AUTODESK INC
Form 4
June 12, 2014

FORM 4

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

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
Smith Stacy J

(Last) (First) (Middle)

111 MCINNIS PARKWAY

(Street)

SAN RAFAEL, CA 94903

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
AUTODESK INC [ADSK]

3. Date of Earliest Transaction (Month/Day/Year)
06/10/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director
_____ 10% Owner
_____ Officer (give title below)
_____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	06/10/2014		A (1)		1,664	A	$ 0	23,528	D	
Common Stock	06/10/2014		A (2)		8,300	A	$ 0	31,828	D	

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Smith Stacy J 111 MCINNIS PARKWAY SAN RAFAEL, CA 94903	X			

Signatures

Nancy R. Thiel, Attorney-in-Fact for Stacy J. Smith	06/12/2014
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) The Reporting Person is entitled to receive one share of Common Stock for each Restricted Stock Unit. These are Restricted Stock Units granted under the 2012 Outside Directors' Stock Plan in lieu of cash compensation for services as a director, and shall vest on the date of the next annual meeting.

(2) The Reporting Person is entitled to receive one share of Common Stock for each Restricted Stock Unit. These are Restricted Stock Units which are granted annually under the 2012 Outside Directors' Stock Plan, and shall vest on the date of the next annual meeting.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
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%
ABL Facility, expiring May 24, 2017
110,000

1.8
%

—

5.7
%
Other notes and obligations
32,153

8.9
%

28,468

8.5
%
Capitalized lease obligations
91,073

6.3
%

67,402

6.2
%

$
3,375,049

$
3,230,579

Original issuance discounts on debt
(8,780
)

(11,716
)

Less: current maturities
107,908

102,921

Long-term debt
$
3,258,361

$
3,115,942

The Company has the following debt instruments outstanding at December 29, 2013: (i) a senior secured term loan pursuant to a senior credit agreement (the “Senior Credit Agreement”) which consists of $850,000 principle due September 4, 2017 (“Tranche A”), $515,000 principle due September 4, 2019 (“Tranche C”), $78,775 Canadian dollar denominated principle due December 17, 2019 ("CAD Term Loan") and $308,048 Euro denominated principle due September 4, 2019 ("Euro Term Loan") (together, the “Term Loan”); (ii) 6.75% unsecured notes (the “6.75% Notes”); (iii) 6.375% unsecured notes (the “6.375% Notes”); (iv) 6.625% unsecured notes (the “6.625% Notes”); and (v) a $400 million asset based lending revolving credit facility (the “ABL Facility”).

Term Loan

On December 18, 2013, SB/RH amended the Term Loan, issuing two tranches maturing September 4, 2019 which provide for borrowings in aggregate principal amounts of $215,000 and €225,000. The proceeds from the amendment were used to refinance a portion of the Term Loan (formerly Tranche B) which was scheduled to mature December 17, 2019, in an amount outstanding of $513,312 prior to refinancing. The $215,000 additional U.S. dollar denominated portion was combined with the existing Tranche C maturing September 4, 2019. The Company recorded accelerated amortization of portions of the unamortized discount and unamortized Debt issuance costs related to the refinancing of the Term Loan totaling $9,216 as an adjustment to interest expense during the three month period ended December 29, 2013.

The additional Tranche C and Euro Term Loan debt were issued at a .125% discount and recorded net of the discount incurred. Of this discount, $510 is reflected as an adjustment to the carrying value of principal, and is being amortized with a corresponding charge to interest expense over the remaining life of the debt, and the remainder of $146 is reflected as an increase to interest expense during the three month period ended December 29, 2013. In connection with the refinancing of a portion of the Term Loan the Company recorded $6,671 of fees during the three month period ended December 29, 2013, of which $4,740 is classified as Debt issuance costs within the accompanying Condensed Consolidated Statements of Financial Position (Unaudited) and is being amortized as an adjustment to interest expense over the remaining life of the Term Loan, with the remainder of $1,931 reflected as an increase to interest expense during the three month period ended December 29, 2013.

(Amounts in thousands, except per share figures)

ABL Facility

In connection with the December 18, 2013 amendment of the Term Loan, the Company amended the ABL Facility to obtain certain consents to the amendment of the Senior Credit Agreement. In connection with the amendment, the Company incurred fees and expenses that are included in the amounts recorded above related to the amendment of the Term Loan.

As a result of borrowings and payments under the ABL Facility, at December 29, 2013, the Company had aggregate borrowing availability of approximately $167,321, net of lender reserves of $8,559 and outstanding letters of credit of $40,875.

8 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments are used by the Company principally in the management of its interest rate, foreign currency exchange rate and raw material price exposures. The Company does not hold or issue derivative financial instruments for trading purposes. Derivative instruments are reported at fair value in the Condensed Consolidated Statements of Financial Position (Unaudited). When hedge accounting is elected at inception, the Company formally designates the financial instrument as a hedge of a specific underlying exposure and documents both the risk management objectives and strategies for undertaking the hedge. The Company formally assesses both at the inception and at least quarterly thereafter, whether the financial instruments that are used in hedging transactions are effective at offsetting changes in the forecasted cash flows of the related underlying exposure. Because of the high degree of effectiveness between the hedging instrument and the underlying exposure being hedged, fluctuations in the value of the derivative instruments are generally offset by changes in the forecasted cash flows of the underlying exposures being hedged. Any ineffective portion of a financial instrument's change in fair value is immediately recognized in earnings. For derivatives that are not designated as cash flow hedges, or do not qualify for hedge accounting treatment, the change in the fair value is also immediately recognized in earnings.

Fair Value of Derivative Instruments

The Company discloses its derivative instruments and hedging activities in accordance with ASC Topic 815: "Derivatives and Hedging" ("ASC 815").

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

Asset Derivatives		December 29, 2013	September 30, 2013
Derivatives designated as hedging instruments under ASC 815:			
Commodity contracts	Receivables—Other	$1,251	$416
Commodity contracts	Deferred charges and other	274	3
Foreign exchange contracts	Receivables—Other	2,981	1,719
Foreign exchange contracts	Deferred charges and other	17	—
Total asset derivatives designated as hedging instruments under ASC 815		4,523	2,138
Derivatives not designated as hedging instruments under ASC 815:			
Foreign exchange contracts	Receivables—Other	204	143
Total asset derivatives		$4,727	$2,281

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

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SPECTRUM BRANDS HOLDINGS, INC.
Notes to Condensed Consolidated Financial Statements (Unaudited) – (Continued)
(Amounts in thousands, except per share figures)

Liability Derivatives		December 29, 2013	September 30, 2013
Derivatives designated as hedging instruments under ASC 815:			
Commodity contracts	Accounts payable	$15	$450
Foreign exchange contracts	Accounts payable	5,172	4,577
Foreign exchange contracts	Other long-term liabilities	255	65
Total liability derivatives designated as hedging instruments under ASC 815		$5,442	$5,092
Derivatives not designated as hedging instruments under ASC 815:			
Commodity contract	Accounts payable	98	55
Foreign exchange contracts	Accounts payable	3,609	5,323
Total liability derivatives		$9,149	$10,470

Changes in AOCI from Derivative Instruments
For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of Accumulated Other Comprehensive Income ("AOCI") and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. Gains and losses on derivatives representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. See Note 3, "Comprehensive Income (Loss)" for further information.
The following table summarizes the impact of derivative instruments on the accompanying Condensed Consolidated Statement of Operations (Unaudited) for the three month period ended December 29, 2013, pretax:

Derivatives in ASC 815 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Location of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Commodity contracts	$1,068	Cost of goods sold	$ (269)	Cost of goods sold	$ 203
Foreign exchange contracts	181	Net sales	65	Net sales	—
Foreign exchange contracts	(352)	Cost of goods sold	(731)	Cost of goods sold	—
Total	$897		$ (935)		$ 203

The following table summarizes the impact of derivative instruments on the accompanying Condensed Consolidated Statement of Operations (Unaudited) for the three month period ended December 30, 2012, pretax:

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Explanation of Responses:

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SPECTRUM BRANDS HOLDINGS, INC.
Notes to Condensed Consolidated Financial Statements (Unaudited) – (Continued)
(Amounts in thousands, except per share figures)

Derivatives in ASC 815 Cash Flow Hedging Relationships	Amount of Gain (Loss) Recognized in AOCI on Derivatives (Effective Portion)	Location of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Amount of Gain (Loss) Reclassified from AOCI into Income (Effective Portion)	Location of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)	Amount of Gain (Loss) Recognized in Income on Derivatives (Ineffective Portion and Amount Excluded from Effectiveness Testing)
Commodity contracts	$(232)	Cost of goods sold	$ (97)	Cost of goods sold	$ (46)
Foreign exchange contracts	498	Net sales	121	Net sales	—
Foreign exchange contracts	(349)	Cost of goods sold	(467)	Cost of goods sold	—
Total	$(83)		$ (443)		$ (46)

Other Changes in Fair Value of Derivative Contracts
For derivative instruments that are used to economically hedge the fair value of the Company's third party and intercompany foreign currency payments, commodity purchases and interest rate payments, the gain (loss) associated with the derivative contract is recognized in earnings in the period of change. During the three month periods ended December 29, 2013 and December 30, 2012, the Company recognized the following gains (losses) on these derivative contracts:

Derivatives Not Designated as Hedging Instruments Under ASC 815	Amount of Gain (Loss) Recognized in Income on Derivatives		Location of Gain or (Loss) Recognized in Income on Derivatives
	December 29, 2013	December 30, 2012	
Commodity contracts	$(64)	$—	Cost of goods sold
Foreign exchange contracts	796	(4,099)	Other expense, net
Total	$732	$(4,099)	

Credit Risk
The Company is exposed to the risk of default by the counterparties with which it transacts and generally does not require collateral or other security to support financial instruments subject to credit risk. The Company monitors counterparty credit risk on an individual basis by periodically assessing each such counterparty's credit rating exposure. The maximum loss due to credit risk equals the fair value of the gross asset derivatives that are concentrated with certain domestic and foreign financial institution counterparties. The Company considers these exposures when measuring its credit reserve on its derivative assets, which was $9 and $5 at December 29, 2013 and September 30, 2013, respectively.
The Company's standard contracts do not contain credit risk related contingent features whereby the Company would be required to post additional cash collateral as a result of a credit event. However, the Company is typically required

to post collateral in the normal course of business to offset its liability positions. At both December 29, 2013 and September 30, 2013, the Company had posted cash collateral of $450 related to such liability positions. In addition, at December 29, 2013 and September 30, 2013, the Company had no posted standby letters of credit related to such liability positions. The cash collateral is included in Current Assets—Receivables-Other within the accompanying Condensed Consolidated Statements of Financial Position (Unaudited).

Derivative Financial Instruments

Cash Flow Hedges

When appropriate, the Company uses interest rate swaps to manage its interest rate risk. The swaps are designated as cash flow hedges with the changes in fair value recorded in AOCI and as a derivative hedge asset or liability, as applicable. The swaps settle periodically in arrears with the related amounts for the current settlement period payable to, or receivable from, the counter-parties included in accrued liabilities or receivables, respectively, and recognized in earnings as an adjustment to interest expense from the underlying debt to which the swap is designated. At December 29, 2013 and September 30, 2013, the Company did not have any interest rate swaps outstanding.

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SPECTRUM BRANDS HOLDINGS, INC.
Notes to Condensed Consolidated Financial Statements (Unaudited) – (Continued)
(Amounts in thousands, except per share figures)

The Company periodically enters into forward foreign exchange contracts to hedge the risk from forecasted foreign currency denominated third party and intercompany sales or payments. These obligations generally require the Company to exchange foreign currencies for U.S. Dollars, Euros, Pounds Sterling, Australian Dollars, Brazilian Reals, Mexican Pesos, Canadian Dollars or Japanese Yen. These foreign exchange contracts are cash flow hedges of fluctuating foreign exchange related to sales of product or raw material purchases. Until the sale or purchase is recognized, the fair value of the related hedge is recorded in AOCI and as a derivative hedge asset or liability, as applicable. At the time the sale or purchase is recognized, the fair value of the related hedge is reclassified as an adjustment to Net sales or purchase price variance in Cost of goods sold. At December 29, 2013, the Company had a series of foreign exchange derivative contracts outstanding through September 2015 with a contract value of $237,619. The derivative net loss on these contracts recorded in AOCI by the Company at December 29, 2013 was $1,963, net of tax benefit of $466. At December 29, 2013, the portion of derivative net loss estimated to be reclassified from AOCI into earnings by the Company over the next 12 months is $1,777, net of tax.
The Company is exposed to risk from fluctuating prices for raw materials, specifically zinc and 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 December 29, 2013, the Company had a series of zinc swap contracts outstanding through December 2014 for 9 tons with a contract value of $17,340. At December 29, 2013, the Company had a series of brass swap contracts outstanding through September 2014 for 1 ton with a contract value of $6,078. The derivative net gain on these contracts recorded in AOCI by the Company at December 29, 2013 was $1,197, net of tax expense of $104. At December 29, 2013, the portion of derivative net gain estimated to be reclassified from AOCI into earnings by the Company over the next 12 months is $1,008, net of tax.
Derivative Contracts
The Company periodically enters into forward and swap foreign exchange contracts to economically hedge the risk from third party and intercompany payments resulting from existing obligations. These obligations generally require the Company to exchange foreign currencies for U.S. Dollars, Canadian Dollars, Euros or Australian Dollars. These foreign exchange contracts are fair value hedges of a related liability or asset recorded in the accompanying Condensed Consolidated Statements of Financial Position (Unaudited). The gain or loss on the derivative hedge contracts is recorded in earnings as an offset to the change in value of the related liability or asset at each period end. At December 29, 2013 and September 30, 2013, the Company had $106,676 and $108,480, respectively, of notional value for such foreign exchange derivative contracts outstanding.
The Company periodically enters into commodity swap contracts to economically hedge the risk from fluctuating prices for raw materials, specifically the pass-through of market prices for silver used in manufacturing purchased watch batteries. The Company hedges a portion of the risk associated with these materials through the use of commodity swaps. The swap contracts are designated as economic hedges with the unrealized gain or loss recorded in earnings and as an asset or liability at each period end. The unrealized changes in fair value of the hedge contracts are adjusted through earnings when the realized gains or losses affect earnings upon settlement of the hedges. The swaps effectively fix the floating price on a specified quantity of silver through a specified date. At December 29, 2013, the Company had a series of such swap contracts outstanding through May 2014 for 30 troy ounces with a contract value of $595. At September 30, 2013, the Company had a series of such swap contracts outstanding through April 2014 for 45 troy ounces with a contract value of $980.

9 FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company’s net derivative portfolio as of December 29, 2013, contains Level 2 instruments and consists of commodity and foreign exchange contracts. The fair values of these instruments as of December 29, 2013 were as follows:

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SPECTRUM BRANDS HOLDINGS, INC.
Notes to Condensed Consolidated Financial Statements (Unaudited) – (Continued)
(Amounts in thousands, except per share figures)

	Level 1	Level 2	Level 3	Total
Assets:				
Commodity contracts, net	$—	$1,412	$—	$1,412
Total Assets, net	$—	$1,412	$—	$1,412
Liabilities:				
Foreign exchange contracts, net	$—	$(5,834)	$—	$(5,834)
Total Liabilities, net	$—	$(5,834)	$—	$(5,834)

The Company’s net derivative portfolio as of September 30, 2013, contains Level 2 instruments and consists of commodity and foreign exchange contracts. The fair values of these instruments as of September 30, 2013 were as follows:

	Level 1	Level 2	Level 3	Total
Total Assets, net	$—	$—	$—	$—
Liabilities:				
Commodity contracts, net	$—	$(86)	$—	$(86)
Foreign exchange contracts, net	—	(8,103)	—	(8,103)
Total Liabilities, net	$—	$(8,189)	$—	$(8,189)

The carrying values of cash and cash equivalents, accounts and notes receivable, accounts payable and non-publicly traded debt approximate fair value. The fair values of long-term publicly traded debt are based on unadjusted quoted market prices (Level 1) and derivative financial instruments are generally based on quoted or observed market prices (Level 2).
The carrying values of goodwill, intangible assets and other long-lived assets are tested annually, or more frequently if an event occurs that indicates an impairment loss may have been incurred, using fair value measurements with unobservable inputs (Level 3).
The carrying amounts and fair values of the Company’s financial instruments are summarized as follows ((liability)/asset):

	December 29, 2013		September 30, 2013	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Total debt	$(3,366,269)	$(3,482,786)	$(3,218,863)	$(3,297,411)
Commodity swap and option agreements	1,412	1,412	(86)	(86)
Foreign exchange forward agreements	(5,834)	(5,834)	(8,103)	(8,103)

10 EMPLOYEE BENEFIT PLANS
Pension Benefits
The Company has various defined benefit pension plans covering some of its employees in the U.S. and certain employees in other countries, including the United Kingdom, the Netherlands, Germany, Guatemala, Brazil, Mexico and Taiwan. These pension plans generally provide benefits of stated amounts for each year of service.
The Company’s results of operations for the three month periods ended December 29, 2013 and December 30, 2012 reflect the following pension and deferred compensation benefit costs:

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Explanation of Responses:

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SPECTRUM BRANDS HOLDINGS, INC.
Notes to Condensed Consolidated Financial Statements (Unaudited) – (Continued)
(Amounts in thousands, except per share figures)

	Three Months Ended	
Components of net periodic pension benefit and deferred compensation benefit cost	December 29, 2013	December 30, 2012
Service cost	$851	$724
Interest cost	2,612	2,363
Expected return on assets	(2,456)	(2,196)
Amortization of prior year service cost	16	—
Recognized net actuarial loss	371	519
Employee contributions	(15)	(46)
Net periodic benefit cost	$1,379	$1,364

The Company funds its U.S. pension plans in accordance with the Internal Revenue Service defined guidelines and, where applicable, in amounts sufficient to satisfy the minimum funding requirements of applicable laws. Additionally, in compliance with the Company's funding policy, annual contributions to non-U.S. defined benefit plans are equal to the actuarial recommendations or statutory requirements in the respective countries. The Company's contributions to its pension and deferred compensation plans for the three month periods ended December 29, 2013 and December 30, 2012 were as follows:

	Three Months Ended	
Pension and deferred compensation contributions	December 29, 2013	December 30, 2012
Contributions made during period	$3,333	$607

The Company sponsors a defined contribution pension plan for its domestic salaried employees, which allows participants to make contributions by salary reduction pursuant to Section 401(k) of the Internal Revenue Code. The Company also sponsors defined contribution pension plans for employees of certain foreign subsidiaries. Company contributions charged to operations, including discretionary amounts, for the three month periods ended December 29, 2013 and December 30, 2012 were $4,131 and $1,151, respectively.

11 INCOME TAXES

The Company's effective tax rates for the three month periods ended December 29, 2013 and December 30, 2012 were 19% and (325)%, respectively. The Company's effective tax rates differ from the United States federal statutory rate of 35% principally due to: (i) losses in the U.S. and certain foreign jurisdictions for which no tax benefit can be recognized due to full valuation allowances that have been provided on the Company's net operating loss carryforward tax benefits and other deferred tax assets; (ii) deferred income tax expense related to the change in book versus tax basis of indefinite lived intangibles, which are amortized for tax purposes but not for book purposes, and (iii) the reversal of U.S. valuation allowances of $45,932 as a result of the HHI Business acquisition during the three months ended December 30, 2012. Additionally, in the three months ended December 29, 2013 the pretax consolidated income was close to break even, resulting in a higher effective tax rate.

During the three months ended December 29, 2013, the Company estimated and recorded a one-time reduction of $178,716 to its US net operating loss carryforwards from actual and deemed repatriation of foreign earnings resulting from internal restructuring and external debt refinancing activities. Due to full valuation allowances on the Company's US net operating loss carryforwards, there was no material effect on the Company's quarterly or projected annual income tax expense.

The Company recognizes in its condensed consolidated financial statements the impact of a tax position if it concludes that the position is more likely than not sustainable upon audit, based on the technical merits of the position. At December 29, 2013 and September 30, 2013, the Company had $13,267 and $13,807, respectively, of unrecognized tax benefits related to uncertain tax positions. The Company also had approximately $3,630 and $3,671, respectively, of accrued interest and penalties related to the uncertain tax positions at those dates. Interest and penalties related to uncertain tax positions are reported in the condensed consolidated financial statements as part of income tax expense.

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(Amounts in thousands, except per share figures)

As of December 29, 2013, certain of the Company's legal entities in various jurisdictions are undergoing income tax audits. The Company cannot predict the ultimate outcome of the examinations; however, it is reasonably possible that during the next 12 months some portion of previously unrecognized tax benefits could be recognized.

12 SEGMENT RESULTS

The Company manages its business in four vertically integrated, product-focused reporting segments: (i) Global Batteries & Appliances; (ii) Global Pet Supplies; (iii) Home and Garden; and (iv) Hardware & Home Improvement. The results of the HHI Business operations, excluding certain assets of Tong Lung Metal Industry Co. Ltd., a Taiwan Corporation (the "TLM Business"), which was acquired on April 8, 2013, are included in the Company's Condensed Consolidated Statements of Operations (Unaudited) since December 17, 2012. The results of the TLM Business operations are included in the Company's Condensed Consolidated Statements of Operations (Unaudited) since April 8, 2013. The financial results related to the HHI Business are reported as a separate business segment, Hardware & Home Improvement.

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

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

The operating segment profits do not include restructuring and related charges, acquisition and integration related charges, interest expense, interest income and income tax expense. Corporate expenses primarily include general and administrative expenses and global long-term incentive compensation plan costs which are evaluated on a consolidated basis and not allocated to the Company’s operating segments. All depreciation and amortization included in income from operations is related to operating segments or corporate expense. Costs are identified to operating segments or corporate expense according to the function of each cost center.

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

Segment information for the three month periods ended December 29, 2013 and December 30, 2012 is as follows:

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SPECTRUM BRANDS HOLDINGS, INC.
Notes to Condensed Consolidated Financial Statements (Unaudited) – (Continued)
(Amounts in thousands, except per share figures)

	Three Months Ended December 29, 2013	Three Months Ended December 30, 2012
Net sales to external customers		
Consumer batteries	$264,485	$270,981
Small appliances	216,782	220,061
Electric shaving and grooming	90,551	92,927
Electric personal care	87,512	82,042
Global Batteries & Appliances	659,330	666,011
Hardware & Home Improvement	278,379	33,982
Global Pet Supplies	129,142	139,763
Home and Garden	33,749	30,512
Total segments	$1,100,600	$870,268

	Three Months Ended December 29, 2013	Three Months Ended December 30, 2012
Segment profit (loss)		
Global Batteries & Appliances	$97,194	$95,378
Hardware & Home Improvement	40,059	(3,210)
Global Pet Supplies	12,966	15,941
Home and Garden	(1,210)	(4,261)
Total segments	149,009	103,848
Corporate expense	14,022	8,268
Acquisition and integration related charges	5,503	20,812
Restructuring and related charges	4,492	6,588
Interest expense	56,987	69,887
Other expense, net	845	1,562
Income (loss) from continuing operations before income taxes	$67,160	$(3,269)

	December 29, 2013	September 30, 2013
Segment total assets		
Global Batteries & Appliances	$2,355,408	$2,360,733
Hardware & Home Improvement	1,730,364	1,735,629
Global Pet Supplies	965,882	948,832
Home and Garden	526,066	500,559
Total segment assets	5,577,720	5,545,753
Corporate	72,088	80,920
Total assets at period end	$5,649,808	$5,626,673

13 RESTRUCTURING AND RELATED CHARGES

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

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reflected in Operating expenses include, but are not limited to, termination and related costs, any asset impairments relating to the functional areas described above, and other costs directly related to the initiatives.
The following table summarizes restructuring and related charges incurred by segment for the three month periods ended December 29, 2013 and December 30, 2012:

	Three Months Ended	
	December 29, 2013	December 30, 2012
Cost of goods sold:		
Global Batteries & Appliances	$540	$366
Hardware & Home Improvement	1,195	—
Global Pet Supplies	—	720
Total restructuring and related charges in cost of goods sold	$1,735	$1,086
Operating expenses:		
Global Batteries & Appliances	1,778	956
Hardware & Home Improvement	11	—
Global Pet Supplies	304	4,230
Home and Garden	—	183
Corporate	664	133
Total restructuring and related charges in operating expenses	$2,757	$5,502
Total restructuring and related charges	$4,492	$6,588

Global Expense Rationalization Initiatives Summary
During the third quarter of the fiscal year ended September 30, 2013, the Company implemented a series of initiatives throughout the Company to reduce operating costs (the "Global Expense Rationalization Initiatives"). These initiatives consist of headcount reductions primarily in the Global Batteries & Appliances segment and within Corporate. Costs associated with these initiatives, which are expected to be incurred through December 31, 2014, are currently projected to total approximately $17,500.
The Company recorded $2,924 of pretax restructuring and related charges during the three month period ended December 29, 2013, and no pretax restructuring and related charges during the three month period ended December 30, 2012, related to the Global Expense Rationalization Initiatives.

The following table summarizes the remaining accrual balance associated with the Global Expense Rationalization Initiatives and the activity during the three month period ended December 29, 2013:

	Termination Benefits	Other Costs	Total
Accrual balance at September 30, 2013	$7,320	$(35)	$7,285
Provisions	435	(4)	431
Cash expenditures	(3,134)	—	(3,134)
Non-cash items	185	2	187
Accrual balance at December 29, 2013	$4,806	$(37)	$4,769
Expensed as incurred [(A)]	$897	$1,596	$2,493

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

The following table summarizes the expenses incurred during the three month period ended December 29, 2013, the cumulative amount incurred to date and the total future costs expected to be incurred associated with the Global Expense Rationalization Initiatives by operating segment:

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	Global Batteries & Appliances	Global Pet Supplies	Corporate	Total
Restructuring and related charges during the three month period ended December 29, 2013	$2,260	1	$663	$2,924
Restructuring and related charges since initiative inception	$12,330	1	$1,911	$14,242
Total future restructuring and related charges expected	$2,610	500	$142	$3,252

Global Cost Reduction Initiatives Summary
During the fiscal year ended September 30, 2009, the Company implemented a series of initiatives within the Global Batteries & Appliances segment, the Global Pet Supplies segment and the Home and Garden segment to reduce operating costs, and to evaluate opportunities to improve the Company's capital structure (the "Global Cost Reduction Initiatives"). These initiatives included headcount reductions and the exit of certain facilities within each of these segments. These initiatives also included consultation, legal and accounting fees related to the evaluation of the Company's capital structure. Costs associated with these initiatives, which are expected to be incurred through January 31, 2015, are projected to total approximately $101,500.
The Company recorded $377 and $6,471 of pretax restructuring and related charges during the three month periods ended December 29, 2013 and December 30, 2012, respectively, related to the Global Cost Reduction Initiatives.

The following table summarizes the remaining accrual balance associated with the Global Cost Reduction Initiatives and the activity during the three month period ended December 29, 2013:

	Termination Benefits	Other Costs	Total
Accrual balance at September 30, 2013	$4,927	$424	$5,351
Provisions	203	—	203
Cash expenditures	(1,741)	(169)	(1,910)
Non-cash items	(12)	(56)	(68)
Accrual balance at December 29, 2013	$3,377	$199	$3,576
Expensed as incurred (A)	$14	$160	$174

(A) Consists of amounts not impacting the accrual for restructuring and related charges.
The following table summarizes the expenses incurred during the three month period ended December 29, 2013, the cumulative amount incurred to date and the total future costs expected to be incurred associated with the Global Cost Reduction Initiatives by operating segment:

	Global Batteries & Appliances	Global Pet Supplies	Home and Garden	Corporate	Total
Restructuring and related charges during the three month period ended December 29, 2013	$74	$303	$—	$—	$377
	$25,486	$48,452	$18,219	$7,591	$99,748

Restructuring and related charges since initiative inception					
Total future restructuring and related charges expected	$500	$1,240	$—	$—	$1,740

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The Company recorded $1,207 and $0 of restructuring and related charges during the three month periods ended December 29, 2013 and December 30, 2012, respectively, related to initiatives implemented by the HHI Business prior to the Company's acquisition on December 17, 2012.
In connection with other restructuring efforts, the Company recorded $(16) and $117 of pretax restructuring and related charges during the three month periods ended December 29, 2013 and December 30, 2012, respectively.

14 COMMITMENTS AND CONTINGENCIES

The Company has provided for the estimated costs associated with environmental remediation activities at some of its current and former manufacturing sites. The Company believes that any additional liability which may result from resolution of these matters in excess of the amounts provided of approximately $4,805, will not have a material adverse effect on the financial condition, results of operations or cash flows of the Company.
The Company is a defendant in various other matters of litigation generally arising out of the ordinary course of business. The Company does not believe that the resolution of any other matters or proceedings presently pending will have a material adverse effect on its results of operations, financial condition, liquidity or cash flows.

15 ACQUISITIONS

In accordance with ASC Topic 805, “Business Combinations” (“ASC 805”), the Company accounts for acquisitions by applying the acquisition method of accounting. The acquisition method of accounting requires, among other things, that the assets acquired and liabilities assumed in a business combination be measured at their fair values as of the closing date of the acquisition.

HHI Business

On December 17, 2012, the Company completed the cash acquisition of the HHI Business from Stanley Black & Decker. A portion of the HHI Business, consisting of the purchase of the TLM Business, closed on April 8, 2013.

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Supplemental Pro Forma Information (Unaudited)
The following reflects the Company's pro forma results had the results of the HHI Business been included for all periods presented.

	Three Months Ended	
	December 29, 2013	December 30, 2012
Net sales:		
Reported Net sales	$1,100,600	$870,268
HHI Business adjustment (1)	—	191,777
Pro forma Net sales	$1,100,600	$1,062,045
Net income (loss):		
Reported Net income (loss) (2) (3)	$54,429	$(13,882)
HHI Business adjustment (1)	—	4,942
Pro forma Net income (loss)	$54,429	$(8,940)
Basic income (loss) per share:		
Reported Basic income (loss) per share	$1.04	$(0.26)
HHI Business adjustment (1)	—	0.10
Pro forma Basic income (loss) per share	$1.04	$(0.16)
Diluted income (loss) per share (4):		
Reported Diluted income (loss) per share	$1.03	$(0.26)
HHI Business adjustment (1)	—	0.10
Pro forma Diluted income (loss) per share	$1.03	$(0.16)

(1) The results related to the HHI Business adjustment do not reflect the TLM Business as stand alone financial data is not available for the periods presented. The TLM Business is not deemed material to the operating results of the Company.

(2) Included in Reported Net loss for the three month period ended December 30, 2012, is an adjustment of $45,932 to record the income tax benefit resulting from the reversal of U.S. valuation allowances on deferred tax assets as a result of the HHI Business acquisition. For information pertaining to the income tax benefit, see Note 11, "Income Taxes."

(3) Included in Reported Net income (loss) for the three month periods ended December 29, 2013 and December 30, 2012, is $4,137 and $14,612, respectively, of Acquisition and integration related charges as a result of the HHI Business acquisition. For information pertaining to Acquisition and integration related charges, see Note 2, "Significant Accounting Policies - Acquisition and Integration Related Charges."

(4) For the three month period ended December 30, 2012, the Company has not assumed the exercise of common stock equivalents as the impact would be antidilutive due to the loss reported.

16 NEW ACCOUNTING PRONOUNCEMENTS

Presentation of Comprehensive Income

In June 2011, the Financial Accounting Standards Board ("FASB") issued new accounting guidance which requires entities to present net income and other comprehensive income in either a single continuous statement or in two separate, but consecutive, statements of net income and other comprehensive income. The guidance requiring disclosure of the income statement location where gains and losses reclassified out of comprehensive income are included was deferred in December 2011. In November 2012, the FASB clarified its position on the reclassification disclosures, allowing disclosure of reclassification adjustments on the face of the comprehensive income statement or in the notes to the financial statements. The accounting guidance requiring a comprehensive income statement is now effective for the Company. The Company has implemented all required disclosures.

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Presentation of Unrecognized Tax Benefit

In July 2013, the FASB issued new accounting guidance which requires entities to present unrecognized tax benefits as a reduction of a deferred tax asset for a net operating loss carryforward, a similar tax loss, or a tax credit carryforward, except to the extent the net operating loss carryforwards or tax credit carryforwards are not available to be used at the reporting date to settle additional income taxes, and the entity does not intend to use them for this purpose. The new accounting guidance is consistent with how the Company has historically presented unrecognized tax benefits in its Condensed Consolidated Statements of Financial Position (Unaudited), and therefore, the Company does not expect the adoption of this guidance to have a significant impact on its consolidated financial statements.

17 SUBSEQUENT EVENTS

ASC 855, “Subsequent Events,” (“ASC 855”), establishes general standards of accounting and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued. ASC 855 requires the Company to evaluate events that occur after the balance sheet date through the date the Company's financial statements are issued, and to determine whether adjustments to or additional disclosures in the financial statements are necessary. The Company has evaluated subsequent events through the date these financial statements were issued.

On January 2, 2014, the Company completed the $34,300 cash acquisition of Liquid Fence Company, Inc. ("Liquid Fence"), a producer of animal repellents. The Company will account for the acquisition of Liquid Fence in accordance with ASC 805. The Company is in the process of completing the preliminary purchase accounting.

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

Introduction

Spectrum Brands Holdings, Inc., a Delaware corporation (“SB Holdings”), is a diversified global branded consumer products company. SB/RH Holdings, LLC (“SB/RH”), is a wholly owned subsidiary of SB Holdings. SB Holdings' common stock trades on the New York Stock Exchange (the “NYSE”) under the symbol “SPB.”

Unless the context indicates otherwise, the terms the “Company,” “Spectrum,” “we,” “our” or “us” are used to refer to SB Holdings and its subsidiaries.

Business Overview

We manufacture and market alkaline, zinc carbon and hearing aid batteries, herbicides, insecticides and repellants and specialty pet supplies. We design and market rechargeable batteries, battery-powered lighting products, electric shavers and accessories, grooming products and hair care appliances. We also design, market and distribute a broad range of branded small household appliances and personal care products. We design, market, distribute and sell certain hardware, home improvement and plumbing products, and are a leading U.S. provider of residential locksets and builders' hardware and a leading provider of faucets. Our manufacturing and product development facilities are located in the United States ("U.S."), Europe, Latin America and Asia. Substantially all of our rechargeable batteries, chargers and portable lighting products, shaving and grooming products, small household appliances and personal care products are manufactured by third-party suppliers, primarily located in Asia.

We sell our products in approximately 140 countries through a variety of trade channels, including retailers, wholesalers and distributors, hearing aid professionals, industrial distributors and original equipment manufacturers (“OEMs”) and enjoy strong name recognition in our markets under the Rayovac, VARTA and Remington brands, each of which has been in existence for more than 80 years, and under the Tetra, 8-in-1, Dingo, Nature's Miracle, Spectracide, Cutter, Hot Shot, Black & Decker, George Foreman, Russell Hobbs, Farberware, Black Flag, FURminator, Kwikset, Weiser, Baldwin, National Hardware, Stanley, FANAL, Pfister and various other brands.

Our diversified global branded consumer products have positions in seven major product categories: consumer batteries, small appliances, pet supplies, electric shaving and grooming, electric personal care, home and garden controls, and hardware and home improvement.

Our chief operating decision-maker manages the businesses in four vertically integrated, product-focused reporting segments: (i) Global Batteries & Appliances, which consists of our worldwide battery, electric shaving and grooming, electric personal care, and small appliances primarily in the kitchen and home product categories (“Global Batteries & Appliances”); (ii) Global Pet Supplies, which consists of our worldwide pet supplies business (“Global Pet Supplies”); (iii) Home and Garden, which consists of our home and garden and insect control business (the “Home and Garden”); and (iv) Hardware & Home Improvement, which consists of the Company's worldwide hardware, home improvement and plumbing business (“Hardware & Home Improvement”). Management reviews our performance based on these segments. For information pertaining to our business segments, see Note 12, “Segment Results” of Notes to Condensed Consolidated Financial Statements (Unaudited), included in this Quarterly Report on Form 10-Q.

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

Our operating performance is influenced by a number of factors including: general economic conditions; foreign exchange fluctuations; trends in consumer markets; consumer confidence and preferences; our overall product line mix, including pricing and gross margin, which vary by product line and geographic market; pricing of certain raw materials and commodities; energy and fuel prices; and our general competitive position, especially as impacted by our competitors’ advertising and promotional activities and pricing strategies.

Results of Operations

Fiscal Quarter Ended December 29, 2013 Compared to Fiscal Quarter Ended December 30, 2012

In this Quarterly Report on Form 10-Q we refer to the three month period ended December 29, 2013 as the “Fiscal 2014 Quarter,” and the three month period ended December 30, 2012 as the “Fiscal 2013 Quarter.”

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Net Sales. Net sales for the Fiscal 2014 Quarter increased $231 million to $1,101 million from $870 million in the Fiscal 2013 Quarter, a 26% increase. The following table details the principal components of the change in net sales from the Fiscal 2013 Quarter to the Fiscal 2014 Quarter (in millions):

	Net Sales	
Fiscal 2013 Quarter Net Sales	$870	
Increase in hardware and home improvement products	244	
Increase in electronic personal care products	5	
Increase in home and garden control products	4	
Decrease in small appliances	(1	)
Decrease in electric shaving and grooming products	(2	)
Decrease in consumer batteries	(7	)
Decrease in pet supplies	(10	)
Foreign currency impact, net	(2	)
Fiscal 2014 Quarter Net Sales	$1,101	

Consolidated net sales by product line for the Fiscal 2014 Quarter and the Fiscal 2013 Quarter, are as follows (in millions):

	Fiscal Quarter	
	2014	2013
Product line net sales		
Consumer batteries	$265	$271
Hardware and home improvement products	278	34
Small appliances	217	220
Pet supplies	129	140
Electric shaving and grooming products	91	93
Electric personal care products	87	82
Home and garden control products	34	30
Total net sales to external customers	$1,101	$870

Global consumer battery sales decreased $6 million, or 2%, during the Fiscal 2014 Quarter versus the Fiscal 2013 Quarter. On a constant currency basis, global consumer battery sales decreased $7 million. The decline in global consumer battery sales on a constant currency basis was attributable to one-time sales, predominately of flashlights, of approximately $10 million related to storm activity in the Fiscal 2013 Quarter. This was tempered by increased alkaline battery sales in North America. In Europe, battery growth was driven by a combination of new customer listings, distribution gains at certain existing customers, and promotions. Latin American battery revenues were essentially unchanged on a foreign currency neutral basis.

Hardware and home improvement sales were $278 million in the Fiscal 2014 Quarter and $34 million in the Fiscal 2013 Quarter, reflecting the results of the residential hardware and home improvement business (the "HHI Business") subsequent to the acquisition on December 17, 2012. A portion of the HHI Business, consisting of certain assets of Tong Lung Metal Industry Co. Ltd., a Taiwan Corporation (the "TLM Business") are included in the sales of hardware and home improvement subsequent to its acquisition on April 8, 2013. On a proforma basis, as if the acquisition had occurred at the beginning of the Fiscal 2013 Quarter, hardware and home improvement sales increased $52 million to $278 million in the Fiscal 2014 Quarter, versus $226 million in the Fiscal 2013 Quarter. This increase was driven by a $20 million increase in security product sales, a $7 million increase in hardware product sales and a $7 million increase in plumbing product sales, primarily attributable to the recovery of the U.S. housing market and international growth in hardware coupled with $18 million in sales related to the TLM Business during the Fiscal 2014 Quarter, as

prior year proforma results do not include the TLM Business.
Small appliance sales decreased $3 million, or 1%, during the Fiscal 2014 Quarter compared to the Fiscal 2013 Quarter, driven by decreased North American sales of $7 million, partially offset by increased European and Latin American sales of $5

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million and $1 million, respectively. Foreign exchange negatively impacted small appliance sales by $2 million. Decreased North American sales were attributable to competitor discounting at a major retailer and the timing of holiday shipments. European small appliance sales gains resulted from successful regional expansion and additional promotions at key retailers, whereas Latin American sales gains were due to increased seasonal promotions.

Pet supply sales decreased $11 million, or 8%, during the Fiscal 2014 Quarter, due to declines of $6 million and $4 million in aquatic and companion animal sales, respectively. The declines were driven by retailer inventory reductions coupled with the non-recurrence of companion animal promotions from the Fiscal 2013 Quarter. Unfavorable foreign exchange negatively impacted pet supply sales by $1 million.

During the Fiscal 2014 Quarter, electric shaving and grooming product sales decreased $2 million, or 2%, due to a $6 million decrease in North American sales, tempered by a $3 million increase in European sales and slight gains in Latin America. The declines in North American sales resulted from the non-recurrence of promotions from the Fiscal 2013 Quarter and customer inventory management, whereas European sales gains were driven by successful new product launches and promotions.

Electric personal care sales increased $5 million in the Fiscal 2014 Quarter compared to the Fiscal 2013 Quarter. Geographically, North American and Latin American sales increased $3 million and $2 million, respectively. Increased North American sales were a result of distribution gains and successful promotions. Latin American sales gains were attributable to distribution gains in Brazil and new product introductions in Central America.

Home and garden control product sales increased $4 million, or 11%, during the Fiscal 2014 Quarter compared to the Fiscal 2013 Quarter, attributable to a $4 million increase in lawn and garden control sales driven by strong retail customer demand.

Gross Profit. Gross profit for the Fiscal 2014 Quarter was $381 million versus $288 million for the Fiscal 2013 Quarter. The increase in Gross profit was driven by the full quarterly contribution from the HHI Business, which accounted for an increase of $98 million in Gross profit. Our gross profit margin for the Fiscal 2014 Quarter increased to 34.6% from 33.1% in the Fiscal 2013 Quarter. The increase in gross profit margin was driven by favorable product mix and increased productivity.

Operating Expenses. Operating expenses for the Fiscal 2014 Quarter totaled $256 million compared to $220 million for the Fiscal 2013 Quarter, representing an increase of $36 million. The increase in operating expenses during the Fiscal 2014 Quarter is primarily attributable to the acquisition of the HHI Business which accounted for an increase of $59 million in operating expenses, tempered by a $15 million decrease in Acquisition and integration related charges. Operating expenses were further reduced by a $3 million decrease in Restructuring and related charges, primarily attributable to lower Fiscal 2014 Quarter expenses from the Global Expense Rationalization Initiative announced in the fiscal year ended September 30, 2013 ("Fiscal 2013"), compared to Fiscal 2013 Quarter expenses from the Global Cost Reduction Initiatives announced in the fiscal year ended September 30, 2009, and additional savings across all segments from our cost reduction initiatives.

See Note 2, "Significant Accounting Policies—Acquisition and Integration Related Charges," and Note 13, "Restructuring and Related Charges" to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for additional information regarding our Acquisition and integration related charges.

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

The operating segment profits do not include restructuring and related charges, acquisition and integration related charges, interest expense, interest income and income tax expense. Corporate expenses primarily include general and administrative expenses and global long-term incentive compensation plans which are evaluated on a consolidated basis and not allocated to our operating segments. All depreciation and amortization included in income from operations is related to operating segments or corporate expense. Costs are allocated to operating segments or corporate expense according to the function of each cost center.

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

Financial information pertaining to our reportable segments is contained in Note 12, “Segment Results,” to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q.
Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization ("Adjusted EBITDA") is a metric used by management and frequently used by the financial community which provides insight into an organization’s operating trends and

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facilitates comparisons between peer companies, since interest, taxes, depreciation and amortization can differ greatly between organizations as a result of differing capital structures and tax strategies. Adjusted EBITDA can also be a useful measure of a company's ability to service debt and is one of the measures used for determining our debt covenant compliance. Adjusted EBITDA excludes certain items that are unusual in nature or not comparable from period to period. While we believe that Adjusted EBITDA is useful supplemental information, such adjusted results are not intended to replace our Generally Accepted Accounting Principles' ("GAAP") financial results and should be read in conjunction with those GAAP results.

Below are reconciliations of GAAP Net income (loss), as adjusted, to Adjusted Earnings Before Interest and Taxes ("EBIT") and to Adjusted EBITDA for each segment and for Consolidated SB Holdings for the Fiscal 2014 Quarter and the Fiscal 2013 Quarter:

Fiscal 2014 Quarter	Global Batteries & Appliances (in millions)	Global Pet Supplies	Home and Garden	Hardware & Home Improvement	Corporate / Unallocated Items[a]	Consolidated SB Holdings
Net income (loss), as adjusted [a]	$93	$13	$(1)	$36	$(86)	$55
Income tax expense	—	—	—	—	13	13
Interest expense	—	—	—	—	57	57
Acquisition and integration related charges	2	—	—	2	1	5
Restructuring and related charges	2	—	—	1	1	4
Adjusted EBIT	$97	$13	$(1)	$39	$(14)	$134
Depreciation and amortization [c]	17	7	3	11	7	45
Adjusted EBITDA	$114	$20	$2	$50	$(7)	$179

Fiscal 2013 Quarter	Global Batteries & Appliances (in millions)	Global Pet Supplies	Home and Garden	Hardware & Home Improvement	Corporate / Unallocated Items[a]	Consolidated SB Holdings
Net income (loss), as adjusted [a]	$92	$10	$(4)	$(3)	$(108)	$(13)
Pre-acquisition earnings of HHI [b]	—	—	—	30	—	30
Income tax expense	—	—	—	—	11	11
Interest expense	—	—	—	—	70	70
Acquisition and integration related charges	1	1	—	—	19	21
Restructuring and related charges	1	5	—	—	—	6
HHI Business inventory fair value adjustment	—	—	—	5	—	5
Adjusted EBIT	$94	$16	$(4)	$32	$(8)	$130
Depreciation and amortization [c]	17	7	3	1	3	31
Adjusted EBITDA	$111	$23	$(1)	$33	$(5)	$161

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

(b) The Pre-acquisition earnings of HHI do not include the TLM Business as stand alone financial data is not available for the periods presented. The TLM Business is not deemed material to the Company's operating results.

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

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Global Batteries & Appliances

	Fiscal Quarter	
	2014	2013
	(in millions)	
Net sales to external customers	$659	$666
Segment profit	$97	$95
Segment profit as a % of net sales	14.7 %	14.3 %
Segment Adjusted EBITDA	$114	$111
Assets as of December 29, 2013 and September 30, 2013	$2,355	$2,361

Segment net sales to external customers in the Fiscal 2014 Quarter decreased $7 million to $659 million from $666 million during the Fiscal 2013 Quarter, a 1% decrease. Global Batteries & Appliances sales declines were attributable to a decrease of $7 million in consumer batteries, $2 million in electric shaving and grooming and $1 million in small appliances, coupled with $1 million of negative foreign exchange impacts. These sales declines were tempered by a $5 million increase in electronic personal care sales. The decline in global consumer battery sales was attributable to one-time sales in the Fiscal 2013 Quarter related to Hurricane Sandy, predominantly in the portable lighting category, tempered by increased alkaline battery sales in North America. In Europe, battery growth was driven by a combination of new customer listings, distribution gains at certain existing customers, and promotions. Electric shaving and grooming sales decreased $2 million, resulting from a decrease of $6 million in North America, primarily attributable to the non-recurrence of promotions from the Fiscal 2013 Quarter coupled with retailer inventory management. These electric shaving and grooming sales decreases were tempered by a $3 million increase in Europe due to successful new product launches and customer gains. In small appliances, a North American sales decline of $7 million more than offset gains of $5 million and $1 million in Europe and Latin America, respectively. The decrease in North American sales was attributable to competitor discounting at a major retailer and the timing of holiday shipments between the months of September and October. Increased European small appliance sales resulted from successful regional expansion and additional promotions at key retailers, while Latin American sales gains were due to increased seasonal promotions. Electric personal care sales increased $5 million in the Fiscal 2014 Quarter compared to the Fiscal 2013 Quarter, driven by gains in North America and Latin America of $3 million and $2 million, respectively, resulting from successful promotions and distribution gains.

Segment profit in the Fiscal 2014 Quarter increased to $97 million from $95 million in the Fiscal 2013 Quarter. Segment profitability as a percentage of net sales increased to 14.7% in the Fiscal 2014 Quarter compared to 14.3% in the Fiscal 2013 Quarter. The increase in segment profit and profitability as a percent of sales was driven by cost improvements and strong expense management.
Segment Adjusted EBITDA in the Fiscal 2014 Quarter increased to $114 million from $111 million in the Fiscal 2013 Quarter. The increase in segment Adjusted EBITDA was driven by the factors discussed above for the increase in segment profit.
Segment assets at December 29, 2013 decreased slightly to $2,355 million from $2,361 million at September 30, 2013. Goodwill and intangible assets, which are a direct result of the revaluation impacts of fresh-start reporting which occurred during the year ended September 30, 2009 ("Fiscal 2009") and subsequent acquisitions, decreased to $1,315 million at December 29, 2013 from $1,322 million at September 30, 2013, primarily due to intangible asset amortization.

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Global Pet Supplies

	Fiscal Quarter 2014		2013	
	(in millions)			
Net sales to external customers	$129		$140	
Segment profit	$13		$16	
Segment profit as a % of net sales	10.0	%	11.4	%
Segment Adjusted EBITDA	$20		$23	
Assets as of December 29, 2013 and September 30, 2013	$966		$949	

Segment net sales to external customers in the Fiscal 2014 Quarter decreased $11 million to $129 million compared to $140 million in the Fiscal 2013 Quarter. The decrease in pet supply sales related to declines in aquatic and companion animal sales of $6 million and $4 million, respectively, and negative foreign currency impacts of $1 million. The declines in both aquatic and companion animal sales were due to key retailer inventory reductions, coupled with the non-recurrence of companion animal promotions from the Fiscal 2013 Quarter.

Segment profit decreased to $13 million in the Fiscal 2014 Quarter compared to $16 million in the Fiscal 2013 Quarter, and segment profitability as a percentage of sales in the Fiscal 2014 Quarter decreased to 10.0% from 11.4% in Fiscal 2013 Quarter. The decline in segment profit is primarily attributable to the decreased sales; whereas the decline in segment profitability as a percent of sales was due to unfavorable product mix related to our international business. These negative impacts were partially offset by continued expense reduction and product cost improvements.

Segment Adjusted EBITDA in the Fiscal 2014 Quarter decreased $3 million, to $20 million, from $23 million in the Fiscal 2013 Quarter. The decrease in Adjusted EBITDA was driven by the factors discussed above for segment profit.

Segment assets at December 29, 2013 increased to $966 million from $949 million at September 30, 2013. Goodwill and intangible assets, which are substantially the result of the revaluation impacts of fresh-start reporting during Fiscal 2009 and subsequent acquisitions, decreased slightly to $697 million at December 29, 2013 from $701 million at September 30, 2013, resulting from intangible asset amortization.

Home and Garden

	Fiscal Quarter 2014		2013	
	(in millions)			
Net sales to external customers	$34		$30	
Segment profit	$(1	)	$(4	)
Segment profit as a % of net sales	(3.6	)%	(14.0	)%
Segment Adjusted EBITDA	$2		$(1	)
Assets as of December 29, 2013 and September 30, 2013	$526		$501	

Segment net sales to external customers increased $4 million, or 11%, during the Fiscal 2014 Quarter, to $34 million, compared to $30 million in the Fiscal 2013 Quarter, driven by a $4 million increase in lawn and garden control sales due to strong retail customer order demand. The first fiscal quarter net sales for the Home and Garden segment are typically less than 10 percent of full-year net sales.

Segment profitability in the Fiscal 2014 Quarter improved $3 million compared to the Fiscal 2013 Quarter. The improvement in segment profit was driven by the increase in sales for the Fiscal 2014 Quarter and improved product mix, coupled with continued strong operating expense management and product cost improvements. Segment profitability as a percentage of sales in the Fiscal 2014 Quarter improved to (3.6)%, from (14.0)% in the same period last year.

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Segment Adjusted EBITDA was $2 million in the Fiscal 2014 Quarter, an increase of $3 million compared to segment Adjusted EBITDA of $(1) million in the Fiscal 2013 Quarter. The increase in Segment Adjusted EBITDA was driven by the increase in sales, improved product mix and expense management discussed above.
Segment assets at December 29, 2013 increased to $526 million from $501 million at September 30, 2013, primarily driven by seasonal increases in inventory in preparation for our major selling season. Goodwill and intangible assets, which are substantially a result of the revaluation impacts of fresh-start reporting during Fiscal 2009 and subsequent acquisitions, decreased to $423 million at December 29, 2013, from $426 million at September 30, 2013, driven by amortization of intangible assets.

Hardware & Home Improvement

	Fiscal Quarter 2014		Fiscal Quarter 2013	
	(in millions)			
Net sales to external customers	$278		$34	
Segment profit	$40		$(3	)
Segment profit as a % of net sales	14.4	%	(9.4	)%
Segment Adjusted EBITDA	$50		$33	
Assets as of December 29, 2013 and September 30, 2013	$1,730		$1,736	

Results of the HHI Business, reported separately in the Hardware & Home Improvement segment, relate to operations subsequent to the acquisition date of December 17, 2012. A portion of the HHI Business, consisting of the TLM Business, is included in the results of hardware and home improvement subsequent to its acquisition on April 8, 2013.
Segment net sales to external customers were $278 million during the Fiscal 2014 Quarter, compared to $34 million in the Fiscal 2013 Quarter. On a proforma basis as if the acquisition had occurred at the beginning of the Fiscal 2013 Quarter, segment net sales increased $52 million to $278 million in the Fiscal 2014 Quarter, from $226 million in the Fiscal 2013 Quarter, an increase of 23 percent. The revenue growth was driven by gains in security, hardware and plumbing of $20 million, $7 million and $7 million, respectively, primarily attributable to strong performance in the U.S. housing market recovery coupled with international hardware growth.
Segment profit in the Fiscal 2014 Quarter and the Fiscal 2013 Quarter was $40 million and $(3) million, respectively. The increase in segment profit was primarily driven by the inclusion of the HHI Business for the entire period in the Fiscal 2014 Quarter and increased sales due to improvement in the U.S. housing market. Segment profitability as a percent of sales increased to 14.4% in the Fiscal 2014 Quarter from (9.4)% in the Fiscal 2013 Quarter. Improved segment profitability as a percentage of sales was attributable to increased manufacturing productivity and the non-recurrence of a $5 million increase in cost of goods sold from the Fiscal 2013 Quarter related to the sale of HHI Business inventory that was revalued upon acquisition on December 17, 2012.
Segment Adjusted EBITDA was $50 million in the Fiscal 2014 Quarter and $33 million in the Fiscal 2013 Quarter. The increase in Segment Adjusted EBITDA was driven by the improvement in segment profit due to the stronger U.S. housing market, the acquisition of the TLM Business on April 8, 2013, the results of which are only included in the Fiscal 2014 Quarter Adjusted EBITDA and improved manufacturing productivity.
Segment assets at December 29, 2013 and September 30, 2013 were $1,730 million and $1,736 million, respectively. Goodwill and intangible assets were $1,187 million and $1,192 million at December 29, 2013 and September 30, 2013, respectively. The decrease in goodwill and intangible assets was driven by amortization of intangible assets.
Corporate Expense. Our corporate expense was $14 million in the Fiscal 2014 Quarter compared to $8 million in the Fiscal 2013 Quarter, primarily attributable to a $3 million increase in stock based compensation expense coupled with increased corporate overhead as a result of the HHI Business acquisition. Corporate expense as a percentage of consolidated net sales for the Fiscal 2014 Quarter increased to 1.3% versus 1.0% for the Fiscal 2013 Quarter, driven by the increases discussed above.

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Acquisition and Integration Related Charges. Acquisition and integration related charges include, but are not limited to, transaction costs such as banking, legal and accounting professional fees directly related to acquisitions, termination and related costs for transitional and certain other employees, integration related professional fees and other post business combination related expenses associated with our acquisitions. See Note 2, "Significant Accounting Policies - Acquisition and Integration Related Charges" to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for further detail regarding our Acquisition and integration related charges.

Restructuring and Related Charges. See Note 13, “Restructuring and Related Charges” to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for information regarding our restructuring and related charges.

Interest Expense. Interest expense in the Fiscal 2014 Quarter was $57 million compared to $70 million in the Fiscal 2013 Quarter. The $13 million decrease in interest expense in the Fiscal 2014 Quarter is driven by $29 million in costs incurred related to the financing of the acquisition of the HHI Business in the Fiscal 2013 Quarter and savings from the refinancing of our 9.5% Notes of $14 million, tempered by $11 million in costs related to the refinancing of the Term Loan in the Fiscal 2014 Quarter, consisting of the write off of unamortized deferred financing fees and original issue discount, and the inclusion of a full quarter of interest related to the HHI Business financing in the Fiscal 2014 Quarter versus a partial period in the Fiscal 2013 Quarter. See Note 7, “Debt,” to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for additional information regarding our outstanding debt.

Income Taxes. Our effective tax rates for the Fiscal 2014 Quarter and the Fiscal 2013 Quarter were 19% and (325)%, respectively. Our effective tax rates differ from the U.S. federal statutory rate of 35% principally due to: (i) losses in the U.S. and certain foreign jurisdictions for which no tax benefit can be recognized due to full valuation allowances that have been provided on our net operating loss carryforward tax benefits and other deferred tax assets; (ii) deferred income tax expense related to the change in book versus tax basis of indefinite lived intangibles, which are amortized for tax purposes but not for book purposes, and (iii) the reversal in the Fiscal 2013 Quarter of U.S. valuation allowances of $46 million on deferred tax assets as a result of the acquisition of the HHI Business. Additionally, in the Fiscal 2013 Quarter the pretax consolidated income was close to break even, resulting in a higher effective tax rate. Each reporting period, we evaluate the available earnings, permanent reinvestment classification, and availability and intent to use alternative mechanisms for repatriation of cash for each jurisdiction in which we do business. In light of our plans to voluntarily pay down our U.S. debt, fund distributions to shareholders, fund U.S. acquisitions and our ongoing U.S. operational cash flow requirements, we are not treating current and certain prior year earnings as permanently reinvested, except for jurisdictions where repatriation is either precluded or restricted by law. Due to the valuation allowance recorded against U.S. net deferred tax assets, including net operating loss carryforwards, we do not recognize any incremental U.S. tax expense on the expected future repatriation of foreign earnings. Should the U.S. valuation allowance be released at some future date, the U.S. tax on foreign earnings not permanently reinvested might have a material effect on our effective tax rate. As of the fiscal year ending September 30, 2014 ("Fiscal 2014"), we expect to record approximately $3 million of additional tax expense from non-U.S. withholding and other taxes expected to be incurred on repatriation of current earnings.

During the Fiscal 2014 Quarter, we recorded a one-time reduction of $179 million to our U.S. net operating loss carryforwards from actual and deemed repatriation of foreign earnings resulting from internal restructuring and external debt refinancing activities. Due to full valuation allowances on our US net operating loss carryforwards, there was no material effect on our quarterly or projected annual income tax expense.

As of December 29, 2013, certain of the Company's legal entities in various jurisdictions are undergoing income tax audits. The Company cannot predict the ultimate outcome of the examinations; however, it is reasonably possible that during the next 12 months some portion of previously unrecognized tax benefits could be recognized.

Liquidity and Capital Resources

Operating Activities

For the Fiscal 2014 Quarter, cash used by operating activities totaled $136 million compared to cash used of $169 million during the Fiscal 2013 Quarter. The $33 million decrease in cash used by operating activities was primarily due to:

- Cash generated from higher Adjusted EBITDA (excluding pre-acquisition earnings of the HHI Business) of $48 million;
- Lower cash acquisition, integration and restructuring and related costs of $15 million;

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- Lower cash payments for income taxes of $14 million and;
- Lower cash payments for interest of $8 million;
- Partially offset by a cash use of $52 million from working capital and other items driven by decreases in accounts payable and increases in inventory partially offset by decreases in accounts receivable and other working capital accounts.

We expect to fund our cash requirements, including capital expenditures, interest and principal payments due in Fiscal 2014, through a combination of cash on hand, cash flow from operations and funds available for borrowings under our asset based lending revolving credit facility (the “ABL Facility”). Going forward, our ability to satisfy financial and other covenants in our senior credit agreements and senior unsecured indentures and to make scheduled payments or prepayments on our debt and other financial obligations will depend on our future financial and operating performance. There can be no assurances that our business will generate sufficient cash flows from operations or that future borrowings under our ABL Revolving Credit Facility will be available in an amount sufficient to satisfy our debt maturities or to fund our other liquidity needs.

We are not treating current and certain prior year earnings as permanently reinvested, except for jurisdictions where repatriation is either precluded or restricted by law. At December 29, 2013, there are no significant foreign cash balances available for repatriation. During Fiscal 2014, we expect to generate between $70 million and $100 million of foreign cash that we expect will be repatriated for general corporate purposes.

See Item 1A. “Risk Factors” in our Annual Report on Form 10-K for the fiscal year ended September 30, 2013, for further discussion of the risks associated with our ability to service all of our existing indebtedness, and our ability to maintain compliance with financial and other covenants related to our indebtedness.

Investing Activities

Net cash used by investing activities was $16 million for the Fiscal 2014 Quarter compared to $1,405 million for the Fiscal 2013 Quarter. The $1,389 million decrease in cash used by investing activities in the Fiscal 2014 Quarter is driven by a decrease in cash used for acquisitions of $1,296 million, which related to the $1,272 million purchase, net of cash acquired, of the HHI Business, and the $24 million purchase, net of cash acquired, of Shaser in the Fiscal 2013 Quarter. The remaining $93 million decrease in cash used by investing activities related to a $100 million escrow payment in the Fiscal 2013 Quarter for the future acquisition of the TLM Business, net of a $7 million increase in capital expenditures in the Fiscal 2014 Quarter.

Financing Activities

Debt Financing

At December 29, 2013 we had the following debt instruments outstanding: (i) a senior secured term loan pursuant to a senior credit agreement (the “Senior Credit Agreement”) which consists of $850,000 principle due September 4, 2017 (“Tranche A”), $515,000 principle due September 4, 2019 (“Tranche C”), $78,775 Canadian dollar denominated principle due December 17, 2019 ("CAD Term Loan") and $308,048 Euro denominated principle due September 4, 2019 ("Euro Term Loan") (together, the “Term Loan”); (ii) 6.75% unsecured notes (the “6.75% Notes”); (iii) 6.375% unsecured notes (the “6.375% Notes”); (iv) 6.625% unsecured notes (the “6.625% Notes”); and (v) a $400 million ABL Facility.

At December 29, 2013, the aggregate amount of principal outstanding under our debt instruments was as follows: (i) $1,752 million under the Term Loan, maturing in tranches on September 4, 2017, September 4, 2019 and December 17, 2019; ii) $300 million under the 6.75% Notes, maturing March 15, 2020; (iii) $520 million under the 6.375% Notes, maturing November 15, 2020; (iv) $570 million under the 6.625% Notes, maturing November 15, 2022; and (v) $110 million under the ABL Facility, expiring May 24, 2017.

At December 29, 2013, we were in compliance with all covenants under the Senior Credit Agreement, the indenture governing the 6.375% Notes and the 6.625% Notes, the indenture governing the 6.75% Notes and the credit agreement governing the ABL Facility (the "ABL Credit Agreement").

From time to time we may repurchase our existing indebtedness, including outstanding securities of SB/RH or its subsidiaries, in the open market or otherwise.

See Note 7, “Debt,” to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for additional information regarding our outstanding debt.

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The Fiscal 2014 Quarter net cash provided by financing activities of $77 million consisted of the following: (i) proceeds related to the issuance $524 million of Term Debt; (ii) a use of $513 million to repay debt under the Senior Credit Facilities; (iii) borrowings of $110 million on our ABL Facility; (iv) a use to pay share-based tax withholdings of employees for vested stock awards of $25 million; (v) a use to pay $13 million of dividends; (vi) a use to pay $5 million of debt issuance costs; (vii) a use of $5 million for treasury stock purchases; and (viii) $4 million proceeds from other financing activities. The primary use of the proceeds was to fund working capital needs as discussed within "Liquidity and Capital Resources - Operating Activities."

The Fiscal 2013 Quarter net cash provided by financing activities of $1,488 million consisted of the following: (i) proceeds related to the issuance $792 of Term Debt; (ii) proceeds related to issuance of $570 million of 6.625% Notes and $520 million of 6.375% Notes; (iii) a use of $370 million to repay debt under the Senior Credit Facilities; (iv) a use to pay $44 million of debt issuance costs; (v) borrowings of $32 million on our ABL Facility; (vi) a use to pay share-based tax withholdings of employees for vested stock awards of $18 million; and (vii) $6 million proceeds from other financing activities.

Interest Payments and Fees

In addition to principal payments on our debt obligations mentioned above, we have annual interest payment obligations of approximately $153 million in the aggregate on our senior secured and unsecured debt. This includes interest under our 6.375% Notes of approximately $33 million, interest under our 6.625% Notes of approximately $38 million and interest under our 6.75% Notes of approximately $20 million. In addition, this also includes interest under our Term Loan and ABL Facility of approximately $60 million and $2 million, respectively. Interest on our debt is payable in cash. Interest on the 6.375% Notes, the 6.625% Notes and the 6.75% Notes is payable semi-annually in arrears and interest under the Term Loan and the ABL Facility is payable on various interest payment dates as provided in the Senior Credit Agreement and the ABL Credit Agreement. We are required to pay certain fees in connection with our outstanding debt obligations. Such fees include a quarterly commitment fee of up to 0.375% on the unused portion of the ABL Facility and certain additional fees with respect to the letter of credit sub-facility under the ABL Facility.

Equity Financing Activities

During the Fiscal 2014 Quarter, we granted 414 thousand shares of restricted stock to our employees and our directors. All vesting dates are subject to the recipient's continued employment with us, except as otherwise permitted by our Board of Directors, or in certain cases where the employee is terminated without cause. The total market value of the restricted shares on the date of grant was approximately $29 million, which represented unearned restricted stock compensation. Unearned compensation is amortized to expense over the appropriate vesting period.

From time to time we may repurchase our outstanding shares of Common Stock in the open market or otherwise.

Off-Balance Sheet Arrangements

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

Contractual Obligations and Commercial Commitments

There have been no material changes to our contractual obligations and commercial commitments as discussed in our Annual Report on Form 10-K for Fiscal 2013.

Critical Accounting Policies and Critical Accounting Estimates

Our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q have been prepared in accordance with generally accepted accounting principles in the United States of America and fairly present our financial position and results of operations. There have been no material changes to our critical accounting policies or critical accounting estimates as discussed in our Annual Report on Form 10-K for Fiscal 2013.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Market Risk Factors

We have market risk exposure from changes in interest rates, foreign currency exchange rates and commodity prices. We, when appropriate, use derivative financial instruments to mitigate the risk from such exposures.

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A discussion of our accounting policies for derivative financial instruments is included in Note 8, Derivative Financial Instruments, to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q.

Interest Rate Risk

A substantial portion of our debt bears interest at variable rates. If market interest rates increase, the interest rate on our variable rate debt will increase and will create higher debt service requirements, which would adversely affect our cash flow and could adversely impact our results of operations. We also have bank lines of credit at variable interest rates. The general level of U.S. and Canadian interest rates, LIBOR, CDOR and Euro LIBOR affect interest expense. We periodically use interest rate swaps to manage such risk. The net amounts to be paid or received under interest rate swap agreements are accrued as interest rates change, and are recognized over the life of the swap agreements as an adjustment to interest expense from the underlying debt to which the swap is designated. The related amounts payable to, or receivable from, the contract counter-parties are included in accrued liabilities or accounts receivable. At December 29, 2013, there were no outstanding interest rate derivative instruments.

Foreign Exchange Risk

We are subject to risk from sales and loans to and from our subsidiaries as well as sales to, purchases from and bank lines of credit with third-party customers, suppliers and creditors, respectively, denominated in foreign currencies. Foreign currency sales and purchases are made primarily in Euro, Pounds Sterling, Mexican Pesos, Canadian Dollars, Australian Dollars and Brazilian Reals. We manage our foreign exchange exposure from anticipated sales, accounts receivable, intercompany loans, firm purchase commitments, accounts payable and credit obligations through the use of naturally occurring offsetting positions (borrowing in local currency), forward foreign exchange contracts, foreign exchange rate swaps and foreign exchange options. The related amounts payable to, or receivable from, the contract counter-parties are included in accounts payable or accounts receivable.

Commodity Price Risk

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

Sensitivity Analysis

The analysis below is hypothetical and should not be considered a projection of future risks. Earnings projections are before tax.

At December 29, 2013, assuming a 1 percent unfavorable shift in interest rates of our variable rate Term Loan, there would be no financial impact as the underlying interest rates are currently greater than 1 percent below the floor of our variable rate Term Loan. At December 29, 2013, there were no outstanding interest rate derivative instruments.

At December 29, 2013, the potential change in fair value of outstanding foreign exchange derivative instruments, assuming a 10% unfavorable change in the underlying exchange rates, would be a loss of $34 million. The net impact on reported earnings, after also including the effect of the change in the underlying foreign currency-denominated exposures, would be a net gain of $18 million.

At December 29, 2013, the potential change in fair value of outstanding commodity price derivative instruments, assuming a 10% unfavorable change in the underlying commodity prices, would be a loss of $2 million. The net impact on reported earnings, after also including the reduction in cost of one year’s purchases of the related commodities due to the same change in commodity prices, would be a gain of $1 million.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures. Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the

“Exchange Act”)) pursuant to Rules 13a-15(b) and 15d-15(b) under the Exchange Act as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that, as of

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such date, our disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in applicable SEC rules and forms, and is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting. There was no change in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) that occurred during the period covered by this Quarterly Report on Form 10-Q that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Limitations on the Effectiveness of Controls. Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that the Company’s disclosure controls and procedures or the Company’s internal controls over financial reporting will prevent all errors and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Litigation

See Note 14, “Commitments and Contingencies” to our Condensed Consolidated Financial Statements (Unaudited) included in this Quarterly Report on Form 10-Q for additional information regarding our legal proceedings.

Item 1A. Risk Factors

When considering an investment in the Company, you should carefully consider the risk factors discussed in our Annual Report on Form 10-K filed with the SEC on November 27, 2013 (our “Form 10-K”). Any of these risk factors could materially and adversely affect our or our subsidiaries’ business, financial condition and results of operations and these risk factors are not the only risks that we or our subsidiaries may face. Additional risks and uncertainties not presently known to us or our subsidiaries or that are not currently believed to be material also may adversely affect us or our subsidiaries. There have been no material changes in our risk factors from those disclosed in Part I, Item 1A, of our Form 10-K.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

During the Fiscal 2014 Quarter, we did not sell any equity securities that were not registered under the Securities Act. On August 6, 2013, the Board of Directors approved a $200 million common stock repurchase program. The authorization is effective for 24 months. The following table reflects all shares repurchased inclusive of the the common stock repurchase program discussed above.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that may Yet Be Purchased Under the Plans or Programs
Quarter Ended December 29, 2013				
October 1, 2013 - October 27, 2013	54,752	$62.97	104,752	$193,545,861
October 28, 2013 - November 24, 2013	17,000	62.97	121,752	192,475,316
November 25, 2013 - December 29, 2013	—	—	121,752	192,475,316
Total	71,752	$62.97	121,752	$192,475,316

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Item 6. Exhibits

Please refer to the Exhibit Index.

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SIGNATURES

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

Date: February 5, 2014

SPECTRUM BRANDS HOLDINGS, INC.

By: /s/ ANTHONY L. GENITO
Anthony L. Genito
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

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EXHIBIT INDEX

Exhibit 3.1	Restated Certificate of Incorporation of Spectrum Brands Holdings, Inc., dated June 16, 2010 (incorporated by reference to Exhibit 3.1 to the Registration Statement on Form S-8 filed with the SEC on June 16, 2010).
Exhibit 3.2	Amended and Restated Bylaws of Spectrum Brands Holdings, Inc., adopted as of June 16, 2010 (incorporated by reference to the Registration Statement on Form S-8 filed with the SEC on June 16, 2010).
Exhibit 10.1	First Amendment and Restatement Agreement by and among Spectrum Brands, Inc., SB/RH Holdings, LLC, Spectrum Brands Canada, Inc., as Canadian borrower, the Term Agent and the lenders party thereto from time to time (incorporated by reference to Exhibit 10.1 to Spectrum Brands, Inc.'s Current Report on Form 8-K filed with the SEC on December 20, 2013).
Exhibit 10.2	Eighth Amendment to Loan and Security Agreement, dated as of June 16, 2010, with Holdings, Bank of America, N.A., as collateral agent and administrative agent, certain domestic subsidiaries of Spectrum Brands, Inc. and lenders party thereto from time to time (incorporated by reference to Exhibit 10.2 to Spectrum Brands, Inc.'s Current Report on Form 8-K filed with the SEC on December 20, 2013).
Exhibit 31.1	Certification of Chief Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
Exhibit 31.2	Certification of Chief Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 the Sarbanes-Oxley Act of 2002.*
Exhibit 32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
Exhibit 32.2	Certification of the Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.*
101.INS	XBRL Instance Document**
101.SCH	XBRL Taxonomy Extension Schema Document**
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document**
101.DEF	XBRL Taxonomy Extension Definition Document**
101.LAB	XBRL Taxonomy Extension Label Linkbase Document**
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document**

* Filed herewith

** In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to this Quarterly Report on Form 10-Q shall be deemed to be "furnished" and not "filed."

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