONOUNCEMENTS

Revenue Recognition Multiple-Element Arrangements

In October 2009, the Financial Accounting Standards Board issued new accounting guidance addressing the accounting for multiple-deliverable arrangements to enable entities to account for products or services (deliverables) separately rather than as a combined unit. The provisions establish the accounting and reporting guidance for arrangements under which the entity will perform multiple revenue-generating activities. Specifically, this guidance addresses how to separate deliverables and how to measure and allocate arrangement consideration to one or more units of accounting. The Company adopted the new guidance on October 1, 2010 and the adoption did not impact the Company s financial statements and related disclosures.

17 CONSOLIDATING FINANCIAL STATEMENTS

On the Effective Date, pursuant to the Plan, Spectrum Brands, with its domestic subsidiaries as guarantors, issued the 12% Notes under the 2019 Indenture for the benefit of holders of allowed claims with respect to the Predecessor Company s then-existing senior subordinated notes. See Note 2, Voluntary Reorganization Under Chapter 11, in the Company s Annual Report on Form 10-K for the fiscal year ended September 30, 2010, for further details of the Bankruptcy Cases. In connection with the Merger, Spectrum Brands, with its domestic subsidiaries and SB/RH Holdings, LLC as guarantors, issued the 9.5% Notes under the 2018 Indenture. (See Note 6, Debt, for further information on the 12% Notes and the 2019 Indenture and the 9.5% Notes under the 2018 Indenture.)

The following consolidating financial statements illustrate the components of the consolidated financial statements of the Company. Investments in subsidiaries are accounted for using the equity method for purposes of illustrating the consolidating presentation. Earnings of subsidiaries are therefore reflected in the Company s and guarantor subsidiaries investment accounts and earnings. The elimination entries presented herein eliminate investments in subsidiaries and intercompany balances and transactions. Separate consolidated financial statements of the guarantor subsidiaries are not presented because management has determined that such financial statements would not be material to investors.

SPECTRUM BRANDS, INC. AND SUBSIDIARIES

Condensed Consolidating Statement of Financial Position

July 3, 2011

(Unaudited)

(Amounts in thousands)

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 17,427	$ 3,999	$ 66,952	$	$ 88,378
Receivables:					
Trade accounts receivables, net of allowances	41,752	121,177	196,738		359,667
Intercompany receivables	554,495	920,157	1,305,003	(2,779,165)	490
Other	3,135	5,140	43,306		51,581
Inventories	90,047	235,345	227,304	(4,320)	548,376
Deferred income taxes	3,747	11,908	16,606	427	32,688
Prepaid expenses and other	17,894	8,278	30,617		56,789
Total current assets	728,497	1,306,004	1,886,526	(2,783,058)	1,137,969
Property, plant and equipment, net	58,964	44,976	112,583		216,523
Long term intercompany receivables	189,910	183,152	(62,306)	(310,756)	
Deferred charges and other	12,759	5,600	31,288		49,647
Goodwill	67,722	354,482	199,703		621,907
Intangible assets, net	528,019	747,615	476,178		1,751,812
Debt issuance costs	45,411				45,411
Investments in subsidiaries	4,778,480	3,475,918	2,819,857	(11,074,255)	
Total assets	$ 6,409,762	$ 6,117,747	$ 5,463,829	$ (14,168,069)	$ 3,823,269
LIABILITIES AND SHAREHOLDERS EQUITY					
Current liabilities:					
Current maturities of long-term debt	$ 6,931	$ 1,012	$ 18,734		$ 26,677
Accounts payable	1,130,528	636,755	1,179,170	(2,641,070)	305,383
Accrued liabilities:					
Wages and benefits	16,622	7,637	34,162		58,421
Income taxes payable	(2,002)	327	46,141		44,466
Restructuring and related charges	6,058	1,088	8,709		15,855
Accrued interest	18,109		99		18,208
Other	10,443	45,357	58,392		114,192
Total current liabilities	1,186,689	692,176	1,345,407	(2,641,070)	583,202
Long-term debt, net of current maturities	1,688,115	385,920	495,478	(847,594)	1,721,919
Employee benefit obligations, net of current portion	12,235	4,824	74,499		91,558
Deferred income taxes	11,384	252,554	48,851		312,789
Other	33,625	3,793	23,677		61,095
Total liabilities	2,932,048	1,339,267	1,987,912	(3,488,664)	2,770,563
Shareholders equity:					

Other equity	1,348,391	2,940,448	3,551,252	(6,508,652)	1,331,439
Accumulated deficit (retained earnings)	(758,310)	(327,296)	(108,301)	892,520	(301,387)
Accumulated other comprehensive income (deficit)	2,887,632	2,165,328	32,967	(5,063,273)	22,654
Total shareholders equity (deficit)	3,477,713	4,778,480	3,475,918	(10,679,405)	1,052,706
Total liabilities and shareholders equity	$ 6,409,761	$ 6,117,747	$ 5,463,830	$ (14,168,069)	$ 3,823,269

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SPECTRUM BRANDS, INC. AND SUBSIDIARIES

Condensed Consolidating Statement of Financial Position

September 30, 2010

(Unaudited)

(Amounts in thousands)

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
ASSETS					
Current assets:					
Cash and cash equivalents	$ 52,580	$ 2,723	$ 115,311	$	$ 170,614
Receivables:					
Trade accounts receivables, net of allowances	44,793	117,195	203,014		365,002
Intercompany receivables	315,682	1,495,366	1,196,559	(3,007,607)	
Other	6,676	6,217	28,655		41,548
Inventories	101,855	212,348	219,555	(3,416)	530,342
Deferred income taxes	5,360	17,620	12,327	428	35,735
Prepaid expenses and other	13,709	8,338	34,527		56,574
Total current assets	540,655	1,859,807	1,809,948	(3,010,595)	1,199,815
Property, plant and equipment, net	56,588	47,060	97,516		201,164
Long term intercompany receivables	180,623	190,104	(168,682)	(202,045)	
Deferred charges and other	10,594	3,019	32,739		46,352
Goodwill	67,722	365,899	166,434		600,055
Intangible assets, net	535,851	771,013	462,496		1,769,360
Debt issuance costs	52,836	4,125			56,961
Investments in subsidiaries	5,333,056	4,031,401	2,945,431	(12,309,888)	
Total assets	$ 6,777,925	$ 7,272,428	$ 5,345,882	$ (15,522,528)	$ 3,873,707
LIABILITIES AND SHAREHOLDERS EQUITY					
Current liabilities:					
Current maturities of long-term debt	$ 14,194	$ 1,263	$ 11,788	$ (6,535)	$ 20,710
Accounts payable	737,575	1,413,382	411,844	(2,230,570)	332,231
Accrued liabilities:					
Wages and benefits	34,363	18,276	41,332		93,971
Income taxes payable	(80)	1,470	35,728		37,118
Restructuring and related charges	8,428	4,104	11,261		23,793
Accrued interest	31,509		143		31,652
Other	14,800	42,821	65,427		123,048
Total current liabilities	840,789	1,481,316	577,523	(2,237,105)	662,523
Long-term debt, net of current maturities	1,707,386	244,406	582,104	(810,839)	1,723,057
Employee benefit obligations, net of current portion	13,106	5,074	74,545		92,725
Deferred income taxes	22,808	208,700	46,335		277,843
Other	36,978	(124)	33,974		70,828
Total liabilities	2,621,067	1,939,372	1,314,481	(3,047,944)	2,826,976
Shareholders equity:					

Other equity	1,314,769	2,972,200	4,311,375	(7,283,576)	1,314,768
Accumulated deficit (retained earnings)	(812,948)	(541,431)	(287,686)	1,381,525	(260,540)
Accumulated other comprehensive income (deficit)	3,655,037	2,902,287	7,712	(6,572,533)	(7,497)
Total shareholders equity (deficit)	4,156,858	5,333,056	4,031,401	(12,474,584)	1,046,731
Total liabilities and shareholders equity	$ 6,777,925	$ 7,272,428	$ 5,345,882	$ (15,522,528)	$ 3,873,707

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SPECTRUM BRANDS, INC. AND SUBSIDIARIES

Condensed Consolidating Statement of Operations

Three Month Period Ended July 3, 2011

(Unaudited)

(Amounts in thousands)

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	$ 148,415	$ 351,078	$ 334,300	$ (29,158)	$ 804,635
Cost of goods sold	102,603	231,020	204,438	(29,405)	508,656
Restructuring and related charges	124	1,877	313	(29)	2,285
Gross profit	45,688	118,181	129,549	276	293,694
Operating expenses:					
Selling	18,274	46,433	68,623	(143)	133,187
General and administrative	18,504	21,670	19,832		60,006
Research and development	5,628	2,529	1,035		9,192
Acquisition and integration related charges	2,517	2,995	1,932		7,444
Restructuring and related charges	1,389	2,780	612		4,781
	46,312	76,407	92,034	(143)	214,610
Operating (loss) income	(624)	41,774	37,515	419	79,084
Interest expense	35,188	452	4,756	2	40,398
Other (income) expense, net	(59,459)	(28,897)	288	88,838	770
Income (loss) from continuing operations before income taxes	23,647	70,219	32,471	(88,421)	37,916
Income tax expense (benefit)	(33,533)	32,997	9,479	52	8,995
Net income (loss)	$ 57,180	$ 37,222	$ 22,992	$ (88,473)	$ 28,921

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SPECTRUM BRANDS, INC. AND SUBSIDIARIES

Condensed Consolidating Statement of Operations

Three Month Period Ended July 4, 2010

(Unaudited)

(Amounts in thousands)

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	$ 96,769	$ 331,447	$ 260,225	$ (34,955)	$ 653,486
Cost of goods sold	54,786	225,214	153,049	(34,322)	398,727
Restructuring and related charges	67	705	1,118		1,890
Gross profit	41,916	105,528	106,058	(633)	252,869
Operating expenses:					
Selling	16,441	38,836	57,126	(23)	112,380
General and administrative	(27,058)	59,078	21,599		53,619
Research and development	4,089	2,108	881		7,078
Acquisition and integration related charges	15,479	1,490	33		17,002
Restructuring and related charges	2,935	(148)	167		2,954
	11,886	101,364	79,806	(23)	193,033
Operating income (loss)	30,030	4,164	26,252	(610)	59,836
Interest expense	132,804	(5,898)	5,309	23	132,238
Other (income) expense, net	(22,210)	5,494	(427)	18,586	1,443
(Loss) income before income taxes	(80,564)	4,568	21,370	(19,219)	(73,845)
Income tax expense (benefit)	9,997	(3,264)	5,582	145	12,460
Net (loss) income	$ (90,561)	$ 7,832	$ 15,788	$ (19,364)	$ (86,305)

SPECTRUM BRANDS, INC. AND SUBSIDIARIES

Condensed Consolidating Statement of Operations

Nine Month Period Ended July 3, 2011

(Unaudited)

(Amounts in thousands)

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	$ 358,931	$ 1,008,198	$ 1,116,250	$ (123,793)	$ 2,359,586
Cost of goods sold	214,537	725,437	688,962	(122,653)	1,506,283
Restructuring and related charges	124	4,424	413	(29)	4,932
Gross profit	144,270	278,337	426,875	(1,111)	848,371
Operating expenses:					
Selling	54,662	130,577	218,955	(426)	403,768
General and administrative	54,387	60,182	64,530		179,099
Research and development	14,379	8,508	2,670		25,557
Acquisition and integration related charges	6,857	15,912	8,718		31,487
Restructuring and related charges	4,022	7,696	1,128		12,846
	134,307	222,875	296,001	(426)	652,757
Operating income (loss)	9,963	55,462	130,874	(685)	195,614
Interest expense	149,126	1,219	15,561	17	165,923
Other (income) expense, net	(187,735)	(101,461)	504	290,064	1,372
Income (loss) from continuing operations before income taxes	48,572	155,704	114,809	(290,766)	28,319
Income tax expense (benefit)	(12,384)	52,682	28,833	38	69,169
Net income (loss)	$ 60,956	$ 103,022	$ 85,976	$ (290,804)	$ (40,850)

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Condensed Consolidating Statement of Operations

Nine Month Period Ended July 4, 2010

(Unaudited)

(Amounts in thousands)

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net sales	$ 293,539	$ 766,766	$ 814,995	$ (97,288)	$ 1,778,012
Cost of goods sold	171,877	561,388	487,755	(95,449)	1,125,571
Restructuring and related charges	3,390	2,892	(752)		5,530
Gross profit	118,272	202,486	327,992	(1,839)	646,911
Operating expenses:					
Selling	53,175	95,544	179,213	(100)	327,832
General and administrative	16,221	74,592	48,950		139,763
Research and development	13,372	5,148	2,826		21,346
Acquisition and integration	20,950	1,490	32		22,472
Restructuring and related charges	2,566	8,329	237		11,132
	106,284	185,103	231,258	(100)	522,545
Operating income (loss)	11,988	17,383	96,734	(1,739)	124,366
Interest expense	208,408	4,539	17,123	60	230,130
Other (income) expense, net	(64,102)	1,954	5,951	64,624	8,427
(Loss) income from continuing operations before reorganization items, net and income taxes	(132,318)	10,890	73,660	(66,423)	(114,191)
Reorganization items expense, net	4,482	(836)			3,646
(Loss) income from continuing operations before income taxes	(136,800)	11,726	73,660	(66,423)	(117,837)
Income tax expense (benefit)	34,931	(11,652)	21,755	(18)	45,016
(Loss) income from continuing operations	(171,731)	23,378	51,905	(66,405)	(162,853)
Loss from discontinued operations, net of tax		(2,735)			(2,735)
Net (loss) income	$ (171,731)	$ 20,643	$ 51,905	$ (66,405)	$ (165,588)

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SPECTRUM BRANDS, INC. AND SUBSIDIARIES

Condensed Consolidating Statement of Cash Flows

Nine Month Period Ended July 3, 2011

(Unaudited)

(Amounts in thousands)

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net cash (used) provided by operating activities of continuing operations	$ 269,638	$ (85,536)	$ 732,612	$ (918,555)	$ (1,841)
Net cash used by operating activities of continuing operations		(291)			(291)
Net cash (used) provided by operating activities	269,638	(85,827)	732,612	(918,555)	(2,132)
Cash flows from investing activities:					
Purchases of property, plant and equipment	(11,544)	(7,555)	(8,334)		(27,433)
Proceeds from sale of property, plant and equipment		95	93		188
Acquisition, net of cash		(10,278)			(10,278)
Proceeds from sale of assets - Ningbo			6,997		6,997
Other investing		(1,530)			(1,530)
Net cash used by investing activities	(11,544)	(19,268)	(1,244)		(32,056)
Cash flows from financing activities:					
Payment of Senior Credit Facilities	(93,400)				(93,400)
Prepayment penalty of extinguished term loan facility	(7,500)				(7,500)
ABL Revolving Credit Facility, net	55,000				55,000
Reduction of other debt			(905)		(905)
Proceeds from debt financing	15,349				15,349
Debt issuance costs	(10,769)				(10,769)
Treasury stock purchases	(3,409)				(3,409)
Proceeds from (advances related to) intercompany transactions	(248,518)	106,371	(776,408)	918,555	
Net cash provided (used) by financing activities	(293,247)	106,371	(777,313)	918,555	(45,634)
Effect of exchange rate changes on cash and cash equivalents			(2,414)		(2,414)
Net increase in cash and cash equivalents	(35,153)	1,276	(48,359)		(82,236)
Cash and cash equivalents, beginning of period	52,580	2,723	115,311		170,614
Cash and cash equivalents, end of period	$ 17,427	$ 3,999	$ 66,952	$	$ 88,378

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SPECTRUM BRANDS, INC. AND SUBSIDIARIES

Condensed Consolidating Statement of Cash Flows

Nine Month Period Ended July 4, 2010

(Unaudited)

(Amounts in thousands)

	Parent	Guarantor Subsidiaries	Nonguarantor Subsidiaries	Eliminations	Consolidated Total
Net cash (used) provided by operating activities of continuing operations	$ (117,262)	$ (911,395)	$ 653,828	$ 331,102	$ (43,727)
Net cash used by operating activities of discontinued operations		(9,812)			(9,812)
Net cash (used) provided by operating activities	(117,262)	(921,207)	653,828	331,102	(53,539)
Cash flows from investing activities:					
Purchases of property, plant and equipment	(7,874)	(4,064)	(5,454)		(17,392)
Acquisitions	(2,577)				(2,577)
Intercompany investments	(174,319)	174,319			
Proceeds from sale of property, plant and equipment and investments		216	44		260
Net cash used by investing activities	(184,770)	170,471	(5,410)		(19,709)
Cash flows from financing activities:					
Proceeds from new Senior Credit Facilities, excluding new ABL Revolving Credit Facility, net of discount	1,474,755				1,474,755
Payments of extinguished senior credit facilities, excluding old ABL credit facility	(1,278,760)				(1,278,760)
Debt issuance costs	(55,135)				(55,135)
Proceeds from debt financing	13,085		16,764		29,849
Reduction of other debt	(8,039)		(327)		(8,366)
New ABL Revolving Credit Facility, net	22,000				22,000
Extinguished old ABL Credit Facility, net	(33,225)				(33,225)
Refund of debt issuance costs	204				204
Payments of extinguished supplemental loan	(45,000)				(45,000)
Treasury stock purchases for SB Holdings	(2,207)				(2,207)
Proceeds from (advances related to) intercompany transactions	215,570	750,212	(634,679)	(331,103)	
Net cash provided (used) by financing activities	303,248	750,212	(618,242)	(331,103)	104,115
Effect of exchange rate changes on cash and cash equivalents			(7,086)		(7,086)
Effect of exchange rate changes on cash and cash equivalents due to Venezuela hyperinflation			(5,640)		(5,640)
Net increase in cash and cash equivalents	1,216	(524)	17,450	(1)	18,141
Cash and cash equivalents, beginning of period	1,450	3,364	92,986		97,800
Cash and cash equivalents, end of period	$ 2,666	$ 2,840	$ 110,436	$ (1)	$ 115,941

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

Introduction

Spectrum Brands Holdings, Inc., a Delaware corporation (SB Holdings), is a diversified global branded consumer products company and was created in connection with the combination of Spectrum Brands, Inc. (Spectrum Brands), a global branded consumer products company and Russell Hobbs, Inc. (Russell Hobbs), a global branded small appliance company, to form a new combined company (the Merger). The Merger was consummated on June 16, 2010. As a result of the Merger, both Spectrum Brands and Russell Hobbs are wholly-owned subsidiaries of SB Holdings and Russell Hobbs is a wholly-owned subsidiary of Spectrum Brands. SB Holdings common stock trades on the New York Stock Exchange (the NYSE) under the symbol SPB.

In connection with the Merger, we refinanced Spectrum Brands existing senior debt, except for Spectrum Brands 12% Senior Subordinated Toggle Notes due 2019 (the 12% Notes), which remain outstanding, and a portion of Russell Hobbs existing senior debt through a combination of a $750 million Term Loan due June 16, 2016, $750 million 9.5% Senior Secured Notes maturing June 15, 2018 (the 9.5% Notes) and a $300 million ABL revolving facility due June 16, 2014 (the ABL Revolving Credit Facility). The term loan facility established in connection with the Merger was subsequently refinanced in February 2011 (the Term Loan), and the ABL Revolving Credit Facility was amended in April 2011. See *Liquidity and Capital Resources, Financing Activities* below, as well as Note 6, Debt, to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for additional information regarding our outstanding debt.

On June 28, 2011 we filed a Form S-3 registration statement with the U.S. Securities and Exchange Commission (SEC) under which 1.2 million shares of our common stock and 6.3 million shares of our common stock held by Harbinger Capital Partners Master Fund I, Ltd. (the "Selling Stockholder") were offered to the public. Net proceeds to us from the sale of the 1.2 million shares, after underwriting discounts and estimated expenses, were approximately $30 million. We did not receive any proceeds from the sale of our common stock by the Selling Stockholder. We expect to use the net proceeds of the sale of common shares for general corporate purposes, which may include, among other things, working capital needs, the refinancing of existing indebtedness, the expansion of our business and acquisitions.

As further described below, on February 3, 2009, we and our wholly owned U.S. subsidiaries (collectively, the Debtors) filed voluntary petitions under Chapter 11 of the U.S. Bankruptcy Code (the Bankruptcy Code) in the U.S. Bankruptcy Court for the Western District of Texas (the Bankruptcy Court). On August 28, 2009 (the Effective Date), the Debtors emerged from Chapter 11 of the Bankruptcy Code. Effective as of the Effective Date and pursuant to the Debtors confirmed plan of reorganization, we converted from a Wisconsin corporation to a Delaware corporation.

Unless the context indicates otherwise, the terms the Company, Spectrum, we, our or us are used to refer to SB Holdings and its subsidiaries subsequent to the Merger and Spectrum Brands prior to the Merger, as well as before, on and after the Effective Date. The term Old Spectrum refers only to Spectrum Brands, our Wisconsin predecessor, and its subsidiaries prior to the Effective Date.

Business Overview

We are a diversified global branded consumer products company with positions in seven major product categories: consumer batteries; pet supplies; home and garden control products; electric shaving and grooming products; small appliances; electric personal care products; and portable lighting.

Effective October 1, 2010, our chief operating decision-maker decided to manage the businesses in three vertically integrated, product-focused reporting segments: (i) Global Batteries & Appliances, which consists of our worldwide battery, electric shaving and grooming, electric personal care, portable lighting business and small appliances primarily in the kitchen and home product categories (Global Batteries & Appliances); (ii) Global Pet Supplies, which consists of our worldwide pet supplies business (Global Pet Supplies); and (iii) Home and Garden Business, which consists of our home and garden and insect control business (the Home and Garden Business). The current reporting segment structure reflects the combination of the former Global Batteries & Personal Care segment (Global Batteries & Personal Care), which consisted of the worldwide battery, electric shaving and grooming, electric personal care and portable lighting business, with substantially all of the former Small Appliances segment (Small Appliances), which consisted of the Russell Hobbs businesses acquired on June 16, 2010, to form the Global Batteries & Appliances segment. In addition, certain pest control and pet products included in the former Small Appliances segment have been reclassified into the Home and Garden Business and Global Pet Supplies segments, respectively. The presentation of all historical segment reporting herein has been changed to conform to this segment reporting.

We manufacture and market alkaline, zinc carbon and hearing aid batteries, herbicides, insecticides and repellants and specialty pet supplies. We design and market rechargeable batteries, battery-powered lighting products, electric shavers and accessories, grooming products and hair care

appliances. With the addition of Russell Hobbs we design, market and distribute a broad range of

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branded small household appliances and personal care products. Our manufacturing and product development facilities are located in the United States, Europe, Latin America and Asia. Substantially all of our rechargeable batteries and chargers, shaving and grooming products, small household appliances, personal care products and portable lighting products are manufactured by third-party suppliers, primarily located in Asia.

We sell our products in approximately 130 countries through a variety of trade channels, including retailers, wholesalers and distributors, hearing aid professionals, industrial distributors and original equipment manufacturers (OEMs) and enjoy strong name recognition in our markets under the Rayovac, VARTA and Remington brands, each of which has been in existence for more than 80 years, and under the Tetra, 8-in-1, Spectracide, Cutter, Black & Decker, George Foreman, Russell Hobbs, Farberware and various other brands.

Global and geographic strategic initiatives and financial objectives are determined at the corporate level. Each business segment is responsible for implementing defined strategic initiatives and achieving certain financial objectives and has a general manager responsible for sales and marketing initiatives and the financial results for all product lines within that business segment.

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.

Results of Operations

Fiscal Quarter and Fiscal Nine Month Period Ended July 3, 2011 Compared to Fiscal Quarter and Fiscal Nine Month Period Ended July 4, 2010

In this Quarterly Report on Form 10-Q we refer to the three months ended July 3, 2011 as the Fiscal 2011 Quarter, the nine month period ended July 3, 2011 as the Fiscal 2011 Nine Months, the three month period ended July 4, 2010 as the Fiscal 2010 Quarter and the nine month period ended July 4, 2010 as the Fiscal 2010 Nine Months.

Net Sales. Net sales for the Fiscal 2011 Quarter increased to $805 million from $653 million in the Fiscal 2010 Quarter, a 23% increase. The following table details the principal components of the change in net sales from the Fiscal 2010 Quarter to the Fiscal 2011 Quarter (in millions):

	Net Sales
Fiscal 2010 Quarter Net Sales	$ 653
Addition of Russell Hobbs as a result of the Merger	140
Increase in electric personal care products	6
Increase in portable lighting products	1
Decrease in electric shaving and grooming products	(2)
Decrease in consumer batteries	(7)
Decrease in home and garden control products	(9)
Foreign currency impact, net	23
Fiscal 2011 Quarter Net Sales	$ 805

Net sales for the Fiscal 2011 Nine Months increased to $2,360 million from $1,778 million in the Fiscal 2010 Nine Months, a 33% increase. The following table details the principal components of the change in net sales from the Fiscal 2010 Nine Months to the Fiscal 2011 Nine Months (in millions):

	Net Sales
Fiscal 2010 Nine Months Net Sales	$ 1,778
Addition of Russell Hobbs as a result of the Merger	546
Increase in electric personal care products	23
Increase in electric shaving and grooming products	13

Increase in home and garden control products	4
Decrease in consumer batteries	(5)
Decrease in pet supplies	(11)
Foreign currency impact, net	12
Fiscal 2011 Nine Months Net Sales	$ 2,360

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Consolidated net sales by product line for the Fiscal 2011 Quarter, the Fiscal 2010 Quarter, the Fiscal 2011 Nine Months and the Fiscal 2010 Nine Months are as follows (in millions):

	Fiscal Quarter		Fiscal Nine Months	
	2011	2010	2011	2010
Product line net sales				
Addition of Russell Hobbs small appliances	$ 170	$ 34	$ 567	$ 34
Addition of Russell Hobbs pet supplies	3	1	11	1
Addition of Russell Hobbs home and garden control products	1		3	
Consumer batteries	198	194	627	629
Pet supplies	141	135	414	420
Home and garden control products	154	164	270	266
Electric shaving and grooming products	62	61	211	196
Electric personal care products	53	43	191	167
Portable lighting products	23	21	66	65
Total net sales to external customers	$ 805	$ 653	$ 2,360	$ 1,778

Global consumer battery sales increased $4 million, or 2%, during the Fiscal 2011 Quarter primarily driven by increases in North America and Europe of $3 million and $12 million, respectively, which were partially offset by decreases in Latin American sales of $11 million. The increases within North America were driven by distribution gains at a major customer, whereas increases in Europe were driven by customer gains and increased placement with retailers coupled with a $9 million favorable foreign exchange impact. The decrease within Latin America was driven by lower zinc carbon battery sales of $9 million and lower alkaline sales of $2 million. The decrease in both zinc carbon and alkaline battery sales was predominantly driven by decreased volume and price in Brazil resulting from competitive pressures. Pet supply sales increased $6 million, or 4%, during the Fiscal 2011 Quarter, which was primarily attributable to improved consumption trends at key retailers as well as favorable foreign exchange. During the Fiscal 2011 Quarter, electric shaving and grooming product sales increased $1 million, or 2%, primarily due to increased sales within North America as a result of distribution gains and increased online sales. Electric personal care sales increased $10 million, or 23%, during the Fiscal 2011 Quarter, primarily due to increased sales in North America and Europe of $4 million and $5 million, respectively, as a result of new product introductions, distribution gains, increased online sales and regional growth into Eastern Europe coupled with favorable foreign exchange impacts of $3 million. Home and garden control product sales decreased $10 million, or 6%, during the Fiscal 2011 Quarter compared to the Fiscal 2010 Quarter. The decrease is primarily attributable to unseasonable weather in the United States which negatively impacted the lawn and garden season. The $2 million, or 10%, increase in portable lighting sales during the Fiscal 2011 Quarter was primarily driven by new distribution channels added during the quarter.

Global consumer battery sales decreased $2 million, or less than 1%, during the Fiscal 2011 Nine Months, primarily driven by lower Latin American sales of $21 million which were tempered by increased North American sales of $16 million and favorable foreign exchange translation of $3 million. North American sales increased as a result of strong holiday sales during our first fiscal quarter and new distribution channels added during the year. Latin American sales decreased due to the factors discussed in the Fiscal 2011 Quarter. The $6 million, or 1%, decrease in pet supplies sales during the Fiscal 2011 Nine Months resulted from decreases in aquatics sales of $13 million resulting from macroeconomic factors which were offset by an increase in companion animal sales of $3 million primarily attributable to the same factors mentioned above during the Fiscal 2011 Quarter, coupled with favorable foreign exchange of $4 million. During the Fiscal 2011 Nine Months, electric shaving and grooming product sales increased $15 million, or 8%, primarily due to increases within North America, Europe and Latin America of $6 million, $5 million and $2 million, respectively, due to distribution gains. Electric personal care sales increased $24 million, or 14%, during the Fiscal 2011 Nine Months, primarily due to increased sales in North America and Europe of $7 million and $14 million, respectively, resulting from the factors listed above for the Fiscal 2011 Quarter as well as successful in-store promotions. Home and garden control product sales increased $4 million, or 2%, during the Fiscal 2011 Nine Months compared to the Fiscal 2010 Nine Months. The increase was attributable to increased distribution and product placements with major customers which were tempered by the factors listed above for the Fiscal 2011 Quarter. Portable lighting products sales increased slightly to $66 million during the Fiscal 2011 Nine Months compared to $65 million during the Fiscal 2010 Nine Months due to the factors listed above for the Fiscal 2011 Quarter.

Gross Profit. Gross profit for the Fiscal 2011 Quarter was $294 million versus $253 million for the Fiscal 2010 Quarter. Our gross profit margin for the Fiscal 2011 Quarter decreased to 36.5% from 38.7% in the Fiscal 2010 Quarter. The increase in gross profit is primarily attributable to the Merger, which contributed $26 million of increased gross profit in the Fiscal 2011 Quarter compared to the Fiscal 2010 Quarter. The decrease in gross profit margin is attributable to the change in overall product mix as a result of the Merger. Gross profit for the Fiscal 2011 Nine Months was $848 million versus $647 million for the Fiscal 2010 Nine Months. Our gross profit margin decreased to 36.0% from 36.4% in

the Fiscal 2010 Nine Months. The increase in gross profit for the Fiscal 2011 Nine Months is also attributable to the Merger, which increased gross profit by $134 million during the Fiscal 2011 Nine Months compared to the Fiscal 2010 Nine Months, coupled with the non-recurrence of a $34 million inventory revaluation charge we recognized in the Fiscal 2010 Nine

Months associated with our adoption of fresh-start reporting upon emergence from Chapter 11 of the Bankruptcy Code. Inventory balances were revalued at August 30, 2009 resulting in an increase in such inventory balances of $49 million. As a result of the inventory revaluation, we recognized $34 million in additional cost of goods sold during the Fiscal 2010 Nine Months.

Operating Expense. Operating expenses for the Fiscal 2011 Quarter totaled $215 million versus $193 million for the Fiscal 2010 Quarter representing an increase of $22 million. The increase in operating expenses during the Fiscal 2011 Quarter is primarily attributable to the Merger, which contributed an increase of $19 million of operating expenses in the Fiscal 2011 Quarter compared to the Fiscal 2010 Quarter. The remaining increase is predominantly driven by increased stock compensation expense of $3 million, a negative foreign exchange impact of $9 million and a $2 million increase in restructuring and related charges, offset by decreased acquisition and integration charges of $10 million. Operating expenses for the Fiscal 2011 Nine Months totaled $653 million versus $523 million for the Fiscal 2010 Nine Months, representing an increase of $130 million. The increase in operating expenses during the Fiscal 2011 Nine Months is also primarily attributable to the Merger, which increased operating expenses by $95 million in the Fiscal 2011 Nine Months compared to the Fiscal 2010 Nine Months. Also contributing to the increase in operating expenses was a $9 million increase in Acquisition and integration related charges, which are primarily related to the Merger, negative foreign exchange impact of $9 million and increased stock compensation expense of $11 million. See *Acquisition and Integration Related Charges* below, as well as Note 2, Significant Accounting Policies Acquisition and Integration Related Charges, to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for additional information regarding our acquisition and integration related charges.

Segment Results. As discussed above, we manage our business in three reportable segments: (i) Global Batteries & Appliances; (ii) Global Pet Supplies; and (iii) our Home and Garden Business.

The operating segment profits do not include restructuring and related charges, acquisition and integration related charges, reorganization items expense, net, other expenses, net, interest expense, interest income and income tax expense. In connection with the realignment of reportable segments discussed above, as of October 1, 2010, certain general and administrative expenses that were previously reflected in operating segment profits, have been excluded in the determination of reportable segment profits. Accordingly, corporate expenses primarily include general and administrative expenses and global long-term incentive compensation plan costs which are evaluated on a consolidated basis and not allocated to our operating segments. Costs are identified to operating segments or corporate expense according to the function of each cost center.

All depreciation and amortization included in income from operations is related to operating segments or corporate expense. These costs are allocated to operating segments or corporate expense according to the function of each cost center. All capital expenditures are related to operating segments. Variable allocations of assets are not made for segment reporting.

Global strategic initiatives and financial objectives for each reportable segment are determined at the corporate level. Each reportable segment is responsible for implementing defined strategic initiatives and achieving certain financial objectives and has a general manager responsible for the sales and marketing initiatives and financial results for product lines within that segment. Financial information pertaining to our reportable segments is contained in Note 11, Segment Results, to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q.

Adjusted EBITDA, a non-GAAP measurement, 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, since 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 our debt covenant compliance. Adjusted EBITDA excludes certain items that are unusual in nature or not comparable from period to period. While we believe that Adjusted EBITDA is useful supplemental information, such adjusted results are not intended to replace our GAAP financial results and should be read in conjunction with those GAAP results.

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Below are reconciliations of GAAP Net income (Loss) to Adjusted EBIT and to Adjusted EBITDA for each segment and for Consolidated Spectrum Brands for the Fiscal 2011 Quarter, Fiscal 2011 Nine Months, the Fiscal 2010 Quarter and Fiscal 2010 Nine Months:

Fiscal 2011 Quarter

	Global Batteries & Appliances	Global Pet Supplies	Home and Garden Business (in millions)	Corporate / Unallocated Items[a]	Spectrum Brands
Net income (loss)	$ 40	$ 15	$ 42	$ (68)	$ 29
Income tax expense				9	9
Interest expense				40	40
Restructuring and related charges	1	4	1	1	7
Acquisition and integration related charges	5			3	8
Adjusted EBIT	$ 46	$ 19	$ 43	$ (15)	$ 93
Depreciation and amortization (b)	17	6	3	8	34
Adjusted EBITDA	$ 63	$ 25	$ 46	$ (7)	$ 127

Fiscal 2011 Nine Months

	Global Batteries & Appliances	Global Pet Supplies	Home and Garden Business (in millions)	Corporate / Unallocated Items[a]	Spectrum Brands
Net income (loss)	$ 155	$ 43	$ 49	$ (288)	$ (41)
Income tax expense				69	69
Interest expense				166	166
Restructuring and related charges	2	10	2	4	18
Acquisition and integration related charges	24			7	31
Other	(1)				(1)
Adjusted EBIT	$ 180	$ 53	$ 51	$ (42)	$ 242
Depreciation and amortization (b)	51	18	9	23	101
Adjusted EBITDA	$ 231	$ 71	$ 60	$ (19)	$ 343

Fiscal 2010 Quarter

	Global Batteries & Appliances	Global Pet Supplies	Home and Garden Business (in millions)	Corporate / Unallocated Items[a]	Spectrum Brands
Net income (loss)	$ 32	$ 17	$ 40	$ (176)	$ (87)
Income tax expense				12	12
Interest expense				132	132
Pre-acquisition earnings of Russell Hobbs	14	1			15

Restructuring and related charges	1	1		3	5
Acquisition and integration related charges	1			16	17
Russell Hobbs inventory fair value adjustment	1				1
Accelerated depreciation and amortization				(2)	(2)
Adjusted EBIT	$ 49	$ 19	$ 40	$ (15)	$ 93
Depreciation and amortization (b)	14	7	4	6	31
Adjusted EBITDA	$ 63	$ 26	$ 44	$ (9)	$ 124

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Fiscal 2010 Nine Months

	Global Batteries & Appliances	Global Pet Supplies	Home and Garden Business	Corporate / Unallocated Items[(a)]	Spectrum Brands
			(in millions)		
Net income (loss)	$ 107	$ 36	$ 31	$ (340)	$ (166)
Loss from discontinued operations, net of tax			3		3
Income tax expense				45	45
Interest expense				230	230
Pre-acquisition earnings of Russell Hobbs	61	4	1		66
Restructuring and related charges	2	4	8	3	17
Reorganization expense items, net				4	4
Fresh-start inventory and other fair value adjustment	19	13	2		34
Acquisition and integration related charges	1			21	22
Accelerated depreciation and amortization				(2)	(2)
Russell Hobbs inventory fair value adjustment	1				1
Brazilian IPI credit/other	(5)				(5)
Adjusted EBIT	$ 186	$ 57	$ 45	$ (39)	$ 249
Depreciation and amortization (b)	39	21	10	13	83
Adjusted EBITDA	$ 225	$ 78	$ 55	$ (26)	$ 332

(a) It is our policy to record Income tax expense and interest expense on a consolidated basis. Accordingly, such amounts are not reflected in the operating results of the operating segments.

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

Global Batteries & Appliances

	Fiscal Quarter 2011	Fiscal Quarter 2010	Fiscal Nine Months 2011	Fiscal Nine Months 2010
	(in millions)			
Net sales to external customers	$ 505	$ 354	$ 1,661	$ 1,091
Segment profit	$ 45	$ 35	$ 180	$ 118
Segment profit as a % of net sales	9.0%	10.0%	10.9%	10.9%
Segment Adjusted EBITDA	63	63	231	225
Assets as of July 3, 2011 and September 30, 2010	$ 2,378	$ 2,477	$ 2,378	$ 2,477

Segment sales to external customers in the Fiscal 2011 Quarter increased $151 million to $505 million from $354 million during the Fiscal 2010 Quarter, a 43% increase. The Merger accounted for a sales increase of $136 million in the small appliances product category during the Fiscal 2011 Quarter. Favorable foreign currency exchange translation increased sales of Global Batteries & Appliances during the Fiscal 2011 Quarter by approximately $19 million. Consumer battery sales for the Fiscal 2011 Quarter increased to $198 million compared to sales of $194 million in the Fiscal 2010 Quarter. The increase in sales is primarily attributable to increases of $12 million and $3 million in Europe and North America, which were tempered by decreased sales of $11 million in Latin America. The increase in Europe was driven by customer gains, increased placement with retailers and regional expansion into Eastern Europe coupled with favorable foreign currency impacts. The reduction in Latin America was driven by lower zinc carbon battery sales of $9 million and alkaline battery sales of $2 million, predominantly driven by decreased volume and price in Brazil as a result of competitive pressures. Sales of electric shaving and grooming products in the Fiscal 2011 Quarter increased by $1 million from their levels in the Fiscal 2010 Quarter, primarily due to increases within North America resulting from successful new product launches. Sales of electric personal care products in the Fiscal 2011 Quarter increased by $10 million compared to the Fiscal 2010 Quarter driven by increased sales in North America and Europe of $4 million and $5 million, respectively. The personal care products net sales growth was attributable to a combination of successful new product introductions, distribution gains, increased online sales and regional expansion into Eastern Europe. Sales of portable lighting products for the Fiscal 2011 Quarter increased to $23 million as compared to sales of $21 million for the Fiscal 2010 Quarter, driven by new distribution channels added during the quarter.

Segment sales to external customers in the Fiscal 2011 Nine Months increased $570 million to $1,661 million from $1,091 million during the Fiscal 2010 Nine Months, a 52% increase. The Merger accounted for a sales increase of $532 million in the small appliances product category during the Fiscal 2011 Nine Months. Favorable foreign currency exchange translation increased sales of

Global Batteries & Appliances during the Fiscal 2011 Nine Months by approximately $8 million. Consumer battery sales for the Fiscal 2011 Nine Months decreased slightly to $627 million when compared to sales of $629 million in the Fiscal 2010 Nine Months driven by decreased Latin American sales of $21 million due to the factors listed above for the Fiscal 2011 Quarter which were tempered by increased sales of alkaline batteries in North America of $16 million and favorable foreign exchange of $3 million. The increased North American sales were driven by strong holiday sales in the first quarter of the fiscal year ending September 30, 2011 and distribution gains during the year. Sales of electric shaving and grooming products in the Fiscal 2011 Nine Months increased by $15 million from their levels in the Fiscal 2010 Nine Months primarily due to increases within North America, Europe and Latin America of $6 million, $5 million and $2 million, respectively. Sales of electric personal care products in the Fiscal 2011 Nine Months increased by $24 million compared to the Fiscal 2010 Nine Months due to increased sales in North America and Europe of $7 million and $14 million, respectively. The electronic shaving and grooming products and electronic personal care products sales growth was attributable to the factors mentioned above for the Fiscal 2011 Quarter sales increase. Sales of portable lighting products for the Fiscal 2011 Nine Months increased slightly to $66 million as compared to sales of $65 million for the Fiscal 2010 Nine Months due to the factors listed above for the Fiscal 2011 Quarter.

Segment profit in the Fiscal 2011 Quarter increased to $45 million from $35 million in the Fiscal 2010 Quarter. The increase during the Fiscal 2011 Quarter was due to an increase in the segment profit realized from the Merger of $7 million as well as increased sales which contributed to an increase of $3 million in profit. Segment profit as a percentage of sales in the Fiscal 2011 Quarter decreased to 9.0% from 10.0% in the same period last year due to decreased margins of approximately $10 million resulting from the change in overall product mix as a result of the Merger, as well as increases in commodity prices of $8 million, which were offset by efficiencies from the cost reduction initiatives announced in Fiscal 2009 of $2 million and favorable foreign exchange impacts of $5 million. Segment profit during the Fiscal 2011 Nine Months increased to $180 million from $118 million in the Fiscal 2010 Nine Months due to increased segment profits realized from the Merger of $38 million, increased sales volumes resulting in $11 million in profits and the non-recurrence of a $19 million increase in cost of goods sold that resulted from the sale of inventory that was revalued in connection with our adoption of fresh-start reporting upon emergence from Chapter 11 of the Bankruptcy Code, that we recognized during the first quarter of Fiscal 2010. Segment profit as a percentage of sales was 10.9% during both the Fiscal 2011 Nine Months and the Fiscal 2010 Nine Months resulting from the previously mentioned non-recurring increase in cost of goods sold from the sale of revalued inventory in the Fiscal 2010 Nine Months and favorable foreign exchange impacts in the Fiscal 2011 Nine Months of $12 million, which were offset by increases in commodity prices of $15 million and decreased margins due to changes in the product mix from the Merger of $15 million during the Fiscal 2011 Nine Months.

Segment Adjusted EBITDA was $63 million in both the Fiscal 2011 Quarter and the Fiscal 2010 Quarter. Segment Adjusted EBITDA in the Fiscal 2011 Nine Months was $231 million compared to $225 million in the Fiscal 2010 Nine Months. The increase in the Fiscal 2011 Nine Months Adjusted EBITDA is mainly driven by synergies from our Russell Hobbs integration of $16 million coupled with increases in market share in certain of our product categories and favorable foreign exchange, which were offset by the increased commodity prices and decreased margins mentioned above.

Segment assets at July 3, 2011 decreased to $2,378 million from $2,477 million at September 30, 2010. Goodwill and intangible assets, which are directly a result of the revaluation impacts of fresh-start reporting and the Merger decreased slightly at July 3, 2011 to $1,351 million from $1,355 million at September 30, 2010.

Global Pet Supplies

	Fiscal Quarter		Fiscal Nine Months	
	2011	2010	2011	2010
	(in millions)			
Net sales to external customers	$ 144	$ 136	$ 425	$ 421
Segment profit	$ 19	$ 18	$ 54	$ 38
Segment profit as a % of net sales	13.4%	13.0%	12.7%	9.1%
Segment Adjusted EBITDA	25	26	71	78
Assets as of July 3, 2011 and September 30, 2010	$ 867	$ 839	$ 867	$ 839

Segment sales to external customers in the Fiscal 2011 Quarter were $144 million compared to $136 million during the Fiscal 2010 Quarter. The Merger accounted for $3 million of sales during the Fiscal 2011 Quarter versus $1 million during the Fiscal 2010 Quarter. Excluding the Merger, sales increased $6 million during the Fiscal 2011 Quarter, driven by increased specialty pet sales of $4 million resulting from improved consumption trends at key retailers and favorable foreign exchange. Segment sales to external customers in the Fiscal 2011 Nine Months were $425 million compared to $421 million during the Fiscal 2010 Nine Months. The Merger accounted for $11 million of sales during the Fiscal 2011 Nine Months versus $1 million during the Fiscal 2010 Nine Month. Excluding the Merger, sales decreased $7 million as a result of softness in the aquatics category due to macroeconomic factors during the first six months of the fiscal year ending September 30, 2011.

Segment profit in the Fiscal 2011 Quarter was $19 million versus $18 million in the Fiscal 2010 Quarter. Segment profit as a percentage of sales in the Fiscal 2011 Quarter increased to 13.4% from 13.0% in the same period last year. The increase in segment profit for the Fiscal 2011 Quarter was mainly attributed to increased sales coupled with savings of $4 million, due to improved operational efficiencies as we implement cost reduction initiatives within this segment, which was offset by an increase in commodity prices of $1 million and decreased margins of $3 million due to promotional activities. Segment profit in the Fiscal 2011 Nine Months was $54 million versus $38 million in the Fiscal 2010 Nine Months. Segment profit as a percentage of sales in the Fiscal 2011 Nine Months increased to 12.7% versus 9.1% in the Fiscal 2010 Nine Months. This was primarily attributable to the more efficient cost structure mentioned above which generated savings of $7 million for the Fiscal 2011 Nine Months as well as the non-recurrence of a $14 million increase in cost of goods sold that resulted from the sale of inventory that was revalued in connection with our adoption of fresh-start reporting that we recognized during the first quarter of Fiscal 2010, which were offset by an increase in commodity prices of $4 million and decreased margins of $5 million due to promotional activities.

Segment Adjusted EBITDA in the Fiscal 2011 Quarter was $25 million compared to $26 million in the Fiscal 2010 Quarter. Segment Adjusted EBITDA in the Fiscal 2011 Nine Months was $71 million compared to $78 million in the Fiscal 2010 Nine Months. The decline in the Fiscal 2011 Quarter is driven by increased commodity prices, decreased margins and negative foreign exchange impacts which were partially offset by increased revenues and lower operating expenses as a result of the more efficient cost structure mentioned above. The decline in the Fiscal 2011 Nine Months Adjusted EBITDA is driven by lower margins resulting from promotional activities and increased commodity prices, partially offset by lower operating expenses.

Segment assets at July 3, 2011 increased to $867 million from $839 million at September 30, 2010. The increase is primarily due to the acquisition of Seed Resources, LLC during the Fiscal 2011 Nine Months, and the impact of favorable foreign currency translation. Goodwill and intangible assets, which are a result of the revaluation impacts of fresh-start reporting, the Merger and the acquisition of Seed Resources, LLC increased slightly to $616 million at July 3, 2011, from $602 million at September 30, 2010.

Home and Garden Business

	Fiscal Quarter		Fiscal Nine Months	
	2011	2010	2011	2010
	(in millions)			
Net sales to external customers	$ 156	$ 164	$ 273	$ 266
Segment profit	$ 43	$ 40	$ 51	$ 41
Segment profit as a % of net sales	27.6%	24.4%		