1999. Segment results for Europe improved $1.0 to a loss of $.2. Net currency impacts in 2000 were unfavorable $6.8 compared to 1999. Absent currency impacts, segment results improved $7.8 despite a $2.6 decrease in gross margin. The improvement reflects lower costs following sales and administrative realignment last year.

Net sales to customers decreased $48.7 or 13% in 1999 compared to 1998 primarily on lower volume. Alkaline and carbon zinc volumes declined 5% and 19%, respectively, accounting for $33.3 of the sales decline. Pricing and product mix negatively impacted sales by $17.0 in 1999. The majority of the pricing and product mix decline, $9.8, was driven by Energizer's move from a sales force to a distributor model in several countries during 1999. The remainder of the decline reflects competitive and retail pressures. Segment results for Europe declined by $12.5 to a loss of $1.2 in 1999. Production inefficiencies related to a plant closing and other costs associated with restructuring activities accounted for $6.5 of the decline. Excluding these costs, segment profit declined $6.0 as sales declines of $48.7 were partially offset by a $28.3 decrease in cost of products sold associated with the lower sales and a $15.1 decrease in overhead reflecting results of the restructuring of the European business operations, including the move to the distributor sales model in several countries.

South and Central America Net sales decreased $8.2 or 6% in 2000, primarily on lower volume and on currency devaluation which could not be mitigated through pricing actions. Carbon zinc volume declined 6% while alkaline increased 1%. Despite the sales decrease, gross margin increased $1.2 or 2%, as unfavorable currency impacts of $7.2 were more than offset by lower production costs, favorable pricing and product mix. Segment profit for South and Central America decreased $2.4 or 17% in 2000 as higher marketing, distribution and management costs were partially offset by the gross margin increase.

Net sales decreased $19.2 or 13% in 1999 compared to 1998. Of this decline, $19.0 was due to currency devaluation. Favorable pricing and product mix of $16.0 was offset by volume declines of 10% for alkaline and 17% for carbon zinc batteries.

Segment profit for South and Central America decreased $2.4 or 14% in 1999. Gross margin declined $13.0, much of which was attributable to lower usage of production capacity in the Mexican plant. Lower other operating costs and a decrease of $2.1 in exchange losses partially offset the earnings decline. Operating cost reductions included decreased advertising and promotion expenses of $4.7 and lower general and administrative expenses of $2.4 resulting from actions taken to offset lower plant utilization and from planned reorganization and restructuring in Brazil.

General Corporate Expenses

General corporate expenses decreased $16.6 in 2000 to $37.4, compared to $54.0 in 1999, due to higher pension income and lower consulting, reorganization and information systems costs as well as a lighting product recall charge in 1999. These costs were partially offset by additional costs associated with operating as a stand-alone company for the last six months of fiscal 2000. Fiscal 2001 will include a full year of stand-alone costs, an estimated increase of $4.0. Corporate expenses in 1999 increased $7.8 compared to 1998 due to higher consulting costs, the product recall charge discussed above and increases in various other corporate costs. As a percent of sales, general corporate expenses were 2.0% in 2000 compared to 2.9% in 1999 and 2.4% in 1998.

Research and Development Expense

Research and development expense of $49.9 in 2000 increased 3% in 2000, 4% in 1999 and 11% in 1998. These increases are attributable to Energizer's ongoing effort to maintain technological leadership in the primary battery business. As a percent of sales, research and development expense was 2.6% in 2000 and 1999 compared to 2.4% in 1998.

Costs Related to Spin-off

Energizer recorded one-time spin-related costs of $5.5 pre-tax, or $3.3 after-tax. These costs include legal fees, charges related to the vesting of certain compensation benefits and other costs triggered by or associated with the spin-off.

Loss on Disposition of Spanish Affiliate

Energizer recorded a $15.7 pre-tax loss on the sale of its Spanish affiliate prior to the spin-off. The loss was a non-cash write-off of goodwill and cumulative translation accounts of the Spanish affiliate. Ralston recognized capital loss tax benefits related to the Spanish