

(8) STOCK-BASED COMPENSATION

Energizer's 2000 Incentive Stock Plan was adopted by the Board of Directors in March 2000 and is being submitted to shareholders for their approval, with respect to future awards which may be granted under the Plan, at the 2001 Annual Meeting of Shareholders. Under the Plan, awards to purchase shares of Energizer's common stock may be granted to directors, officers and key employees. A maximum of 15.0 million shares of Energizer (ENR) stock was approved to be issued under the Plan. At September 30, 2000, there were 7.0 million shares available for future awards.

Options which have been granted under the Plan have been granted at the market price on the grant date and generally vest ratably over four or five years. Awards have a maximum term of 10 years.

Restricted stock and restricted stock equivalent awards may also be granted under the Plan. During 2000, the Board of Directors approved the grants of up to 635,000 restricted stock equivalents to a group of key employees and directors upon their purchase of an equal number of shares of ENR stock within a specified period. The restricted stock equivalents will vest three years from their respective dates of grant and will convert into unrestricted shares of ENR stock at that time, or, at the recipient's election, will convert at the time of the recipient's retirement or other termination of employment. As of September 30, 2000, 488,415 restricted stock equivalents had been granted. The weighted-average fair value for restricted stock equivalents granted in 2000 was \$18.30.

Under the terms of the Plan, option shares and prices, and restricted stock and stock equivalent awards, are adjusted in conjunction with stock splits and other recapitalizations so that the holder is in the same economic position before and after these equity transactions.

Energizer also permits deferrals of bonus and salary, and, for directors, retainers and fees, under the terms of its Deferred Compensation Plan. Under this Plan, employees or directors deferring amounts into the Energizer Common Stock Unit Fund are credited with a number of stock equivalents based on the fair value of ENR stock at the time of deferral. In addition, during 2000, they were credited with an additional number of stock equivalents

equal to 25% for employees, and 33 1/3% for directors, of the amount deferred. This additional company match vests immediately for directors and three years from the date of initial crediting for employees. Amounts deferred into the Energizer Common Stock Unit Fund, and vested company matching deferrals, may be transferred to other investment options offered under the Plan. At the time of termination of employment, or for directors, at the time of termination of service on the Board, or at such other time for distribution which may be elected in advance by the participant, the number of equivalents then credited to the participant's account is determined and then an amount in cash equal to the fair value of an equivalent number of shares of ENR stock is paid to the participant.

Energizer applies APB 25 and related interpretations in accounting for its stock-based compensation. Accordingly, charges to earnings for stock-based compensation were \$4.8 in 2000. Had cost for stock-based compensation been determined based on the fair value method set forth under SFAS 123, Energizer's net earnings and earnings per share would have been reduced to the pro forma amounts indicated in the table below. Pro forma amounts are for disclosure purposes only and may not be representative of future calculations.

	Fiscal 2000		
	Net Earnings	Basic Earnings per Share	Diluted Earnings per Share
As reported	\$181.4	\$1.89	\$1.88
Pro forma	\$176.1	\$1.83	\$1.83

The weighted-average fair value for options granted in fiscal 2000 was \$7.13 per option. This was estimated at the grant date using the Black-Scholes option pricing model with the following weighted-average assumptions:

	2000
Risk-free interest rate	5.85%
Expected life of option	7.5 years
Expected volatility of ENR stock	20.30%
Expected dividend yield on ENR stock	—%