Spectrum Brands Holdings, Inc.
Form 10-Q
May 03, 2018


UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended April 1, 2018

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from to

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| Commission File No. | Name of Registrant, State of Incorporation, Address of Principal Offices, and Telephone No. | IRS Employer Identification No. |
|---|---|---|
| 001-34757 | Spectrum Brands Holdings, Inc.<br>(a Delaware corporation)<br>3001 Deming Way<br>Middleton, WI 53562<br>(608) 275-3340 | 27-2166630 |

www.spectrumbrands.com

| | | |
|---|---|---|
| 333-192634-03 | SB/RH Holdings, LLC | 27-2812840 |
| | (a Delaware limited liability company) | |
| | 3001 Deming Way | |
| | Middleton, WI 53562 | |
| | (608) 275-3340 | |

Indicate by check mark whether the registrants (1) have 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.

| | | |
|---|---|---|
| Spectrum Brands Holdings, Inc. | Yes | No |
| SB/RH Holdings, LLC | Yes | No |

Indicate by check mark whether the registrants have submitted electronically and posted on their 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).

| | | |
|---|---|---|
| Spectrum Brands Holdings, Inc. | Yes | No |
| SB/RH Holdings, LLC | 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):

| Registrant | Large Accelerated Filer | Accelerated filer | Non-accelerated filer | Smaller reporting company |
|---|---|---|---|---|
| Spectrum Brands Holdings, Inc. | X | | | |
| SB/RH Holdings, LLC | | | X | |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

| | | |
|---|---|---|
| Spectrum Brands Holdings, Inc. | Yes | No |
| SB/RH Holdings, LLC | Yes | No |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1993 (§232.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter

| | | |
|---|---|---|
| Spectrum Brands Holdings, Inc. | Yes | No |
| SB/RH Holdings, LLC | Yes | No |

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

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

As of May 1, 2018, there were outstanding 55,352,755 shares of Spectrum Brands Holdings, Inc.'s common stock, par value $0.01 per share.

SB/RH Holdings, LLC meets the conditions set forth in General Instruction H(1)(a) and (b) of Form 10-Q and is therefore filing this report with a reduced disclosure format as permitted by general instruction H(2).

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## Forward-Looking Statements

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

Since these forward-looking statements are based upon our current expectations of future events and projections and are subject to a number of risks and uncertainties, many of which are beyond our control and some of which may change rapidly, actual results or outcomes may differ materially from those expressed or implied herein, and you should not place undue reliance on these statements. Important factors that could cause our actual results to differ materially from those expressed or implied herein include, without limitation:

- the impact of our indebtedness on our business, financial condition and results of operations;
- the impact of restrictions in our debt instruments on our ability to operate our business, finance our capital needs or pursue or expand business strategies;
- any failure to comply with financial covenants and other provisions and restrictions of our debt instruments;
- the impact of actions taken by significant stockholders;
- the impact of fluctuations in commodity prices, costs or availability of raw materials or terms and conditions available from suppliers, including suppliers' willingness to advance credit;
- interest rate and exchange rate fluctuations;
- the loss of, significant reduction in, or dependence upon, sales to any significant retail customer(s);
- competitive promotional activity or spending by competitors, or price reductions by competitors;
- the introduction of new product features or technological developments by competitors and/or the development of new competitors or competitive brands;
- the effects of general economic conditions, including inflation, recession or fears of a recession, depression or fears of a depression, labor costs and stock market volatility or changes in trade, monetary or fiscal policies in the countries where we do business;
- changes in consumer spending preferences and demand for our products;
- our ability to develop and successfully introduce new products, protect our intellectual property and avoid infringing the intellectual property of third parties;
- our ability to successfully implement, achieve and sustain manufacturing and distribution cost efficiencies and improvements, and fully realize anticipated cost savings;
- the seasonal nature of sales of certain of our products;
- the effects of climate change and unusual weather activity;
-

the cost and effect of unanticipated legal, tax or regulatory proceedings or new laws or regulations (including environmental, public health and consumer protection regulations);
- public perception regarding the safety of products, that we manufacture or sell, including the potential for environmental liabilities, product liability claims, litigation and other claims related to products manufactured by us and third parties;
- the impact of pending or threatened litigation;
- the impact of cybersecurity breaches or our actual or perceived failure to protect company and personal data;
- changes in accounting policies applicable to our business;
- our ability to utilize our net operating loss carry-forwards to offset tax liabilities from future taxable income;
- government regulations;
- the impact of expenses resulting from the implementation of new business strategies, divestitures or current and proposed restructuring activities;
- our inability to successfully integrate and operate new acquisitions at the level of financial performance anticipated;
- the unanticipated loss of key members of senior management;
- the effects of political or economic conditions, terrorist attacks, acts of war or other unrest in international markets;
- the special committee's exploration of strategic alternatives and the terms of any strategic transaction, if any;
- the Company's ability to consummate the announced sale of our Global Battery and Lighting business on the expected terms and within the anticipated time period, or at all, which is dependent on the parties' ability to satisfy certain closing conditions, including receipt of regulatory approvals, and our ability to realize the expected benefits of such transaction and to successfully separate such business;
- the outcome of the Company's exploration of strategic options for its Personal Care and Small Appliances businesses, including uncertainty regarding consummation of any such transaction or transactions and the terms of such transaction or transactions, if any, and, if consummate, the Company's ability to realize the expected benefits of such transaction or transactions and potential disruption to our business or diverted management attention as a result of the exploration or negotiation of such transaction or transactions;
- the Company's ability to consummate the announced merger with HRG Group, Inc. on the disclosed terms and within the anticipated time period, or at all, which is dependent on the parties ability to satisfy certain closing conditions, including favorable votes from the required percentages of shareholders of HRG Group, Inc. and the Company's shareholders, and our ability to realize the expected benefits of such transaction;
- the transition to a new chief executive officer and such officer's ability to determine and implement changes at the Company to improve the Company's business and financial performance; and
- the Company's ability to implement a successful restructuring of the leadership of the Global Auto Care business unit with the Pet, Home & Garden business unit to form a separate Consumer Products group, and to realize the synergies and business and financial benefits anticipated from such restructuring.

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

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SPECTRUM BRANDS HOLDINGS, INC.

SB/RH HOLDINGS, LLC

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This report is a combined report of Spectrum Brands Holdings, Inc. and SB/RH Holdings, LLC. The combined notes to the condensed consolidated financial statements include notes representing Spectrum Brands Holdings, Inc. and SB/RH Holdings, LLC and certain notes related specifically to SB/RH Holdings, LLC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SPECTRUM BRANDS HOLDINGS, INC.

Condensed Consolidated Statements of Financial Position

As of April 1, 2018 and September 30, 2017

(unaudited)

| (in millions) | April 1, 2018 | September 30, 2017 |
|---|---|---|
| Assets | | |
| Cash and cash equivalents | $ 135.2 | $ 168.2 |
| Trade receivables, net | 337.6 | 266.0 |
| Other receivables | 24.6 | 19.4 |
| Inventories | 610.5 | 496.3 |
| Prepaid expenses and other current assets | 58.7 | 54.2 |
| Current assets of business held for sale | 1,976.0 | 603.0 |
| Total current assets | 3,142.6 | 1,607.1 |
| Property, plant and equipment, net | 503.9 | 503.1 |
| Deferred charges and other | 60.6 | 43.5 |
| Goodwill | 2,280.2 | 2,277.1 |
| Intangible assets, net | 1,589.5 | 1,612.0 |
| Noncurrent assets of business held for sale | — | 1,376.9 |
| Total assets | $ 7,576.8 | $ 7,419.7 |
| Liabilities and Shareholders' Equity | | |
| Current portion of long-term debt | $ 20.3 | $ 19.4 |
| Accounts payable | 359.6 | 371.6 |
| Accrued wages and salaries | 33.6 | 49.9 |
| Accrued interest | 47.5 | 48.5 |
| Other current liabilities | 119.6 | 123.4 |
| Current liabilities of business held for sale | 558.6 | 500.6 |
| Total current liabilities | 1,139.2 | 1,113.4 |
| Long-term debt, net of current portion | 4,314.4 | 3,752.3 |
| Deferred income taxes | 285.8 | 493.2 |
| Other long-term liabilities | 131.9 | 58.0 |
| Noncurrent liabilities of business held for sale | — | 156.1 |
| Total liabilities | 5,871.3 | 5,573.0 |

| | | |
|---|---|---|
| Commitments and contingencies (Note 17) | | |
| Shareholders' equity | | |
| Common Stock | 0.6 | 0.6 |
| Additional paid-in capital | 2,113.1 | 2,145.3 |
| Accumulated earnings | 375.3 | 262.3 |
| Accumulated other comprehensive loss, net of tax | (198.1) | (209.6) |
| Treasury stock, at cost | (595.7) | (360.7) |
| Total shareholders' equity | 1,695.2 | 1,837.9 |
| Noncontrolling interest | 10.3 | 8.8 |
| Total equity | 1,705.5 | 1,846.7 |
| Total liabilities and equity | $ 7,576.8 | $ 7,419.7 |

See accompanying notes to the condensed consolidated financial statements

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SPECTRUM BRANDS HOLDINGS, INC.

Condensed Consolidated Statements of Income

For the three and six month periods ended April 1, 2018 and April 2, 2017

(unaudited)

| | Three Month Periods Ended | | Six Month Periods Ended | |
|---|---|---|---|---|
| (in millions, except per share) | April 1, 2018 | April 2, 2017 | April 1, 2018 | April 2, 2017 |
| Net sales | $ 766.1 | $ 756.5 | $ 1,412.6 | $ 1,358.7 |
| Cost of goods sold | 494.8 | 445.6 | 898.6 | 807.7 |
| Restructuring and related charges | 3.1 | 4.1 | 5.0 | 5.2 |
| Gross profit | 268.2 | 306.8 | 509.0 | 545.8 |
| Selling | 126.6 | 119.3 | 239.9 | 225.9 |
| General and administrative | 66.7 | 68.4 | 129.5 | 128.5 |
| Research and development | 7.2 | 7.0 | 14.2 | 13.6 |
| Acquisition and integration related charges | 4.5 | 3.2 | 9.7 | 6.5 |
| Restructuring and related charges | 20.0 | 3.8 | 38.6 | 5.0 |
| Total operating expenses | 225.0 | 201.7 | 431.9 | 379.5 |
| Operating income | 43.2 | 105.1 | 77.1 | 166.3 |
| Interest expense | 42.1 | 38.8 | 80.6 | 81.9 |
| Other non-operating expense, net | 1.4 | 2.0 | 2.7 | 0.9 |
| (Loss) Income from continuing operations before income taxes | (0.3) | 64.3 | (6.2) | 83.5 |
| Income tax (benefit) expense | (1.1) | 24.4 | (127.2) | 31.1 |
| Net income from continuing operations | 0.8 | 39.9 | 121.0 | 52.4 |
| Income from discontinued operations, net of tax | 0.7 | 18.7 | 41.6 | 71.5 |
| Net income | 1.5 | 58.6 | 162.6 | 123.9 |
| Net income (loss) attributable to non-controlling interest | 0.1 | (0.2) | 1.0 | (0.2) |
| Net income attributable to controlling interest | $ 1.4 | $ 58.8 | $ 161.6 | $ 124.1 |
| Amounts attributable to controlling interest | | | | |
| Net income from continuing operations attributable to controlling interest | $ 0.8 | $ 39.9 | $ 120.2 | $ 52.4 |
| Net Income from discontinued operations attributable to controlling interest | 0.6 | 18.9 | 41.4 | 71.7 |
| Net Income attributable to controlling interest | $ 1.4 | $ 58.8 | $ 161.6 | $ 124.1 |
| Earnings Per Share | | | | |
| Basic earnings per share from continuing operations | $ 0.02 | $ 0.68 | $ 2.09 | $ 0.89 |
| Basic earnings per share from discontinued operations | 0.01 | 0.32 | 0.72 | 1.21 |
| Basic earnings per share | $ 0.03 | $ 1.00 | $ 2.81 | $ 2.10 |
| Diluted earnings per share from continuing operations | $ 0.02 | $ 0.68 | $ 2.09 | $ 0.88 |
| Diluted earnings per share from discontinued operations | 0.01 | 0.32 | 0.72 | 1.21 |
| Diluted earnings per share | $ 0.03 | $ 1.00 | $ 2.81 | $ 2.09 |

| | | | | |
|---|---|---|---|---|
| Dividends per share | $ 0.42 | $ 0.42 | $ 0.85 | $ 0.80 |
| Weighted Average Shares Outstanding | | | | |
| Basic | 57.1 | 58.8 | 57.4 | 59.1 |
| Diluted | 57.2 | 59.0 | 57.4 | 59.3 |

See accompanying notes to the condensed consolidated financial statements

SPECTRUM BRANDS HOLDINGS, INC.

Condensed Consolidated Statements of Comprehensive Income

For the three and six month periods ended April 1, 2018 and April 2, 2017

(unaudited)

| | Three Month Periods Ended | | Six Month Periods Ended | |
|---|---|---|---|---|
| (in millions) | April 1, 2018 | April 2, 2017 | April 1, 2018 | April 2, 2017 |
| Net income | $ 1.5 | $ 58.6 | $ 162.6 | $ 123.9 |
| Other comprehensive income (loss), net of tax: | | | | |
| Foreign currency translation gain (loss), net tax of $(3.4), $(0.4), $3.9 and $3.5, respectively | 24.2 | 21.7 | 22.2 | (24.4) |
| Unrealized (loss) gain on hedging activity, net tax of $3.7, $4.5, $3.7, and $(9.7), respectively | (11.6) | (9.7) | (9.8) | 14.5 |
| Defined benefit pension (loss) gain, net tax of $0.2, $0.1, $0.2 and $(1.1), respectively | (0.5) | (0.3) | (0.4) | 3.0 |
| Other comprehensive income (loss), net of tax | 12.1 | 11.7 | 12.0 | (6.9) |
| Comprehensive income | 13.6 | 70.3 | 174.6 | 117.0 |
| Comprehensive income (loss) attributable to non-controlling interest | 0.3 | 0.1 | 0.5 | (0.2) |
| Comprehensive income attributable to controlling interest | $ 13.3 | $ 70.2 | $ 174.1 | $ 117.2 |

See accompanying notes to the condensed consolidated financial statements

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SPECTRUM BRANDS HOLDINGS, INC.

Condensed Consolidated Statements of Cash Flows

For the six month periods ended April 1, 2018 and April 2, 2017

(unaudited)

| (in millions) | Six Month Periods Ended April 1, 2018 | April 2, 2017 |
|---|---|---|
| Cash flows from operating activities | | |
| Net income | $ 162.6 | $ 123.9 |
| Income from discontinued operations, net of tax | 41.6 | 71.5 |
| Net income from continuing operations | 121.0 | 52.4 |
| Adjustments to reconcile net income to net cash from operating activities: | | |
| Depreciation and amortization | 67.1 | 61.3 |
| Share based compensation | 0.4 | 19.5 |
| Amortization of debt issuance costs | 4.1 | 3.6 |
| Write-off of unamortized discount and debt issuance costs | — | 1.9 |
| Purchase accounting inventory adjustment | 0.8 | |
| Non-cash debt accretion | 0.5 | 0.4 |
| Pet safety recall inventory write-off | 1.6 | — |
| Deferred tax (benefit) expense | (151.6) | 0.6 |
| Net changes in operating assets and liabilities | (198.1) | (185.2) |
| Net cash used by operating activities from continuing operations | (154.2) | (45.5) |
| Net cash (used) provided by operating activities from discontinued operations | (48.5) | 75.6 |
| Net cash (used) provided by operating activities | (202.7) | 30.1 |
| Cash flows from investing activities | | |
| Purchases of property, plant and equipment | (34.2) | (37.1) |
| Proceeds from sales of property, plant and equipment | 0.9 | 0.2 |
| Other investing activities | — | (1.2) |
| Net cash used by investing activities from continuing operations | (33.3) | (38.1) |
| Net cash used by investing activities from discontinued operations | (14.2) | (13.6) |
| Net cash used by investing activities | (47.5) | (51.7) |
| Cash flows from financing activities | | |
| Proceeds from issuance of debt | 573.2 | 211.5 |
| Payment of debt | (37.8) | (145.8) |
| Payment of debt issuance costs | (0.3) | (2.7) |
| Payment of cash dividends | (48.5) | (47.3) |
| Treasury stock purchases | (258.0) | (103.1) |
| Share based tax withholding payments, net of proceeds upon vesting | (22.4) | (23.9) |

| | | |
|---|---|---|
| Net cash provided (used) by financing activities from continuing operations | 206.2 | (111.3) |
| Net cash provided (used) by financing activities from discontinued operations | 7.8 | (1.2) |
| Net cash provided (used) by financing activities | 214.0 | (112.5) |
| Effect of exchange rate changes on cash and cash equivalents | 3.2 | (4.0) |
| Net change in cash and cash equivalents | (33.0) | (138.1) |
| Cash and cash equivalents, beginning of period | 168.2 | 275.3 |
| Cash and cash equivalents, end of period | $ 135.2 | $ 137.2 |
| Supplemental disclosure of cash flow information | | |
| Cash paid for interest | $ 103.9 | $ 97.1 |
| Cash paid for taxes | $ 24.8 | $ 19.0 |
| Non cash investing activities | | |
| Acquisition of property, plant and equipment through capital leases | $ 4.3 | $ 122.2 |
| Non cash financing activities | | |
| Issuance of shares through stock compensation plan | $ 37.6 | $ 53.5 |

See accompanying notes to the condensed consolidated financial statements

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SB/RH HOLDINGS, LLC

Condensed Consolidated Statements of Financial Position

As of April 1, 2018 and September 30, 2017

(unaudited)

| (in millions) | April 1, 2018 | September 30, 2017 |
|---|---|---|
| Assets | | |
| Cash and cash equivalents | $ 135.2 | $ 168.2 |
| Trade receivables, net | 337.6 | 266.0 |
| Other receivables | 46.7 | 18.7 |
| Inventories | 610.5 | 496.3 |
| Prepaid expenses and other current assets | 58.7 | 54.2 |
| Current assets of business held for sale | 1,976.0 | 603.0 |
| Total current assets | 3,164.7 | 1,606.4 |
| Property, plant and equipment, net | 503.9 | 503.1 |
| Deferred charges and other | 50.9 | 28.4 |
| Goodwill | 2,280.2 | 2,277.1 |
| Intangible assets, net | 1,589.5 | 1,612.0 |
| Noncurrent assets of business held for sale | — | 1,376.9 |
| Total assets | $ 7,589.2 | $ 7,403.9 |
| Liabilities and Shareholder's Equity | | |
| Current portion of long-term debt | $ 20.3 | $ 19.4 |
| Accounts payable | 359.6 | 371.6 |
| Accrued wages and salaries | 33.6 | 49.9 |
| Accrued interest | 47.5 | 48.5 |
| Other current liabilities | 113.7 | 118.9 |
| Current liabilities of business held for sale | 558.6 | 500.6 |
| Total current liabilities | 1,133.3 | 1,108.9 |
| Long-term debt, net of current portion | 4,314.4 | 3,752.3 |
| Deferred income taxes | 286.7 | 493.2 |
| Other long-term liabilities | 131.9 | 58.0 |
| Noncurrent liabilities of business held for sale | — | 156.1 |
| Total liabilities | 5,866.3 | 5,568.5 |
| Commitments and contingencies (Note 17) | | |
| Shareholder's equity | | |
| Other capital | 2,070.7 | 2,079.0 |
| Accumulated deficit | (160.0) | (42.8) |
| Accumulated other comprehensive loss, net of tax | (198.1) | (209.6) |
| Total shareholder's equity | 1,712.6 | 1,826.6 |
| Noncontrolling interest | 10.3 | 8.8 |
| Total equity | 1,722.9 | 1,835.4 |

| | | |
|---|---|---|
| Total liabilities and equity | $ 7,589.2 | $ 7,403.9 |

See accompanying notes to the condensed consolidated financial statements

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SB/RH HOLDINGS, LLC

Condensed Consolidated Statements of Income

For the three and six month periods ended April 1, 2018 and April 2, 2017

(unaudited)

| | Three Month Periods Ended | | Six Month Periods Ended | |
|---|---|---|---|---|
| (in millions) | April 1, 2018 | April 2, 2017 | April 1, 2018 | April 2, 2017 |
| Net sales | $ 766.1 | $ 756.5 | $ 1,412.6 | $ 1,358.7 |
| Cost of goods sold | 494.8 | 445.6 | 898.6 | 807.7 |
| Restructuring and related charges | 3.1 | 4.1 | 5.0 | 5.2 |
| Gross profit | 268.2 | 306.8 | 509.0 | 545.8 |
| Selling | 126.6 | 119.3 | 239.9 | 225.9 |
| General and administrative | 54.5 | 64.9 | 114.0 | 123.9 |
| Research and development | 7.2 | 7.0 | 14.2 | 13.6 |
| Acquisition and integration related charges | 4.5 | 3.2 | 9.7 | 6.5 |
| Restructuring and related charges | 20.0 | 3.8 | 38.6 | 5.0 |
| Total operating expenses | 212.8 | 198.2 | 416.4 | 374.9 |
| Operating income | 55.4 | 108.6 | 92.6 | 170.9 |
| Interest expense | 42.1 | 38.9 | 80.6 | 82.2 |
| Other non-operating expense, net | 1.4 | 2.0 | 2.7 | 0.9 |
| Income from continuing operations before income taxes | 11.9 | 67.7 | 9.3 | 87.8 |
| Income tax (benefit) expense | (0.4) | 25.6 | (131.5) | 33.5 |
| Net income from continuing operations | 12.3 | 42.1 | 140.8 | 54.3 |
| Income from discontinued operations, net of tax | 0.7 | 18.7 | 41.6 | 71.5 |
| Net income | 13.0 | 60.8 | 182.4 | 125.8 |
| Net income (loss) attributable to non-controlling interest | 0.1 | (0.2) | 1.0 | (0.2) |
| Net income attributable to controlling interest | $ 12.9 | $ 61.0 | $ 181.4 | $ 126.0 |
| Amounts attributable to controlling interest | | | | |
| Net income from continuing operations attributable to controlling interest | $ 12.3 | $ 42.1 | $ 140.0 | $ 54.3 |
| Net Income from discontinued operations attributable to controlling interest | 0.6 | 18.9 | 41.4 | 71.7 |
| Net Income attributable to controlling interest | $ 12.9 | $ 61.0 | $ 181.4 | $ 126.0 |

See accompanying notes to the condensed consolidated financial statements

SB/RH HOLDINGS, LLC

Condensed Consolidated Statements of Comprehensive Income

For the three month periods ended April 1, 2018 and April 2, 2017

(unaudited)

| | Three Month Periods Ended | | Six Month Periods Ended | |
|---|---|---|---|---|
| (in millions) | April 1, 2018 | April 2, 2017 | April 1, 2018 | April 2, 2017 |
| Net income | $ 13.0 | $ 60.8 | $ 182.4 | $ 125.8 |
| Other comprehensive income (loss), net of tax: | | | | |
| Foreign currency translation gain (loss), net tax of $(3.4), $(0.4), $3.9 and $3.5, respectively | 24.2 | 21.7 | 22.2 | (24.4) |
| Unrealized (loss) gain on hedging activity, net tax of $3.7, $4.5, $3.7, and $(9.7), respectively | (11.6) | (9.7) | (9.8) | 14.5 |
| Defined benefit pension (loss) gain, net tax of $0.2, $0.1, $0.2 and $(1.1), respectively | (0.5) | (0.3) | (0.4) | 3.0 |
| Other comprehensive income (loss), net of tax | 12.1 | 11.7 | 12.0 | (6.9) |
| Comprehensive income | 25.1 | 72.5 | 194.4 | 118.9 |
| Comprehensive income (loss) attributable to non-controlling interest | 0.3 | 0.1 | 0.5 | (0.2) |
| Comprehensive income attributable to controlling interest | $ 24.8 | $ 72.4 | $ 193.9 | $ 119.1 |

See accompanying notes to the condensed consolidated financial statements

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SB/RH HOLDINGS, LLC

Condensed Consolidated Statements of Cash Flows

For the six month periods ended April 1, 2018 and April 2, 2017

(in millions, unaudited)

| | Six Month Periods Ended | |
|---|---|---|
| (in millions) | April 1, 2018 | April 2, 2017 |
| Cash flows from operating activities | | |
| Net income | $ 182.4 | $ 125.8 |
| Income from discontinued operations, net of tax | 41.6 | 71.5 |
| Income from continuing operations | 140.8 | 54.3 |
| Adjustments to reconcile net income to net cash from operating activities: | | |
| Depreciation and amortization | 67.1 | 61.3 |
| Share based compensation | (0.5) | 17.7 |
| Amortization of debt issuance costs | 4.1 | 3.6 |
| Write-off of unamortized discount and debt issuance costs | — | 1.9 |
| Purchase accounting inventory adjustment | 0.8 | — |
| Non-cash debt accretion | 0.5 | 0.4 |
| Pet safety recall inventory write-off | 1.6 | — |
| Deferred tax (benefit) expense | (156.0) | 3.0 |
| Net changes in operating assets and liabilities | (242.9) | (205.1) |
| Net cash used by operating activities from continuing operations | (184.5) | (62.9) |
| Net cash (used) provided by operating activities from discontinued operations | (48.5) | 75.6 |
| Net cash (used) provided by operating activities | (233.0) | 12.7 |
| Cash flows from investing activities | | |
| Purchases of property, plant and equipment | (34.2) | (37.1) |
| Proceeds from sales of property, plant and equipment | 0.9 | 0.2 |
| Other investing activities | — | (1.2) |
| Net cash used by investing activities from continuing operations | (33.3) | (38.1) |
| Net cash used by investing activities from discontinued operations | (14.2) | (13.6) |
| Net cash used by investing activities | (47.5) | (51.7) |
| Cash flows from financing activities | | |
| Proceeds from issuance of debt | 573.2 | 211.5 |
| Payment of debt | (37.8) | (145.8) |
| Payment of debt issuance costs | (0.3) | (2.7) |
| Payment of cash dividends to parent | (298.6) | (152.5) |
| Net cash provided (used) by financing activities from continuing operations | 236.5 | (89.5) |
| Net cash provided (used) by financing activities from discontinued operations | 7.8 | (1.2) |
| Net cash provided (used) by financing activities | 244.3 | (90.7) |
| Effect of exchange rate changes on cash and cash equivalents | 3.2 | (4.0) |

| | | |
|---|---|---|
| Net change in cash and cash equivalents | (33.0) | (133.7) |
| Cash and cash equivalents, beginning of period | 168.2 | 270.8 |
| Cash and cash equivalents, end of period | $ 135.2 | $ 137.1 |
| Supplemental disclosure of cash flow information | | |
| Cash paid for interest | $ 103.9 | $ 97.1 |
| Cash paid for taxes | $ 24.8 | $ 19.0 |
| Non cash investing activities | | |
| Acquisition of property, plant and equipment through capital leases | $ 4.3 | $ 122.2 |

See accompanying notes to the condensed consolidated financial statements

SPECTRUM BRANDS HOLDINGS, INC.
SB/RH HOLDINGS, LLC
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(in millions, unaudited)

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

NOTE 1 - BASIS OF PRESENTATION AND DESCRIPTION OF BUSINESS

We are a diversified global branded consumer products company. The Company manufactures, markets and/or distributes its products in approximately 160 countries in the North America (“NA”), Europe, Middle East & Africa (“EMEA”), Latin America (“LATAM”) and Asia-Pacific (“APAC”) regions through a variety of trade channels, including retailers, wholesalers and distributors, original equipment manufacturers (“OEMs”), construction companies and hearing aid professionals. We enjoy strong name recognition in our regions under our various brands and patented technologies. Our diversified global branded consumer products have positions in several product categories and types. We manage the businesses in vertically integrated, product-focused segments: (i) Global Batteries & Appliances (“GBA”), (ii) Global Pet Supplies (“PET”), (iii) Home and Garden (“H&G”), (iv) Hardware & Home Improvement (“HHI”) and (v) Global Auto Care (“GAC”). Global and geographic strategic initiatives and financial objectives are determined at the corporate level. Each segment is responsible for implementing defined strategic initiatives and achieving certain financial objectives and has a president responsible for sales and marketing initiatives and the financial results for all product lines within that segment.

Effective December 29, 2017, the Company’s Board of Directors approved a plan to explore strategic alternatives, including a planned sale of the Company’s GBA segment.  The Company expects a sale to be realized by December 31, 2018.  As a result, the Company’s assets and liabilities associated with the GBA segment have been classified as held for sale in the accompanying Condensed Consolidated Balance Sheets and the respective operations of the GBA segment have been classified as discontinued operations in the accompanying Condensed Consolidated Statements of Income and Statements of Cash Flows; and reported separately for all periods presented as the disposition represents a strategic shift that will have a major effect on the Company’s operations and financial results.  See Note 3 – Divestitures for more information on the assets and liabilities classified as held for sale and discontinued operations.  See Note 18 - Segment Information for more information pertaining to segments of continuing operations.  The following table summarizes the respective product types, brands, and regions for each of the segments of continuing operations:

| Segment | Products | Brands | Regions |
|---|---|---|---|
| HHI | Hardware: Hinges, security hardware, screen and storm door products, garage door hardware, window hardware and floor | Hardware: National Hardware®, Stanley® and FANAL®.<br>Security: Kwikset®, Weiser®, Baldwin®, EZSET® and Tell®.<br>Plumbing: Pfister®. | NA<br>EMEA<br>LATAM<br>APAC |

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

The accompanying unaudited condensed consolidated financial statements have been prepared by the Company and its majority owned subsidiaries in accordance with accounting principles for interim financial information generally accepted in the United States and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all the information and notes necessary for a comprehensive presentation of financial position and results of operations. It is management’s opinion, however, that all material adjustments have been made which are necessary for a fair financial statement presentation. For further information, refer to the consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K for the year ended September 30, 2017 which were retroactively adjusted due the recognition of discontinued operations for the GBA divestitures in a Form 8-K issued on March 30, 2018.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

Recently Issued Accounting Standards

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

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

In August 2016, the FASB issued ASU No. 2016-15, Classification of Certain Cash Receipts and Cash Payments, which addresses diversity in practice with the classification and presentation of certain cash receipts and cash payments in the statement of cash flows. The amendments in this update address the classification within the statement of cash flow for debt prepayment or debt extinguishment costs, settlement of zero-coupon debt instruments, contingent payments made after a business combination, proceeds from the settlement of insurance claims and corporate-owned life insurance policies, distributions received from equity method investees, and beneficial interests in securitization transactions, among other separately identifiable cash flows when applying the predominance principle. The ASU is applied on a retrospective basis, and will become effective for us beginning in the first quarter of our fiscal year ending September 30, 2019; with early adoption available. We are currently assessing the impact this pronouncement will have on the consolidated financial statements of the Company and have not yet concluded on the materiality or timing of adoption.

In November 2016, the FASB issued ASU No. 2016-18, Restricted Cash, which addresses diversity in practice with the classification and presentation of restricted cash in the statement of cash flow, classifying transfers between cash and restricted cash as operating, investing, or financing activities, or as a combination of those activities, in the statement of cash flows. The amendment requires the statement of cash flows to explain the change during the period in total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents; and include with cash and cash equivalents when reconciling the beginning-of-period and end-of-period amounts shown on the statement of cash flows. The ASU is applied on a retrospective basis, and will become effective for us beginning in the first quarter of our fiscal year ending September 30, 2019; with early adoption available. We are currently assessing the impact this pronouncement will have on the consolidated financial statements of the Company and have not yet concluded on the materiality or timing of adoption.

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

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

During the three month period ended December 31, 2017, the Company adopted SEC Staff Accounting Bulletin No. 118 to address the application of U.S. GAAP in situations when the registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for the transition adjustment for certain income tax effects of the Tax Cuts and Jobs Act. See Note 16 – Income Taxes for additional discussion.

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## NOTE 3 – DIVESTITURES

As previously discussed in Note 1 - Basis of Presentation and Nature of Operations, the GBA segment was classified as held for sale in the accompanying Condensed Consolidated Balance Sheets and as discontinued operations in the accompanying Condensed Consolidated Statements of Income. The following table summarizes the assets and liabilities of the GBA segment classified as held for sale as of April 1, 2018 and September 30, 2017.

| (in millions) | April 1, 2018 | September 30, 2017 |
|---|---|---|
| Assets | | |
| Trade receivables, net | $ 214.6 | $ 260.1 |
| Other receivables | 25.2 | 24.0 |
| Inventories | 324.7 | 279.2 |
| Prepaid expenses and other current assets | 41.9 | 39.7 |
| Property, plant and equipment, net | 198.1 | 196.8 |
| Deferred charges and other | 17.8 | 19.3 |
| Goodwill | 351.3 | 348.9 |
| Intangible assets, net | 802.4 | 811.9 |
| Total assets of business held for sale | $ 1,976.0 | $ 1,979.9 |
| Liabilities | | |
| Current portion of long-term debt | 28.3 | 17.3 |
| Accounts payable | 250.8 | 355.9 |
| Accrued wages and salaries | 31.9 | 37.6 |
| Other current liabilities | 90.4 | 89.8 |
| Long-term debt, net of current portion | 52.6 | 51.7 |
| Deferred income taxes | 38.7 | 38.2 |
| Other long-term liabilities | 65.9 | 66.2 |
| Total liabilities of business held for sale | $ 558.6 | $ 656.7 |

The following table summarizes the components of Income From Discontinued Operations in the accompanying Condensed Consolidated Statements of Operations for the three and six month periods ended April 1, 2018 and April 2, 2017.

| | Three Month Periods Ended | | Six Month Periods Ended | |
|---|---|---|---|---|
| (in millions) | April 1, 2018 | April 2, 2017 | April 1, 2018 | April 2, 2017 |
| Net sales | $ 427.9 | $ 413.5 | $ 1,031.1 | $ 1,023.0 |
| Cost of goods sold | 280.9 | 265.1 | 684.1 | 663.7 |
| Gross profit | 147.0 | 148.4 | 347.0 | 359.3 |
| Operating expenses | 134.3 | 109.4 | 266.1 | 230.5 |
| Operating income | 12.7 | 39.0 | 80.9 | 128.8 |

| | | | | |
|---|---|---|---|---|
| Interest expense | 12.4 | 11.8 | 26.1 | 24.5 |
| Other non-operating expense (income), net | 0.1 | (0.1) | 0.4 | (0.2) |
| Income from discontinued operations before income taxes | 0.2 | 27.3 | 54.4 | 104.5 |
| Income tax (benefit) expense | (0.5) | 8.6 | 12.8 | 33.0 |
| Net income from discontinued operations | 0.7 | 18.7 | 41.6 | 71.5 |
| Net income (loss) from discontinued operations attributable to non-controlling interest | 0.1 | (0.2) | 0.2 | (0.2) |
| Net income from discontinued operations attributable to controlling interest | $ 0.6 | $ 18.9 | $ 41.4 | $ 71.7 |

Interest expense consists of interest from debt directly held by subsidiaries of the business held for sale, including interest from capital leases, and interest on Term Loans required to be paid down using proceeds received on disposal on sale of a business within 365 days with the exception for funds used for capital expenditures and acquisitions. There has been no impairment loss recognized as the fair value or expected proceeds from the disposal of the businesses are anticipated to be in excess of the asset carrying values. During the three and six month periods ended April 1, 2018, the Company incurred transaction costs of $22.3 million and $25.1 million, respectively, associated with the divestiture and have been recognized as a component of Income From Discontinued Operations. Transaction costs are expensed as incurred and include fees for investment banking services, legal, accounting, due diligence, tax, valuation and various other services necessary to complete the transactions.

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NOTE 3 – DIVESTITURES (continued)

Energizer Holdings, Inc.

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

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

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

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

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

The consummation of the acquisition is subject to certain customary conditions, including, among other things, (i) the absence of a material adverse effect on GBL, (ii) the expiration or termination of required waiting periods under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, (iii) the receipt of certain other antitrust approvals in certain specified foreign jurisdictions (the conditions contained in (ii) and (iii) together, the “Antitrust Conditions”), (iv) the accuracy of the representations and warranties of the parties generally subject to a customary material adverse effect standard (as described in the Agreement) or other customary materiality qualifications), (v) the absence of governmental restrictions on the consummation of the acquisition in certain jurisdictions, and (vi) material compliance by the parties with their respective covenants and agreements under the Agreement. The consummation of the transaction is not subject to any financing condition. On March 29, 2018, the Federal Trade Commission allowed the expiration of the 30-day Hart-Scott-Rodino waiting period, which in effect provides US regulatory approval of the sale. We are proceeding with other required international regulatory approvals and continue to expect the transaction to be consummated prior to December 31, 2018.

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

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

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NOTE 4 – ACQUISITIONS

HRG Merger

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

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

Immediately prior to the Effective Time, the certificate of incorporation of HRG will be amended and restated (the “Amended HRG Charter”, a form of which is attached as an exhibit to the Merger Agreement, a copy of which is filed herewith as Exhibit 2.2), pursuant to which, among other things, at or as soon as practicable following the Effective Time, the corporate name of HRG will change to “Spectrum Brands Holdings, Inc.”, and each issued and outstanding share of common stock, par value $0.01 per share, of HRG (“HRG Common Stock”) will, by means of a reverse stock split (the “Reverse Split”), be combined into a fraction of a share of HRG Common Stock equal to (i) the number of shares of common stock, par value $0.01 per share, of the Company (“Company Common Stock”) held by HRG and its subsidiaries as of immediately prior to the Effective Time, adjusted for HRG’s net indebtedness as of closing, certain transaction expenses of HRG that are unpaid as of closing and a $200.0 million upward adjustment, divided by (ii) as of immediately prior to the Reverse Split, the number of outstanding shares of HRG Common Stock on a fully-diluted basis.

At the Effective Time, by virtue of the Merger each share of Company Common Stock issued and outstanding immediately prior to the Effective Time (other than shares held in the treasury of the Company or owned or held, directly or indirectly, by HRG or any wholly owned subsidiary of the Company or HRG, which shall be cancelled and no consideration will be paid with respect thereto) will be converted into the right to receive one share of newly issued HRG Common Stock (and the issuance of HRG Common Stock in the Merger, the “Share Issuance”). No HRG

Common Stock will be issued in the Merger in violation of the Amended HRG Charter, including if as a result of such issuance a person would become a holder of more than 4.9% of Corporation Securities (as defined in the Amended HRG Charter). Any shares of HRG Common Stock that would be issuable to a Company stockholder but for the operation of the Merger Agreement and the provisions of Article XIII of the Amended HRG Charter shall instead be treated as Excess Securities (as defined in the Amended HRG Charter) and be delivered to one or more 501(c)(3) charitable organizations or escheated to the state of residence, incorporation or formation (as applicable) of the relevant Company stockholder.

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

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

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

At the Effective Time of the Merger, the Board of Directors of the Company will be designated as the Board of Directors of HRG with an individual to be designated by Leucadia National Corporate (“Leucadia”) and the officers of the Company will become the officers of HRG.  Further, HRG will operate under the name of Spectrum Brands Holdings, Inc. and the NYSE tick symbol of HRG Common Stock will be “SPB”.

The HRG Merger will be accounted for as an acquisition of a non-controlling interest under Accounting Standard Codification Topic 810-10 by the Company’s majority interest owner, HRG.  The Company will obtain control of HRG, which will operate as Spectrum Brand Holdings, Inc. upon consummation of the Merger, and the on-going consolidated financial statements of the Company will be reflected as a wholly consolidated subsidiary.

During the three and six month periods ended April 1, 2018, the Company incurred costs of $11.6 million and $14.1 million, respectively, associated with the HRG Merger.  During the three and six month periods ended April 2, 2017, the Company incurred costs of $2.6 million associated with the HRG Merger.  The Company anticipates the HRG Merger to close prior to the end of the fiscal year ending September 30, 2018.  Transaction costs associated with the HRG Merger are reported as General & Administrative Expenses on the Statement of Income of SBH.

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NOTE 4 – ACQUISITIONS (continued)

Voting Agreements

Concurrently with the execution and delivery of the Merger Agreement, HRG, which beneficially owns approximately 62% of the outstanding Company common stock, entered into a voting agreement with the Company (the "HRG Voting Agreement"). The HRG Voting Agreement requires that the HRG Stockholder vote its shares of Company common stock to approve and adopt the Merger Agreement and the transactions contemplated thereby and take certain other actions, including voting against any alternative acquisition proposal or other proposal which frustrate the purposes, or prevent, delay or otherwise adversely affect the consummation of the transactions contemplated by the Merger Agreement. The HRG Voting Agreement and the obligations thereunder terminate upon the termination of the Merger Agreement in accordance with its terms.

Rights Agreement

The board of directors of the Company (the "Board") declared a dividend of one preferred share purchase right (a "Right"), payable on March 8, 2018 for each share of Company Common Stock outstanding on March 8, 2018 (the "Record Date") to the stockholders of record on that date. In connection with the distribution of the Rights, the Company entered into a Rights Agreement (the "Rights Agreement"), dated as of February 24, 2018, between the Company and Computershare Trust Company, N.A., as Rights Agent. The Rights Agreement is intended to protect Company stockholder interests in connection with the Merger by preserving the value of the combined companies' substantial net operating and capital loss carryforwards. Each Right entitles the registered holder to purchase from the Company one one-thousandth of a share of Series R Preferred Stock, par value $0.01 per share (the "Preferred Shares"), of the Company at a price of $462.00 per one one-thousandth of a Preferred Share represented by a Right (the "Purchase Price"), subject to adjustment. The Rights are attached to all Company Common Stock certificates and no separate certificates evidencing the Rights will be issued. As long as the Rights are attached to the Company Common Stock, the Company will issue one Right with each new Company Common Stock so that all such shares will have Rights attached. The Rights are not exercisable until the Distribution Date. The Rights will expire on the earlier of (i) close of business on the one-year anniversary of the date of the Rights Agreement and (ii) immediately prior to the Effective Time). The Rights Agreement may also be terminated, or the rights may be redeemed, prior to the scheduled expiration of the Rights Agreement under certain other circumstances. The Board may, in its sole and absolute discretion, determine that a Person is exempt from the Rights Agreement (an "Exempt Person"). Any Person will cease to be an Exempt Person if the Board makes a contrary determination with respect to such Person regardless of the reason therefor. In addition, the Board may, in its sole and absolute discretion, exempt any transaction from triggering the Rights Agreement. Until a Right is exercised, the holder thereof, as such, will have no rights as a stockholder of the Company in respect of such Right, including, without limitation, the right to vote or to receive dividends.

Acquisition & Integration Costs

The following summarizes acquisition and integration related charges, excluding costs associated with the HRG Merger previously discussed, for the three and six month periods ended April 1, 2018 and April 2, 2017:

| | Three Month Periods Ended | | Six Month Periods Ended | |
|---|---|---|---|---|
| (in millions) | April 1, 2018 | April 2, 2017 | April 1, 2018 | April 2, 2017 |
| HHI Business | $ 1.9 | $ 2.0 | $ 4.6 | $ 3.8 |
| PetMatrix | 2.1 | — | 3.7 | — |
| Armored AutoGroup | 0.4 | 0.6 | 0.6 | 1.9 |
| Other | 0.1 | 0.6 | 0.8 | 0.8 |
| Total acquisition and integration related charges | $ 4.5 | $ 3.2 | $ 9.7 | $ 6.5 |

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

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NOTE 5 - RESTRUCTURING AND RELATED CHARGES

PET Rightsizing Initiative – During the second quarter of the year ended September 30, 2017, the Company implemented a rightsizing initiative within the PET segment to streamline certain operations and reduce operating costs. The initiative includes headcount reductions and the rightsizing of certain facilities. Total costs associated with this initiative are expected to be approximately $13 million, of which $12.2 million has been incurred to date. The balance is anticipated to be incurred through September 30, 2018.

HHI Distribution Center Consolidation – During the second quarter of the year ended September 30, 2017, the Company implemented an initiative within the HHI segment to consolidate certain operations and reduce operating costs. The initiative includes headcount reductions and the exit of certain facilities. Total costs associated with the initiative are expected to be approximately $67 million, of which $56.2 million has been incurred to date. The balance is anticipated to be incurred through September 30, 2018.

GAC Business Rationalization Initiatives – During the third quarter of the year ended September 30, 2016, the Company implemented a series of initiatives in the GAC segment to consolidate certain operations and reduce operating costs. These initiatives included headcount reductions and the exit of certain facilities. Total costs associated with these initiatives are expected to be approximately $41 million, of which $36.7 million has been incurred to date. The balance is anticipated to be incurred through September 30, 2018.

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

The following summarizes restructuring and related charges for the three and six month periods ended April 1, 2018 and April 2, 2017:

| | Three Month Periods Ended | | Six Month Periods Ended | |
|---|---|---|---|---|
| (in millions) | April 1, 2018 | April 2, 2017 | April 1, 2018 | April 2, 2017 |
| HHI distribution center consolidation | $ 13.6 | $ 1.2 | $ 28.8 | $ 1.2 |
| GAC business rationalization initiative | 3.1 | 5.5 | 7.1 | 7.0 |
| PET rightsizing initiative | 3.3 | 0.6 | 4.0 | 0.6 |
| Other restructuring activities | 3.1 | 0.6 | 3.7 | 1.4 |

| | | | | |
|---|---|---|---|---|
| Total restructuring and related charges | $ 23.1 | $ 7.9 | $ 43.6 | $ 10.2 |
| Reported as: | | | | |
| Cost of goods sold | $ 3.1 | $ 4.1 | $ 5.0 | $ 5.2 |
| Operating expense | 20.0 | 3.8 | 38.6 | 5.0 |

The following is a summary of restructuring and related charges for the three and six month periods ended April 1, 2018 and April 2, 2017 and cumulative costs for current restructuring initiatives as of April 1, 2018, by cost type:

| (in millions) | Termination Benefits | Other Costs | Total |
|---|---|---|---|
| For the three month period ended April 1, 2018 | $ 4.0 | $ 19.1 | $ 23.1 |
| For the three month period ended April 2, 2017 | 1.2 | 6.7 | 7.9 |
| For the six month period ended April 1, 2018 | 5.1 | 38.5 | 43.6 |
| For the six month period ended April 2, 2017 | 2.1 | 8.1 | 10.2 |
| Cumulative costs through April 1, 2018 | 16.1 | 93.0 | 109.1 |
| Future costs to be incurred | 0.4 | 18.8 | 19.2 |

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

The following is a rollforward of the accrual related to all restructuring and related activities, included within Other Current Liabilities, by cost type for the three and six month periods ended April 1, 2018 and April 2, 2017.

| (in millions) | Termination Benefits | Other Costs | Total |
|---|---|---|---|
| Accrual balance at September 30, 2017 | $ 7.2 | $ 9.8 | $ 17.0 |
| Provisions | 3.5 | 1.5 | 5.0 |
| Cash expenditures | (4.9) | (5.8) | (10.7) |
| Non-cash items | 0.1 | 0.3 | 0.4 |
| Accrual balance at April 1, 2018 | $ 5.9 | $ 5.8 | $ 11.7 |

The following summarizes restructuring and related charges by segment for the three and six month periods ended April 1, 2018 and April 2, 2017, cumulative costs incurred through April 1, 2018, and future expected costs to be incurred by segment:

| (in millions) | PET | HHI | GAC | H&G | Corporate | Total |
|---|---|---|---|---|---|---|
| For the three month period ended April 1, 2018 | $ 3.8 | $ 13.6 | $ 3.1 | $ 0.2 | $ 2.4 | $ 23.1 |
| For the three month period ended April 2, 2017 | 1.0 | 1.4 | 5.5 | — | — | 7.9 |
| For the six month period ended April 1, 2018 | 4.4 | 28.8 | 7.2 | 0.2 | 3.0 | 43.6 |
| For the six month period ended April 2, 2017 | 1.6 | 1.6 | 7.0 | — | — | 10.2 |
| Cumulative costs through April 1, 2018 | 12.6 | 56.2 | 36.7 | 0.2 | 3.4 | 109.1 |
| Future costs to be incurred | 0.5 | 10.7 | 4.3 | — | 3.7 | 19.2 |

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NOTE 6 - RECEIVABLES AND CONCENTRATION OF CREDIT RISK

The allowance for uncollectible receivables as of April 1, 2018 and September 30, 2017 was $27.4 million and $23.5 million, respectively. The Company has a broad range of customers including many large retail outlet chains, three of which exceed 10% of consolidated Net Sales and/or Trade Receivables. These three customers represented 40% and 38% of net sales for the three and six month periods ended April 1, 2018 and 38% and 37% of net sales for the three and six month periods ended April 2, 2017; and 30% and 36% of Trade Receivables at April 1, 2018 and September 30, 2017, respectively.

NOTE 7 - INVENTORIES

Inventories consist of the following:

| (in millions) | April 1, 2018 | September 30, 2017 |
|---|---|---|
| Raw materials | $ 112.4 | $ 95.7 |
| Work-in-process | 48.1 | 35.5 |
| Finished goods | 450.0 | 365.1 |
| | $ 610.5 | $ 496.3 |

NOTE 8 – PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

| (in millions) | April 1, 2018 | September 30, 2017 |
|---|---|---|
| Land, buildings and improvements | $ 153.9 | $ 145.7 |
| Machinery, equipment and other | 399.9 | 379.3 |
| Capital leases | 212.0 | 210.2 |
| Construction in progress | 43.8 | 40.4 |
| Property, plant and equipment | $ 809.6 | $ 775.6 |
| Accumulated depreciation | (305.7) | (272.5) |
| Property, plant and equipment, net | $ 503.9 | $ 503.1 |

Depreciation expense from property, plant and equipment for the three month periods ended April 1, 2018 and April 2, 2017 was $19.7 million and $16.2 million, respectively; and for the six month periods ended April 1, 2018 and April 2, 2017 was $37.7 million and $30.8 million, respectively.

NOTE 9 - GOODWILL AND INTANGIBLE ASSETS

Goodwill, by segment, consists of the following:

| (in millions) | HHI | PET | H&G | GAC | Total |
|---|---|---|---|---|---|
| As of September 30, 2017 | 708.7 | 437.1 | 196.5 | 934.8 | 2,277.1 |
| Foreign currency impact | (0.5) | 3.2 | — | 0.4 | 3.1 |
| As of April 1, 2018 | $ 708.2 | $ 440.3 | $ 196.5 | $ 935.2 | $ 2,280.2 |

Certain tradename intangible assets have an indefinite life and are not amortized. The balance of tradenames not subject to amortization was $1,029.0 million and $1,024.3 million as of April 1, 2018 and September 30, 2017, respectively. There was no impairment loss on indefinite-lived trade names for the three and six month periods ended April 1, 2018 and April 2, 2017. The carrying value and accumulated amortization for definite lived intangible assets subject to amortization are as follows:

| | April 1, 2018 | | | September 30, 2017 | | |
|---|---|---|---|---|---|---|
| (in millions) | Gross Carrying Amount | Accumulated Amortization | Net | Gross Carrying Amount | Accumulated Amortization | Net |
| Customer relationships | $ 675.1 | $ (243.1) | $ 432.0 | $ 671.7 | $ (222.3) | $ 449.4 |
| Technology assets | 194.7 | (68.7) | 126.0 | 194.6 | (59.7) | 134.9 |
| Tradenames | 5.5 | (3.0) | 2.5 | 18.5 | (15.1) | 3.4 |
| Total | $ 875.3 | $ (314.8) | $ 560.5 | $ 884.8 | $ (297.1) | $ 587.7 |

The range and weighted average useful lives for definite-lived intangible assets are as follows:

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

Amortization expense from intangible assets for the three month periods ended April 1, 2018 and April 2, 2017 was $14.4 million and $15.1 million, respectively, and for the six month periods ended April 1, 2018 and April 2, 2017 was $29.4 million and $30.5 million, respectively. Excluding the impact of any future acquisitions or changes in foreign currency, the Company estimates annual amortization expense of intangible assets for the next five fiscal years will be as follows:

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

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NOTE 10 - DEBT

Debt for SBH and SB/RH consists of the following:

| | April 1, 2018 | | September 30, 2017 | |
|---|---|---|---|---|
| (in millions) | Amount | Rate | Amount | Rate |
| Term Loan, variable rate, due June 23, 2022 | $ 1,237.9 | 3.9 % | $ 1,244.2 | 3.4 % |
| CAD Term Loan, variable rate, due June 23, 2022 | 33.4 | 5.2 % | 59.0 | 4.9 % |
| 4.00% Notes, due October 1, 2026 | 522.8 | 4.0 % | 500.9 | 4.0 % |
| 5.75% Notes, due July 15, 2025 | 1,000.0 | 5.8 % | 1,000.0 | 5.8 % |
| 6.125% Notes, due December 15, 2024 | 250.0 | 6.1 % | 250.0 | 6.1 % |
| 6.625% Notes, due November 15, 2022 | 570.0 | 6.6 % | 570.0 | 6.6 % |
| Revolver Facility, variable rate, expiring March 6, 2022 | 570.5 | 4.3 % | — | — % |
| Other notes and obligations | 3.5 | 8.1 % | 4.7 | 8.0 % |
| Obligations under capital leases | 199.1 | 5.7 % | 199.7 | 5.7 % |
| Total debt | 4,387.2 | | 3,828.5 | |
| Unamortized discount on debt | (3.1) | | (3.7) | |
| Debt issuance costs | (49.4) | | (53.1) | |
| Less current portion | (20.3) | | (19.4) | |
| Long-term debt, net of current portion | $ 4,314.4 | | $ 3,752.3 | |

The Term Loans and Revolver Facility are subject to variable interest rates, (i) the USD Term Loan is subject to either adjusted LIBOR (International Exchange London Interbank Offered Rate), plus margin of 2.00% per annum, or base rate plus margin of 1.00% per annum, (ii) the CAD Term Loan is subject to either CDOR (Canadian Dollar Offered Rate), subject to a 0.75% floor plus 3.50% per annum, or base rate with a 1.75% floor plus 2.50% per annum, (iii) the Revolver Facility is subject to either adjusted LIBOR plus margin ranging from 1.75% to 2.25% per annum, or base rate plus margin ranging from 0.75% to 1.25% per annum.

On March 28, 2018, the Company entered into a fifth amendment to the Credit Agreement, expanding the overall capacity of the Revolver Facility by $100 million to $800 million. As a result of borrowings and payments under the Revolver Facility, at April 1, 2018, the Company had borrowing availability of $210.0 million, net outstanding letters of credit of $18.0 million and $1.5 million allocated to a foreign subsidiary.

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NOTE 11 - DERIVATIVES

Cash Flow Hedges

Interest Rate Swaps. The Company uses interest rate swaps to manage its interest rate risk. The swaps are designated as cash flow hedges with the changes in fair value recorded in Accumulated Other Comprehensive Income (“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 counterparties included in accrued liabilities or receivables, respectively, and recognized in earnings as an adjustment to interest from the underlying debt to which the swap is designated. Due to the expected settlement of the Company’s Term Loan using proceeds from the GBA divestitures, as discussed in Note 3- Divestitures, a portion of the projected cash flows was no longer deemed probable and therefore de-designated a portion of the hedge as ineffective. At April 1, 2018 and September 30, 2017, the Company had a series of U.S. dollar denominated interest rate swaps outstanding which effectively fix the interest on floating rate debt, exclusive of lender spreads, at 1.76% for a notional principal amount of $300.0 million through May 2020. The derivative net gain estimated to be reclassified from AOCI into earnings over the next 12 months is $1.0 million, net of tax. The Company’s interest rate swap derivative financial instruments at April 1, 2018 and September 30, 2017 are as follows:

| | April 1, 2018 | | September 30, 2017 | |
|---|---|---|---|---|
| (in millions) | Notional Amount | Remaining Years | Notional Amount | Remaining Years |
| Interest rate swaps - fixed | $ 300.0 | 2.1 | $ 300.0 | 2.6 |

Commodity Swaps. The Company is exposed to risk from fluctuating prices for raw materials, specifically brass used in its manufacturing processes. The Company hedges a portion of the risk associated with the purchase of these materials through the use of commodity swaps. The hedge contracts are designated as cash flow hedges with the fair value changes recorded in AOCI and as a hedge asset or liability, as applicable. The unrecognized changes in fair value of the hedge contracts are reclassified from AOCI into earnings when the hedged purchase of raw materials also affects earnings. The swaps effectively fix the floating price on a specified quantity of raw materials through a specified date. At April 1, 2018, the Company had a series of brass swap contracts outstanding through August 2019. The derivative net gains estimated to be reclassified from AOCI into earnings over the next 12 months is $0.2 million, net of tax. The Company had the following commodity swap contracts outstanding as of April 1, 2018 and September 30, 2017.

| | April 1, 2018 | | September 30, 2017 | |
|---|---|---|---|---|
| (in millions, except notional) | Notional | Contract Value | Notional | Contract Value |
| Brass swap contracts | 1.0 Tons | $ 5.5 | 1.3 Tons | $ 6.6 |

Foreign exchange contracts. The Company periodically enters into forward foreign exchange contracts to hedge a portion of the risk from forecasted foreign currency denominated third party and intercompany sales or payments. These obligations generally require the Company to exchange foreign currencies for U.S. Dollars, Euros, 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 on the Condensed Consolidated Statements of Income. At April 1, 2018, the Company had a series of foreign exchange derivative contracts outstanding through September 2019. The derivative net losses estimated to be reclassified from AOCI into earnings over the next 12 months is $0.2 million, net of tax. At April 1, 2018 and September 30, 2017, the Company had foreign exchange derivative contracts designated as cash flow hedges with a notional value of $63.3 million and $67.5 million, respectively.

Net Investment Hedge

On September 20, 2016, SBI issued €425 million aggregate principle amount of 4.00% Notes. See Note 10 - Debt for further detail. The 4.00% Notes are denominated in Euros and have been designated as a net investment hedge of the translation of the Company’s net investments in Euro denominated subsidiaries at the time of issuance. As a result, the translation of the Euro denominated debt is recognized as AOCI with any ineffective portion recognized as foreign currency translation gains or losses on the statement of income when the aggregate principal exceeds the net investment in its Euro denominated subsidiaries. Net gains or losses from the net investment hedge are reclassified from AOCI into earnings upon a liquidation event or deconsolidation of Euro denominated subsidiaries. As of April 1, 2018, the hedge was fully effective and no ineffective portion was recognized in earnings.

Derivative Contracts Not Designated as Hedges for Accounting Purposes

Foreign exchange contracts. The Company periodically enters into forward and swap foreign exchange contracts to economically hedge a portion of the risk from third party and intercompany payments resulting from existing obligations. These obligations generally require the Company to exchange foreign currencies for U.S. Dollars, Canadian Dollars, Euros, Pounds Sterling, Taiwanese Dollars, Hong Kong Dollars or Australian Dollars. These foreign exchange contracts are fair value hedges of a related liability or asset recorded in the accompanying Condensed Consolidated Statements of Financial Position. The gain or loss on the derivative hedge contracts is recorded in earnings as an offset to the change in value of the related liability or asset at each period end. At April 1, 2018, the Company had a series of forward exchange contracts outstanding through April 2018. At April 1, 2018 and September 30, 2017, the Company had $82.3 million and $62.9 million, respectively, of notional value of such foreign exchange derivative contracts outstanding.

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NOTE 11 – DERIVATIVES (continued)

Fair Value of Derivative Instruments

The fair value of the Company’s outstanding derivative contracts recorded in the Condensed Consolidated Statements of Financial Position is as follows:

| (in millions) | Line Item | April 1, 2018 | September 30, 2017 |
|---|---|---|---|
| Derivative Assets | | | |
| Commodity swaps - designated as hedge | Other receivables | $ 0.3 | $ 0.6 |
| Interest rate swaps - designated as hedge | Other receivables | 1.4 | — |
| Interest rate swaps - designated as hedge | Deferred charges and other | 1.9 | 0.4 |
| Foreign exchange contracts - designated as hedge | Deferred charges and other | 0.1 | 0.2 |
| Foreign exchange contracts - not designated as hedge | Other receivables | — | 0.3 |
| Total Derivative Assets | | $ 3.7 | $ 1.5 |
| Derivative Liabilities | | | |
| Commodity swaps - designated as hedge | Accounts payable | $ 0.1 | $ — |
| Interest rate swaps - designated as hedge | Other current liabilities | — | 0.5 |
| Interest rate swaps - designated as hedge | Accrued interest | — | 0.2 |
| Foreign exchange contracts - designated as hedge | Accounts payable | 0.3 | 2.3 |
| Foreign exchange contracts - designated as hedge | Other long term liabilities | — | 0.3 |
| Foreign exchange contracts - not designated as hedge | Accounts payable | 0.7 | — |
| Total Derivative Liabilities | | $ 1.1 | $ 3.3 |

The Company is exposed to the risk of default by the counterparties with which it transacts and generally does not require collateral or other security to support financial instruments subject to credit risk. The Company monitors counterparty credit risk on an individual basis by periodically assessing each counterparty’s credit rating exposure. The maximum loss due to credit risk equals the fair value of the gross asset derivatives that are concentrated with certain domestic and foreign financial institution counterparties. The Company considers these exposures when measuring its credit reserve on its derivative assets, which was less than $0.1 million as of April 1, 2018 and September 30, 2017.

The Company’s standard contracts do not contain credit risk related contingent features whereby the Company would be required to post additional cash collateral as a result of a credit event. However, the Company is typically required to post collateral in the normal course of business to offset its liability positions. As of April 1, 2018 and September

30, 2017, there was no cash collateral outstanding. In addition, as of April 1, 2018 and September 30, 2017, the Company had no posted standby letters of credit related to such liability positions.

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NOTE 11 – DERIVATIVES (continued)

The following summarizes the impact of derivative instruments on the accompanying Condensed Consolidated Statements of Income for the three and six month periods ended April 1, 2018 and April 2, 2017, pretax:

| | Effective Portion | | | | Ineffective portion | | |
|---|---|---|---|---|---|---|---|
| Three month period ended April 1, 2018 (in millions) | Gain (Loss) in OCI | Reclassified to Continuing Operations Line Item | Gain (Loss) | Reclassified to Discontinued Operations | Continuing Operations Line Item | Gain (Loss) | Discontinued Operations |
| Interest rate swaps | $ 1.7 | Interest expense | $ — | $ 0.7 | Interest expense | $ — | $ 0.6 |
| Commodity swaps | (0.5) | Cost of goods sold | 0.3 | 1.3 | Cost of goods sold | — | — |
| Net investment hedge | (15.2) | Other non-operating expense | — | — | Other non-operating expense | — | — |
| Foreign exchange contracts | (0.1) | Net sales | — | — | Net sales | — | — |
| Foreign exchange contracts | (4.3) | Cost of goods sold | (0.5) | (4.8) | Cost of goods sold | — | — |
| Total | $ (18.4) | | $ (0.2) | $ (2.8) | | $ — | $ 0.6 |

| | Effective Portion | | | | Ineffective portion | | |
|---|---|---|---|---|---|---|---|
| Three month period ended April 2, 2017 (in millions) | Gain (Loss) in OCI | Reclassified to Continuing Operations Line Item | Gain (Loss) | Reclassified to Discontinued Operations | Continuing Operations Line Item | Gain (Loss) | Discontinued Operations |
| Interest rate swaps | $ (0.4) | Interest expense | $ — | $ (0.7) | Interest expense | $ — | $ — |
| Commodity swaps | 2.4 | Cost of goods sold | 0.3 | 1.4 | Cost of goods sold | — | — |
| Net investment hedge | (7.9) | Other non-operating expense | — | — | Other non-operating expense | — | — |
| Foreign exchange contracts | (0.1) | Net sales | — | — | Net sales | — | — |
| Foreign exchange contracts | (4.4) | Cost of goods sold | (0.1) | 2.9 | Cost of goods sold | — | — |
| Total | $ (10.4) | | $ 0.2 | $ 3.6 | | $ — | $ — |

| | Effective Portion | | | | Ineffective portion | | |
|---|---|---|---|---|---|---|---|
| Six month period ended | Gain (Loss) | Reclassified to Continuing Operations | | Reclassified to Discontinued | Continuing Operations | | Discontinued |

| April 1, 2018 (in millions) | in OCI | Line Item | Gain (Loss) | Operations | Line Item | Gain (Loss) | Operations |
|---|---|---|---|---|---|---|---|
| Interest rate swaps | $ 3.8 | Interest expense | $ — | $ 0.3 | Interest expense | $ — | $ 0.6 |
| Commodity swaps | 1.2 | Cost of goods sold | 0.6 | 2.5 | Cost of goods sold | — | — |
| Net investment hedge | (21.8) | Other non-operating expense | — | — | Other non-operating expense | — | — |
| Foreign exchange contracts | — | Net sales | 0.1 | — | Net sales | — | — |
| Foreign exchange contracts | (2.4) | Cost of goods sold | (0.3) | (8.9) | Cost of goods sold | — | — |
| Total | $ (19.2) | | $ 0.4 | $ (6.1) | | $ — | $ 0.6 |

| | Effective Portion | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | Reclassified to | Ineffective portion | | |
| Six month period ended | Gain (Loss) | Reclassified to Continuing Operations | | Discontinued | Continuing Operations | | Discontinued |
| April 2, 2017 (in millions) | in OCI | Line Item | Gain (Loss) | Operations | Line Item | Gain (Loss) | Operations |
| Interest rate swaps | $ (0.3) | Interest expense | $ — | $ (1.0) | Interest expense | $ — | $ — |
| Commodity swaps | 3.8 | Cost of goods sold | 0.3 | 2.2 | Cost of goods sold | — | — |
| Net investment hedge | 23.3 | Other non-operating expense | — | — | Other non-operating expense | — | — |
| Foreign exchange contracts | 0.1 | Net sales | — | — | Net sales | — | — |
| Foreign exchange contracts | 5.9 | Cost of goods sold | — | 7.1 | Cost of goods sold | — | — |
| Total | $ 32.8 | | $ 0.3 | $ 8.3 | | $ — | $ — |

The following summarizes the loss associated with derivative contracts not designated as hedges in the Condensed Consolidated Statements of Income for the three and six month periods ended April 1, 2018 and April 2, 2017:

| | | Three Months Ended | | Six Months Ended | |
|---|---|---|---|---|---|
| (in millions) | Line Item | April 1, 2018 | April 2, 2017 | April 1, 2018 | April 2, 2017 |
| Foreign exchange contracts | Other non-operating expense (income) | $ 2.4 | $ (1.3) | $ 2.7 | $ (3.3) |

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NOTE 12 - FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company has not changed the valuation techniques used in measuring the fair value of any financial assets and liabilities during the year. The Company's derivative portfolio contains Level 2 instruments. See Note 11 - Derivatives for additional detail. The fair value of derivative instruments as of April 1, 2018 and September 30, 2017 are as follows:

| | April 1, 2018 | | September 30, 2017 | |
|---|---|---|---|---|
| (in millions) | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Derivative Assets | $ 3.7 | $ 3.7 | $ 1.5 | $ 1.5 |
| Derivative Liabilities | $ 1.1 | $ 1.1 | $ 3.3 | $ 3.3 |

The carrying value of cash and cash equivalents, receivables, accounts payable and short term debt approximate fair value based on the short-term nature of these assets and liabilities.

The fair value measurements of the Company's debt are valued at quoted input prices that are directly observable or indirectly observable through corroboration with observable market data (Level 2). The carrying value and fair value for debt as of April 1, 2018 and September 30, 2017 are as follows:

| | April 1, 2018 | | September 30, 2017 | |
|---|---|---|---|---|
| (in millions) | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Total debt - SBH | $ 4,334.7 | $ 4,465.9 | $ 3,771.7 | $ 3,972.8 |
| Total debt - SB/RH | $ 4,334.7 | $ 4,465.9 | $ 3,771.7 | $ 3,972.8 |

NOTE 13 - EMPLOYEE BENEFIT PLANS

The net periodic benefit cost for the Company's defined benefit plans for the three and six month periods ended April 1, 2018 and April 2, 2017 are as follows:

| (in millions) | Three Month Periods Ended April 1, 2018 | April 2, 2017 | Six Month Periods Ended April 1, 2018 | April 2, 2017 |
|---|---|---|---|---|
| Service cost | $ 0.5 | $ 0.7 | $ 1.0 | $ 1.3 |
| Interest cost | 0.5 | 0.4 | 1.0 | 0.8 |
| Expected return on assets | (0.4) | (0.4) | (0.8) | (0.7) |
| Recognized net actuarial loss | 0.3 | 0.5 | 0.6 | 1.1 |
| Net periodic benefit cost | $ 0.9 | $ 1.2 | $ 1.8 | $ 2.5 |
| Weighted average assumptions | | | | |
| Discount rate | 1.13 - 7.50% | 1.00 - 8.68% | 1.13 - 7.50% | 1.00 - 8.68% |
| Expected return on plan assets | 1.13 - 3.50% | 1.00 - 3.50% | 1.13 - 3.50% | 1.00 - 3.50% |
| Rate of compensation increase | 1.37 - 7.00% | 2.25 - 7.00% | 1.37 - 7.00% | 2.25 - 7.00% |

Amounts reclassified from AOCI associated with employee benefit plan costs and recognized on the Company's Condensed Consolidated Statements of Income for the three and six month periods ended April 1, 2018 and April 2, 2017 were as follows:

| (in millions) | Three Month Periods Ended April 1, 2018 | April 2, 2017 | Six Month Periods Ended April 1, 2018 | April 2, 2017 |
|---|---|---|---|---|
| Cost of goods sold | $ 0.1 | $ 0.3 | $ 0.2 | $ 0.6 |
| Selling expenses | 0.1 | 0.1 | 0.2 | 0.3 |
| General and administrative expenses | 0.1 | 0.1 | 0.1 | 0.2 |
| Amounts reclassified from AOCI to continuing operations | $ 0.3 | $ 0.5 | $ 0.5 | $ 1.1 |
| Amounts reclassified from AOCI to discontinued operations | $ 0.5 | $ 0.8 | $ 1.1 | $ 1.5 |

Company contributions to its pension and defined benefit plans, including discretionary amounts, for the three month periods ended April 1, 2018 and April 2, 2017 consisted of $1.3 million and $1.0 million, respectively, and for the six month periods ended April 1, 2018 and April 2, 2017 were $1.8 million and $1.2 million, respectively.

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NOTE 14 - SHARE BASED COMPENSATION

The Company measures the compensation expense of its Restricted Stock Units (“RSUs”) based on the fair value of the awards, as determined based on the market price of the Company’s shares of common stock on the grant date and recognizes these costs on a straight-line basis over the requisite service period of the awards. Certain RSUs are performance-based awards that are dependent upon achieving specified financial metrics over a designated period of time. In addition to RSUs, the Company also provides for a portion of its annual management incentive compensation plan to be paid in common stock of the Company, in lieu of cash payment, and is considered a liability plan. Share based compensation expense is recognized as General and Administrative Expenses on the Condensed Consolidated Statements of Income. The following is a summary of share based compensation expense for the three and six month periods ended April 1, 2018 and April 2, 2017.

| | Three Month Periods Ended | | Six Month Periods Ended | |
|---|---|---|---|---|
| (in millions) | April 1, 2018 | April 2, 2017 | April 1, 2018 | April 2, 2017 |
| SBH | $ (3.5) | $ 12.1 | $ 0.4 | $ 19.5 |
| SB/RH | (3.8) | 11.3 | (0.5) | 17.7 |

Share based compensation expense associated with the annual management incentive plan was $3.5 million and $1.9 million for the three month periods ended April 1, 2018 and April 2, 2017, respectively, and $3.2 million and $3.8 million for the six month periods ended April 1, 2018 and April 2, 2017, respectively. During the three month period ended April 1, 2018, the Company determined that certain RSUs with performance based criteria would not be achieved resulting in the reversal of previously recognized shared based compensation expense during the period. The remaining unrecognized pre-tax compensation cost for SBH and SB/RH at April 1, 2018 was $3.5 million and $2.8 million, respectively.

The following summary of the activity in the Company’s RSUs during the six month period ended April 1, 2018:

| | SBH | | | SB/RH | | |
|---|---|---|---|---|---|---|
| (in millions, except per share data) | Shares | Weighted Average Grant Date Fair Value | Fair Value at Grant Date | Shares | Weighted Average Grant Date Fair Value | Fair Value at Grant Date |

| | | | | | | |
|---|---|---|---|---|---|---|
| Time-based grants | 0.1 | $ 113.28 | $ 10.5 | 0.1 | $ 114.72 | $ 9.1 |
| Performance-based grants | | | | | | |
| Vesting in 12 to 24 months | 0.1 | 109.45 | 12.6 | 0.1 | 109.45 | 12.6 |
| Vesting in more than 24 months | 0.1 | 109.45 | 12.6 | 0.1 | 109.45 | 12.6 |
| Total performance-based grants | 0.2 | $ 109.45 | $ 25.2 | 0.2 | $ 109.45 | $ 25.2 |
| Total grants | 0.3 | $ 110.55 | $ 35.7 | 0.3 | $ 110.80 | $ 34.3 |

| | SBH | | | SB/RH | | |
|---|---|---|---|---|---|---|
| (in millions, except per share data) | Shares | Weighted Average Grant Date Fair Value | Fair Value at Grant Date | Shares | Weighted Average Grant Date Fair Value | Fair Value at Grant Date |
| At September 30, 2017 | 0.8 | $ 114.67 | $ 87.2 | 0.7 | $ 116.32 | $ 82.4 |
| Granted | 0.3 | 110.55 | 35.7 | 0.3 | 110.80 | 34.3 |
| Forfeited | — | 115.03 | (0.9) | — | 115.03 | (0.9) |
| Vested | (0.5) | 113.25 | (52.5) | (0.4) | 114.29 | (48.3) |
| At April 1, 2018 | 0.6 | $ 113.57 | $ 69.5 | 0.6 | $ 114.89 | $ 67.5 |

NOTE 15 - ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)

The changes in the components of AOCI, net of tax, for the six month period ended April 1, 2018 was as follows:

| (in millions) | Foreign Currency Translation | Hedging Activity | Employee Benefit Plans | Total |
|---|---|---|---|---|
| Accumulated other comprehensive loss, as of September 30, 2017 | $ (131.2) | $ (26.0) | $ (52.4) | $ (209.6) |
| Other comprehensive loss before reclassification | 18.3 | (19.2) | (2.2) | (3.1) |
| Amounts reclassified from accumulated other comprehensive loss to continuing operations | — | (0.7) | 0.5 | (0.2) |
| Amounts reclassified from accumulated other comprehensive loss to discontinued operations | — | 6.4 | 1.1 | 7.5 |
| Other comprehensive income (loss) | 18.3 | (13.5) | (0.6) | 4.2 |
| Deferred tax effect | 3.9 | 3.7 | 0.2 | 7.8 |
| Other comprehensive income (loss) , net of tax | 22.2 | (9.8) | (0.4) | 12.0 |

| | | | | |
|---|---|---|---|---|
| Other comprehensive income attributable to non-controlling interest | 0.5 | — | — | 0.5 |
| Other comprehensive income (loss) attributable to controlling interest | 21.7 | (9.8) | (0.4) | 11.5 |
| Accumulated other comprehensive loss, as of April 1, 2018 | $ (109.5) | $ (35.8) | $ (52.8) | $ (198.1) |

See Note 11 - Derivatives for amounts reclassified from AOCI from the Company's derivative hedging activity. See Note 13 – Employee Benefit Plans for amounts reclassified from AOCI from the Company' employee benefit plans.

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NOTE 16 - INCOME TAXES

The effective tax rate for the three and six month periods ended April 1, 2018 and April 2, 2017 was as follows:

| | Three Month Periods Ended | | Six Month Periods Ended | |
|---|---|---|---|---|
| Effective tax rate | April 1, 2018 | April 2, 2017 | April 1, 2018 | April 2, 2017 |
| SBH | 307.9% | 37.9% | 2,059.8% | 37.1% |
| SB/RH | (3.5)% | 37.7% | (1,417.6)% | 38.1% |

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

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to reverse. As a result of the reduction in the U.S. corporate income tax rate from 35% to 21% under the Tax Reform Act, the Company revalued its ending net deferred tax liabilities at December 31, 2017 and recognized a provisional $206.7 million tax benefit in the Company’s net income from continuing operations for the three month period ended December 31, 2017. The Company determined the impact of the U.S. federal corporate income tax rate change on the U.S. deferred tax assets and liabilities is provisional because certain of the timing differences reversing at the Company’s Fiscal 2018 blended rate must be estimated until the Fiscal 2018 reversing timing differences are known.

During the three months ended April 1, 2018, the Company released $4.9 million of valuation allowance against its U.S. federal and state capital losses as a result of the announced sale of the GBL business to Energizer. The Company also released $5.5 million of valuation allowance against its U.S. state net operating loss deferred tax assets since the projected US tax gain on the sale makes it more likely than not that the additional tax benefits will be realized.

As of April 1, 2018, the Company has recorded $35.9 million of valuation allowance against its U.S. state net operating losses. It remains unclear which of the Tax Reform Act provisions will be adopted by each of the U.S. states. State conformity to the provisions of the Tax Reform Act could have a material impact on the valuation allowance recorded on U.S. state net operating losses.

The Company is actively marketing the HPC business and expects to consummate a sale prior to December 31, 2018. If the portion of the purchase price allocated to the US is sufficient, there is a reasonable possibility that the Company could release valuation allowance on $41.9 million of federal net operating losses currently subject to certain limits, and additional valuation allowance on US state net operating losses. The Company does not have sufficient certainty around the purchase price or the amount that would be allocated to the US to conclude that utilization of these net operating losses is more likely than not.

The Tax Reform Act provided for a one-time deemed mandatory repatriation of post-1986 undistributed foreign subsidiary earnings and profits (“E&P”). The Company had an estimated $613.1 million of undistributed foreign E&P subject to the deemed mandatory repatriation and recognized a provisional $78.0 million of income tax expense in the Company’s net income from continuing operations for the six month period ended April 1, 2018. The mandatory repatriation tax is payable over 8 years, with the first payment due January 2019, therefore $6.3 million of the repatriation tax liability is classified as Other Current Liabilities and $71.7 million as Other Long-Term Liabilities on the Condensed Consolidated Statement of Financial Position as of December 31, 2017. The provisional tax expense for the mandatory repatriation is based on currently available information and additional information needs to be prepared, obtained and analyzed in order to determine the final amount, including further analysis of certain foreign exchange gains or losses, earnings and profits, foreign tax credits, and estimated cash and cash equivalents as of the measurement dates in the Tax Reform Act. Tax effects for changes to these items will be recorded in a subsequent quarter, as discrete adjustments to our income tax provision, once complete.

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

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

The Company continues to review the anticipated impacts of the global intangible low taxed income (“GILTI”) and base erosion anti-abuse tax (“BEAT”) on the Company, which are not effective until fiscal year 2019. The Company has not recorded any impact associated with either GILTI or BEAT in the tax rate for the six month period ended April 1, 2018. The FASB allows an accounting policy election of either recognizing deferred taxes for temporary differences expected to reverse as GILTI in future years or treating such taxes as a current-period expense when incurred. Due to the complexity of calculating GILTI under the new law, we have not determined which method we will apply.

In response to the enactment of the Tax Reform Act, the SEC staff issued Staff Accounting Bulletin No. 118 (“SAB 118”) to address the application of U.S. GAAP in situations when a registrant does not have the necessary information available, prepared, or analyzed (including computations) in reasonable detail to complete the accounting for certain income tax effects of the Tax Reform Act. SAB 118 allows registrants to record provisional amounts during a one year measurement period in a manner similar to accounting for business combinations.  The Company has recognized the provisional tax impacts related to deemed repatriated earnings and the revaluation of deferred tax assets and liabilities and included these amounts in its consolidated financial statements for the six month period ended April 1, 2018. The ultimate impact may differ from these provisional amounts, possibly materially, due to, among other things, additional analysis, changes in interpretations and assumptions the Company has made, additional regulatory guidance that may be issued, and actions the Company may take as a result of the Tax Reform Act.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

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

Environmental. The Company has provided for an estimated cost of $4.2 million and $4.4 million, as of April 1, 2018 and September 30, 2017, respectively, associated with environmental remediation activities at some of its current and former manufacturing sites. The Company believes that any additional liability in excess of the amounts provided that may result from resolution of these matters, will not have a material adverse effect on the consolidated financial condition, results of operations or cash flows of the Company.

Product Liability. The Company may be named as a defendant in lawsuits involving product liability claims. The Company has recorded and maintains an estimated liability in the amount of management's estimate for aggregate exposure for such liabilities based upon probable loss from loss reports, individual cases, and losses incurred but not reported. As of April 1, 2018 and September 30, 2017, the Company recognized $4.6 million and $5.3 million in product liability accruals, respectively, included in Other Current Liabilities on the Condensed Consolidated Statement of Financial Position. The Company believes that any additional liability in excess of the amounts provided that may result from resolution of these matters will not have a material adverse effect on the consolidated financial condition, results of operations or cash flows of the Company.

Product Warranty. The Company recognizes an estimated liability for standard warranty on certain products when we recognize revenue on the sale of the warranted products. Estimated warranty costs incorporate replacement parts, products and delivery, and are recorded as a cost of goods sold at the time of product shipment based on historical and projected warranty claim rates, claims experience and any additional anticipated future costs on previously sold products. The Company recognized $6.8 and $6.4 million of warranty accruals as of April 1, 2018 and September 30, 2017, respectively, included in Other Current Liabilities on the Condensed Consolidated Statement of Financial Statement.

Product Safety Recall. On June 10, 2017, the Company initiated a voluntary safety recall of various rawhide chew products for dogs sold by the Company's PET segment due to possible chemical contamination. As a result, the Company recognized a loss related to the recall of $3.9 million and $11.1 million for the three and six month periods ended April 1, 2018, which comprised of inventory write-offs of $1.6 million for the six month period ended April 1, 2018 for inventory at our distribution centers and production facilities that were considered obsolete and disposed; customer losses of $0.7 million and $1.1 million for returned or disposed product held by our customers; and $3.2 million and $8.4 million for the three and six month periods ended April 1, 2018 of incremental costs for disposal and operating costs during a temporary shutdown and subsequent start-up of production facilities impacted by the recall.

The Company suspended production at facilities impacted by the product safety recall, completed a comprehensive manufacturing review and subsequently recommenced production during the fourth quarter ended September 30, 2017. The impacted production facilities are subject to incremental costs during start-up requiring alternative treatment on affected product SKUs until appropriate regulatory approvals have been received.  The amounts for customer losses reflect the cost of the affected products returned to or replaced by the Company and the expected cost to reimburse customers for costs incurred by them related to the recall. The incremental costs incurred directly by the company do not include lost earnings associated with interruption of production at the Company’s facilities, or the costs to put into place corrective and preventative actions at those facilities. The Company’s estimates for losses related to the recall are provisional and were determined based on an assessment of information currently available and may be revised in subsequent periods as the Company continues to work with its customers to substantiate claims received to date and any additional claims that may be received. There have been no lawsuits or claims filed against the Company related to the recalled product.

NOTE 18 - SEGMENT INFORMATION

The Company identifies its segments based upon the internal organization that is used by management for making operating decisions and assessing performance as the source of the Company's reportable segments. The Company manufactures, markets and/or distributes multiple product lines through various distribution networks, and in multiple geographic regions. Effective December 29, 2017, the Company approved a plan to sell its GBA segment. As a result, the Company's assets and liabilities associated with the GBA segment have been classified as discontinued operations; and reported separately for all periods presented. See Note 3 – Divestitures for more information on the assets and liabilities classified as held for sale and discontinued operations. The Company manages its continuing operations in vertically integrated, product-focused reporting segments: (i) Hardware & Home Improvement, which consists of the Company's worldwide hardware, security and plumbing business; (ii) Global Pet Supplies, which consists of the Company's worldwide pet supplies business; (iii) Home and Garden, which consists of the Company's home and garden and insect control business and (iv) Global Auto Care, which consists of the Company's automotive appearance and performance products. Global strategic initiatives and financial objectives for each reportable segment are determined at the corporate level. Each segment is responsible for implementing defined strategic initiatives and achieving certain financial objectives, and has a general manager responsible for the sales and marketing initiatives and financial results for product lines within the segment. Net sales relating to the segments of the Company for the three and six month periods ended April 1, 2018 and April 2, 2017 are as follows:

| | Three month periods ended | | Six month periods ended | |
|---|---|---|---|---|
| (in millions) | April 1, 2018 | April 2, 2017 | April 1, 2018 | April 2, 2017 |
| HHI | $ 318.5 | $ 313.7 | $ 644.4 | $ 602.5 |
| PET | 211.2 | 191.8 | 413.6 | 386.0 |
| H&G | 118.1 | 132.0 | 167.4 | 181.7 |
| GAC | 118.3 | 119.0 | 187.2 | 188.5 |
| Net sales | $ 766.1 | $ 756.5 | $ 1,412.6 | $ 1,358.7 |

The Chief Operating Decision Maker uses Adjusted EBITDA as the primary operating metric in evaluating the business and making operating decisions. EBITDA is calculated by excluding the Company's income tax expense, interest expense, depreciation expense and amortization expense (from intangible assets) from net income. Adjusted EBITDA further excludes (1) share based compensation expense as it is a non-cash based compensation cost; (2) acquisition and integration costs that consist of transaction costs from acquisition transactions during the period, or subsequent integration related project costs directly associated with the acquired business; (3) restructuring and related costs, which consist of project costs associated with restructuring initiatives across the segments; (4) non-cash purchase accounting inventory adjustments recognized in earnings subsequent to an acquisition; (5) non-cash asset impairments or write-offs realized; (6) and other. During the three and six month period ended April 1, 2018, other adjustments consisted of costs for a non-recurring voluntary recall of rawhide product by the PET segment (See Note 17 – Commitments and Contingencies for further details) and transaction costs associated with the HRG Merger (see Note 4 - Acquisitions for further details). During the three and six month periods ended April 2, 2017, other adjustments consisted of transaction costs associated with the HRG Merger. Segment Adjusted EBITDA in relation to the SBH's reportable segments for the three and six month periods ended April 1, 2018 and April 2, 2017 are as follows:

| SBH (in millions) | Three month periods ended April 1, 2018 | Three month periods ended April 2, 2017 | Six month periods ended April 1, 2018 | Six month periods ended April 2, 2017 |
|---|---|---|---|---|
| HHI | $ 45.5 | $ 56.6 | $ 105.5 | $ 115.8 |
| PET | 35.7 | 31.9 | 69.7 | 62.7 |
| H&G | 25.3 | 35.6 | 30.7 | 41.3 |
| GAC | 19.8 | 45.4 | 34.5 | 65.2 |
| Total Segment Adjusted EBITDA | 126.3 | 169.5 | 240.4 | 285.0 |
| Corporate expenses | 10.7 | 9.3 | 19.1 | 19.6 |
| Depreciation and amortization | 34.2 | 31.3 | 67.1 | 61.3 |
| Share-based compensation | (3.5) | 12.1 | 0.4 | 19.5 |
| Acquisition and integration related charges | 4.5 | 3.2 | 9.7 | 6.5 |
| Restructuring and related charges | 23.1 | 7.9 | 43.6 | 10.2 |
| Interest expense | 42.1 | 38.8 | 80.6 | 81.9 |
| Inventory acquisition step-up | — | — | 0.8 | — |
| Pet safety recall | 3.9 | — | 11.1 | — |
| Other | 11.6 | 2.6 | 14.2 | 2.5 |
| Income from operations before income taxes | $ (0.3) | $ 64.3 | $ (6.2) | $ 83.5 |

Segment Adjusted EBITDA in relation to the SBRH's reportable segments for the three and six month periods ended April 1, 2018 and April 2, 2017 are as follows:

| SBRH (in millions) | Three month periods ended April 1, 2018 | Three month periods ended April 2, 2017 | Six month periods ended April 1, 2018 | Six month periods ended April 2, 2017 |
|---|---|---|---|---|
| HHI | $ 45.5 | $ 56.6 | $ 105.5 | $ 115.8 |
| PET | 35.7 | 31.9 | 69.7 | 62.7 |
| H&G | 25.3 | 35.6 | 30.7 | 41.3 |
| GAC | 19.8 | 45.4 | 34.5 | 65.2 |
| Total Segment Adjusted EBITDA | 126.3 | 169.5 | 240.4 | 285.0 |
| Corporate expenses | 10.4 | 9.2 | 18.7 | 19.3 |
| Depreciation and amortization | 34.2 | 31.3 | 67.1 | 61.3 |
| Share-based compensation | (3.8) | 11.3 | (0.5) | 17.7 |
| Acquisition and integration related charges | 4.5 | 3.2 | 9.7 | 6.5 |
| Restructuring and related charges | 23.1 | 7.9 | 43.6 | 10.2 |
| Interest expense | 42.1 | 38.9 | 80.6 | 82.2 |
| Inventory acquisition step-up | — | — | 0.8 | — |
| Pet safety recall | 3.9 | — | 11.1 | — |
| Income from operations before income taxes | $ 11.9 | $ 67.7 | $ 9.3 | $ 87.8 |

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NOTE 19 - EARNINGS PER SHARE - SBH

The reconciliation of the numerator and denominator of the basic and diluted earnings per share calculation and the anti-dilutive shares for the three and six month periods ended April 1, 2018 and April 2, 2017 are as follows:

| | Three Month Periods Ended | | Six Month Periods Ended | |
|---|---|---|---|---|
| (in millions, except per share amounts) | April 1, 2018 | April 2, 2017 | April 1, 2018 | April 2, 2017 |
| Numerator | | | | |
| Net income from continuing operations attributable to controlling interest | $ 0.8 | $ 39.9 | $ 120.2 | $ 52.4 |
| Income from discontinued operations attributable to controlling interest | 0.6 | 18.9 | 41.4 | 71.7 |
| Net income attributable to controlling interest | 1.4 | 58.8 | 161.6 | 124.1 |
| Denominator | | | | |
| Weighted average shares outstanding - basic | 57.1 | 58.8 | 57.4 | 59.1 |
| Dilutive shares | 0.1 | 0.2 | — | 0.2 |
| Weighted average shares outstanding - diluted | 57.2 | 59.0 | 57.4 | 59.3 |
| Earnings per share | | | | |
| Basic earnings per share from continuing operations | $ 0.02 | $ 0.68 | $ 2.09 | $ 0.89 |
| Basic earnings per share from discontinued operations | 0.01 | 0.32 | 0.72 | 1.21 |
| Basic earnings per share | $ 0.03 | $ 1.00 | $ 2.81 | $ 2.10 |
| Diluted earnings per share from continuing operations | $ 0.02 | $ 0.68 | $ 2.09 | $ 0.88 |
| Diluted earnings per share from discontinued operations | 0.01 | 0.32 | 0.72 | 1.21 |
| Diluted earnings per share | $ 0.03 | $ 1.00 | $ 2.81 | $ 2.09 |
| Weighted average number of anti-dilutive shares excluded from denominator | | | | |
| Restricted stock units | — | 0.4 | — | 0.4 |

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NOTE 20 - GUARANTOR STATEMENTS – SB/RH

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

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

| Statement of Financial Position<br>As of April 1, 2018 (in millions) | Parent | Guarantor<br>Subsidiaries | Nonguarantor<br>Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Assets | | | | | |
| Cash and cash equivalents | $ 1.2 | $ 0.6 | $ 133.4 | $ — | $ 135.2 |
| Trade receivables, net | 105.1 | 154.5 | 78.0 | — | 337.6 |
| Intercompany receivables | — | 1,277.7 | 304.9 | (1,582.6) | — |
| Other receivables | 38.9 | 6.0 | 13.0 | (11.2) | 46.7 |
| Inventories | 193.1 | 290.8 | 144.5 | (17.9) | 610.5 |
| Prepaid expenses and other | 32.5 | 11.3 | 15.0 | (0.1) | 58.7 |
| Current assets of business held for sale | 1,010.8 | 123.3 | 846.8 | (4.9) | 1,976.0 |
| Total current assets | 1,381.6 | 1,864.2 | 1,535.6 | (1,616.7) | 3,164.7 |
| Property, plant and equipment, net | 174.5 | 178.6 | 150.8 | — | 503.9 |
| Long-term intercompany receivables | 300.7 | 80.8 | 12.7 | (394.2) | — |
| Deferred charges and other | 86.5 | 2.5 | 36.2 | (74.3) | 50.9 |
| Goodwill | 568.6 | 1,463.4 | 248.2 | — | 2,280.2 |
| Intangible assets, net | 395.4 | 1,007.5 | 186.6 | — | 1,589.5 |
| Investments in subsidiaries | 5,037.0 | 1,416.3 | (2.9) | (6,450.4) | — |
| Total assets | $ 7,944.3 | $ 6,013.3 | $ 2,167.2 | $ (8,535.6) | $ 7,589.2 |
| Liabilities and Shareholder's Equity | | | | | |
| Current portion of long-term debt | $ 14.8 | $ 4.2 | $ 4.2 | $ (2.9) | $ 20.3 |
| Accounts payable | 87.8 | 167.7 | 104.1 | — | 359.6 |
| Intercompany accounts payable | 1,584.5 | — | — | (1,584.5) | — |
| Accrued wages and salaries | 16.0 | 2.3 | 15.3 | — | 33.6 |
| Accrued interest | 47.5 | — | — | — | 47.5 |
| Other current liabilities | 56.2 | 23.0 | 45.7 | (11.2) | 113.7 |
| Current liabilities of business held for sale | 165.0 | 1.5 | 392.1 | — | 558.6 |
| Total current liabilities | 1,971.8 | 198.7 | 561.4 | (1,598.6) | 1,133.3 |
| Long-term debt, net of current portion | 4,215.5 | 90.6 | 8.3 | — | 4,314.4 |

| | | | | | |
|---|---|---|---|---|---|
| Long-term intercompany debt | 12.7 | 286.8 | 90.0 | (389.5) | — |
| Deferred income taxes | (76.8) | 394.1 | 49.4 | (80.0) | 286.7 |
| Other long-term liabilities | 84.0 | 6.1 | 41.8 | — | 131.9 |
| Total liabilities | 6,207.2 | 976.3 | 750.9 | (2,068.1) | 5,866.3 |
| Shareholder's equity: | | | | | |
| Other capital | 2,095.2 | 1,030.8 | (1,135.5) | 80.2 | 2,070.7 |
| Accumulated (deficit) earnings | (160.0) | 4,154.5 | 2,680.4 | (6,834.9) | (160.0) |
| Accumulated other comprehensive loss | (198.1) | (148.3) | (138.9) | 287.2 | (198.1) |
| Total shareholder's equity | 1,737.1 | 5,037.0 | 1,406.0 | (6,467.5) | 1,712.6 |
| Non-controlling interest | — | — | 10.3 | — | 10.3 |
| Total equity | 1,737.1 | 5,037.0 | 1,416.3 | (6,467.5) | 1,722.9 |
| Total liabilities and equity | $ 7,944.3 | $ 6,013.3 | $ 2,167.2 | $ (8,535.6) | $ 7,589.2 |

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NOTE 20 - GUARANTOR STATEMENTS – SB/RH (continued)

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

| | | | | | |
|---|---|---|---|---|---|
| Total equity | 1,854.2 | 4,730.1 | 1,290.2 | (6,039.1) | 1,835.4 |
| Total liabilities and equity | $ 7,798.8 | $ 5,798.7 | $ 2,157.3 | $ (8,350.9) | $ 7,403.9 |

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NOTE 20 - GUARANTOR STATEMENTS – SB/RH (continued)

| Statement of Income<br>Three month period ended April 1, 2018 (in millions) | Parent | Guarantor<br>Subsidiaries | Nonguarantor<br>Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net sales | $ 313.9 | $ 636.1 | $ 296.3 | $ (480.2) | $ 766.1 |
| Cost of goods sold | 232.1 | 507.0 | 234.4 | (478.7) | 494.8 |
| Restructuring and related charges | — | 1.5 | 1.6 | — | 3.1 |
| Gross profit | 81.8 | 127.6 | 60.3 | (1.5) | 268.2 |
| Selling | 47.1 | 44.7 | 34.8 | — | 126.6 |
| General and administrative | 21.1 | 25.7 | 7.7 | — | 54.5 |
| Research and development | 2.0 | 2.9 | 2.3 | — | 7.2 |
| Acquisition and integration related charges | 1.6 | 1.8 | 1.1 | — | 4.5 |
| Restructuring and related charges | 16.3 | 2.4 | 1.3 | — | 20.0 |
| Total operating expense | 88.1 | 77.5 | 47.2 | — | 212.8 |
| Operating (loss) income | (6.3) | 50.1 | 13.1 | (1.5) | 55.4 |
| Interest expense | 36.6 | 5.3 | 0.3 | (0.1) | 42.1 |
| Other non-operating (income) expense, net | (36.1) | 106.2 | (0.4) | (68.3) | 1.4 |
| Income from operations before income taxes | (6.8) | (61.4) | 13.2 | 66.9 | 11.9 |
| Income tax (benefit) expense | (19.7) | (96.1) | 116.4 | (1.0) | (0.4) |
| Net income from continuing operations | 12.9 | 34.7 | (103.2) | 67.9 | 12.3 |
| Income from discontinued operations, net of tax | 1.3 | 142.6 | 145.9 | (289.1) | 0.7 |
| Net income | 14.2 | 177.3 | 42.7 | (221.2) | 13.0 |
| Net income attributable to non-controlling interest | — | — | 0.1 | — | 0.1 |
| Net income attributable to controlling interest | $ 14.2 | $ 177.3 | $ 42.6 | $ (221.2) | $ 12.9 |

| Statement of Income<br>Six Month Period Ended April 1, 2018 (in millions) | Parent | Guarantor<br>Subsidiaries | Nonguarantor<br>Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net sales | $ 648.1 | $ 1,022.5 | $ 587.0 | $ (845.0) | $ 1,412.6 |
| Cost of goods sold | 486.7 | 804.3 | 454.8 | (847.2) | 898.6 |
| Restructuring and related charges | — | 3.3 | 1.7 | — | 5.0 |
| Gross profit | 161.4 | 214.9 | 130.5 | 2.2 | 509.0 |
| Selling | 91.1 | 81.2 | 67.7 | (0.1) | 239.9 |
| General and administrative | 45.1 | 50.3 | 18.6 | — | 114.0 |
| Research and development | 3.7 | 5.9 | 4.6 | — | 14.2 |
| Acquisition and integration related charges | 4.3 | 3.1 | 2.3 | — | 9.7 |

| | | | | | |
|---|---|---|---|---|---|
| Restructuring and related charges | 31.7 | 4.8 | 2.1 | — | 38.6 |
| Total operating expense | 175.9 | 145.3 | 95.3 | (0.1) | 416.4 |
| Operating (loss) income | (14.5) | 69.6 | 35.2 | 2.3 | 92.6 |
| Interest expense | 70.1 | 10.1 | 0.5 | (0.1) | 80.6 |
| Other non-operating (income) expense, net | (221.9) | (33.0) | (0.5) | 258.1 | 2.7 |
| Income from operations before income taxes | 137.3 | 92.5 | 35.2 | (255.7) | 9.3 |
| Income tax (benefit) expense | (1.4) | (128.1) | (2.3) | 0.3 | (131.5) |
| Net income from continuing operations | 138.7 | 220.6 | 37.5 | (256.0) | 140.8 |
| Income from discontinued operations, net of tax | 42.0 | 63.5 | 65.0 | (128.9) | 41.6 |
| Net income | 180.7 | 284.1 | 102.5 | (384.9) | 182.4 |
| Net income attributable to non-controlling interest | 0.4 | 0.4 | 0.2 | — | 1.0 |
| Net income attributable to controlling interest | $ 180.3 | $ 283.7 | $ 102.3 | $ (384.9) | $ 181.4 |

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NOTE 20 - GUARANTOR STATEMENTS – SB/RH (continued)

| Statement of Income<br>Three month period ended April 2, 2017 (in millions) | Parent | Guarantor<br>Subsidiaries | Nonguarantor<br>Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net sales | $ 287.6 | $ 524.3 | $ 260.7 | $ (316.1) | $ 756.5 |
| Cost of goods sold | 192.5 | 361.6 | 204.2 | (312.7) | 445.6 |
| Restructuring and related charges | — | 4.1 | — | — | 4.1 |
| Gross profit | 95.1 | 158.6 | 56.5 | (3.4) | 306.8 |
| Selling | 44.6 | 43.8 | 31.5 | (0.6) | 119.3 |
| General and administrative | 38.4 | 18.7 | 7.8 | — | 64.9 |
| Research and development | 2.1 | 3.1 | 1.8 | — | 7.0 |
| Acquisition and integration related charges | 2.6 | 0.2 | 0.4 | — | 3.2 |
| Restructuring and related charges | 1.5 | 2.2 | 0.1 | — | 3.8 |
| Total operating expense | 89.2 | 68.0 | 41.6 | (0.6) | 198.2 |
| Operating (loss) income | 5.9 | 90.6 | 14.9 | (2.8) | 108.6 |
| Interest expense | 33.6 | 4.1 | 1.2 | — | 38.9 |
| Other non-operating (income) expense, net | (72.5) | (14.7) | (0.6) | 89.8 | 2.0 |
| Income from operations before income taxes | 44.8 | 101.2 | 14.3 | (92.6) | 67.7 |
| Income tax (benefit) expense | 0.3 | 25.6 | 0.1 | (0.4) | 25.6 |
| Net income from continuing operations | 44.5 | 75.6 | 14.2 | (92.2) | 42.1 |
| Income from discontinued operations, net of tax | 19.0 | 20.1 | 21.3 | (41.7) | 18.7 |
| Net income | 63.5 | 95.7 | 35.5 | (133.9) | 60.8 |
| Net income attributable to non-controlling interest | — | — | (0.2) | — | (0.2) |
| Net income attributable to controlling interest | $ 63.5 | $ 95.7 | $ 35.7 | $ (133.9) | $ 61.0 |

| Statement of Income<br>Six Month Period Ended April 2, 2017 (in millions) | Parent | Guarantor<br>Subsidiaries | Nonguarantor<br>Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net sales | $ 541.9 | $ 842.0 | $ 507.9 | $ (533.1) | $ 1,358.7 |
| Cost of goods sold | 354.7 | 584.5 | 398.1 | (529.6) | 807.7 |
| Restructuring and related charges | — | 5.2 | — | — | 5.2 |
| Gross profit | 187.2 | 252.3 | 109.8 | (3.5) | 545.8 |
| Selling | 84.4 | 78.9 | 63.4 | (0.8) | 225.9 |
| General and administrative | 70.3 | 33.9 | 19.7 | — | 123.9 |
| Research and development | 4.0 | 5.7 | 3.9 | — | 13.6 |

| | | | | | |
|---|---|---|---|---|---|
| Acquisition and integration related charges | 5.3 | 0.4 | 0.8 | — | 6.5 |
| Restructuring and related charges | 1.6 | 3.0 | 0.4 | — | 5.0 |
| Total operating expense | 165.6 | 121.9 | 88.2 | (0.8) | 374.9 |
| Operating income | 21.6 | 130.4 | 21.6 | (2.7) | 170.9 |
| Interest expense | 71.3 | 8.1 | 2.8 | — | 82.2 |
| Other non-operating (income) expense, net | (118.6) | (23.2) | (1.5) | 144.2 | 0.9 |
| Income from operations before income taxes | 68.9 | 145.5 | 20.3 | (146.9) | 87.8 |
| Income tax (benefit) expense | 12.3 | 27.9 | (6.2) | (0.5) | 33.5 |
| Net income from continuing operations | 56.6 | 117.6 | 26.5 | (146.4) | 54.3 |
| Income from discontinued operations, net of tax | 71.4 | 56.3 | 58.8 | (115.0) | 71.5 |
| Net income | 128.0 | 173.9 | 85.3 | (261.4) | 125.8 |
| Net income attributable to non-controlling interest | — | — | (0.2) | — | (0.2) |
| Net income attributable to controlling interest | $ 128.0 | $ 173.9 | $ 85.5 | $ (261.4) | $ 126.0 |

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NOTE 20 - GUARANTOR STATEMENTS – SB/RH (continued)

| Statement of Comprehensive Income<br>Three month period ended April 1, 2018 (in millions) | Parent | Guarantor<br>Subsidiaries | Nonguarantor<br>Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net income | $ 14.2 | $ 177.3 | $ 42.7 | $ (221.2) | $ 13.0 |
| Other comprehensive income (loss), net of tax: | | | | | |
| Foreign currency translation gain | 24.2 | 24.2 | 25.1 | (49.3) | 24.2 |
| Unrealized loss on derivative instruments | (11.6) | (0.1) | (0.1) | 0.2 | (11.6) |
| Defined benefit pension loss | (0.5) | (0.8) | (0.8) | 1.6 | (0.5) |
| Other comprehensive income | 12.1 | 23.3 | 24.2 | (47.5) | 12.1 |
| Comprehensive income | 26.3 | 200.6 | 66.9 | (268.7) | 25.1 |
| Comprehensive income attributable to non-controlling interest | — | — | 0.3 | — | 0.3 |
| Comprehensive income attributable to controlling interest | $ 26.3 | $ 200.6 | $ 66.6 | $ (268.7) | $ 24.8 |

| Statement of Comprehensive Income<br>Six Month Period Ended April 1, 2018 (in millions) | Parent | Guarantor<br>Subsidiaries | Nonguarantor<br>Subsidiaries | Eliminations | Consolidated |
|---|---|---|---|---|---|
| Net income | $ 180.7 | $ 284.1 | $ 102.5 | $ (384.9) | $ 182.4 |
| Other comprehensive income (loss), net of tax: | | | | | |
| Foreign currency translation gain | 22.2 | 22.2 | 22.9 | (45.1) | 22.2 |
| Unrealized (loss) gain on derivative instruments | (9.8) | 4.2 | 4.2 | (8.4) | (9.8) |
| Defined benefit pension loss | (0.4) | (0.7) | (0.7) | 1.4 | (0.4) |
| Other comprehensive income | 12.0 | 25.7 | 26.4 | (52.1) | 12.0 |
| Comprehensive income | 192.7 | 309.8 | 128.9 | (437.0) | 194.4 |
| Comprehensive income attributable to non-controlling interest | — | — | 0.5 | — | 0.5 |
| Comprehensive income attributable to controlling interest | $ 192.7 | $ 309.8 | $ 128.4 | $ (437.0) | $ 193.9 |

| Statement of Comprehensive Income<br>Three month period ended April 2, 2017 (in millions) | Guarantor | Nonguarantor |
|---|---|---|