EXIDE TECHNOLOGIES
Form 10-Q
February 03, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

(Mark One)

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

For the quarterly period ended December 31, 2009

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

Commission File Number 1-11263
EXIDE TECHNOLOGIES
(Exact Name of Registrant as Specified in Its Charter)

Delaware	**23-0552730**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification Number)**
13000 Deerfield Parkway, Building 200 Milton, Georgia	**30004**
(Address of principal executive offices)	**(Zip Code)**

(678) 566-9000
(Registrant s telephone number, including area code)

Indicate by a check mark whether the Registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

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

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

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

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

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date:

As of January 29, 2010, 75,586,417 shares of common stock were outstanding.

EXIDE TECHNOLOGIES AND SUBSIDIARIES
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PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

EXIDE TECHNOLOGIES AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in thousands, except per-share data)

	For the Three Months Ended		For the Nine Months Ended	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
NET SALES	$ 746,472	$ 782,602	$ 1,971,141	$ 2,668,050
COST OF SALES	588,274	620,587	1,576,353	2,174,671
Gross profit	158,198	162,015	394,788	493,379
EXPENSES:				
Selling, marketing and advertising	65,312	72,483	194,431	231,009
General and administrative	44,699	42,341	133,998	133,001
Restructuring	9,324	7,783	55,421	19,661
Other expense (income), net	664	(429)	(9,737)	24,085
Interest expense, net	15,266	17,532	44,803	55,158
	135,265	139,710	418,916	462,914
Income (loss) before reorganization items and income taxes	22,933	22,305	(24,128)	30,465
REORGANIZATON ITEMS, NET	388	409	1,262	1,344
INCOME TAX PROVISION	12,524	6,367	26,526	33,245
Net income (loss)	10,021	15,529	(51,916)	(4,124)
NET INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	249	102	275	996
Net income (loss) attributable to Exide Technologies	$ 9,772	$ 15,427	$ (52,191)	$ (5,120)
EARNINGS (LOSS) PER SHARE				
Basic	$ 0.13	$ 0.20	$ (0.69)	$ (0.07)
Diluted	$ 0.12	$ 0.20	$ (0.69)	$ (0.07)
WEIGHTED AVERAGE SHARES				
Basic	76,028	75,589	75,923	75,474

Diluted	80,792	79,386	75,923	75,474

The accompanying notes are an integral part of these statements.

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EXIDE TECHNOLOGIES AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited, in thousands, except per-share data)

		December 31, 2009		March 31, 2009
ASSETS				
Current assets:				
Cash and cash equivalents	$	103,509	$	69,505
Receivables, net of allowance for doubtful accounts of $33,167 and $28,855		511,421		497,841
Inventories		441,053		420,815
Prepaid expenses and other		15,854		17,427
Deferred financing costs, net		5,034		4,890
Deferred income taxes		29,195		33,005
Total current assets		1,106,066		1,043,483
Property, plant and equipment, net		604,816		586,261
Other assets:				
Goodwill		4,384		4,022
Other intangibles, net		182,748		175,311
Investments in affiliates		2,207		2,048
Deferred financing costs, net		8,702		12,134
Deferred income taxes		41,348		51,272
Other		34,107		25,656
		273,496		270,443
Total assets	$	1,984,378	$	1,900,187
LIABILITIES AND STOCKHOLDERS EQUITY				
Current liabilities:				
Short-term borrowings	$	9,528	$	6,977
Current maturities of long-term debt		4,881		5,048
Accounts payable		319,798		261,652
Accrued expenses		297,301		279,447
Warrants liability		605		1,143
Total current liabilities		632,113		554,267
Long-term debt		654,633		646,180
Noncurrent retirement obligations		210,486		197,403
Deferred income taxes		28,544		30,229
Other noncurrent liabilities		129,124		130,041
Total liabilities		1,654,900		1,558,120

Commitments and contingencies				
STOCKHOLDERS EQUITY				
Preferred stock, $0.01 par value, 1,000 shares authorized, 0 shares issued and outstanding				
Common stock, $0.01 par value, 200,000 shares authorized, 75,586 and 75,499 shares issued and outstanding		756		755
Additional paid-in capital		1,117,720		1,111,001
Accumulated deficit		(839,472)		(787,281)
Accumulated other comprehensive income		34,066		1,752
Total stockholders equity attributable to Exide Technologies		313,070		326,227
Noncontrolling interests		16,408		15,840
Total stockholders equity		329,478		342,067
Total liabilities and stockholders equity	$	1,984,378	$	1,900,187

The accompanying notes are an integral part of these statements.

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EXIDE TECHNOLOGIES AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	For the Nine Months Ended December 31, 2009	For the Nine Months Ended December 31, 2008
Cash Flows From Operating Activities:		
Net loss	$ (51,916)	$ (4,124)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	67,357	73,761
Unrealized gain on warrants	(538)	(6,591)
Net loss on asset sales / impairments	8,474	1,820
Deferred income taxes	9,297	7,400
Provision for doubtful accounts	4,165	6,509
Non-cash stock compensation	8,371	3,844
Reorganization items, net	1,262	1,344
Amortization of deferred financing costs	3,760	3,833
Currency remeasurement (gain) loss	(17,158)	33,572
Changes in assets and liabilities		
Receivables	14,793	122,733
Inventories	7,127	35,698
Prepaid expenses and other	2,620	(3,320)
Payables	43,195	(118,778)
Accrued expenses	(4,861)	(6,703)
Noncurrent liabilities	(3,969)	(21,579)
Other, net	(10,501)	(8,941)
Net cash provided by operating activities	81,478	120,478
Cash Flows From Investing Activities:		
Capital expenditures	(58,556)	(58,666)
Proceeds from sales of assets, net	805	12,892
Net cash used in investing activities	(57,751)	(45,774)
Cash Flows From Financing Activities:		
Increase in short-term borrowings	1,514	105
Decrease in borrowings under Senior Secured Credit Facility	(2,266)	(2,255)
Increase (decrease) in other debt	7,480	(6,618)
Acquisition of noncontrolling interests in subsidiaries / other	(1,651)	428
Net cash provided by (used in) financing activities	5,077	(8,340)
Effect of Exchange Rate Changes on Cash and Cash Equivalents	5,200	(8,498)

Net Increase In Cash and Cash Equivalents		34,004		57,866
Cash and Cash Equivalents, Beginning of Period		69,505		90,547
Cash and Cash Equivalents, End of Period	$	103,509	$	148,413
Supplemental Disclosures of Cash Flow Information:				
Cash paid during the period				
Interest	$	27,754	$	41,080
Income taxes (net of refunds)	$	2,986	$	10,492

The accompanying notes are an integral part of these statements.

EXIDE TECHNOLOGIES AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2009
(Unaudited)

(1) BASIS OF PRESENTATION

The Condensed Consolidated Financial Statements include the accounts of Exide Technologies (referred to together with its subsidiaries, unless the context requires otherwise, as Exide or the Company) and all of its majority-owned subsidiaries. These statements are presented in accordance with the requirements of Form 10-Q and consequently do not include all of the disclosures normally required by generally accepted accounting principles (GAAP), or those disclosures normally made in the Company s Annual Report on Form 10-K. Accordingly, the reader of this Form 10-Q should refer to the Company s Annual Report on Form 10-K for the fiscal year ended March 31, 2009 for further information.

The financial information has been prepared in accordance with the Company s customary accounting practices. In the Company s opinion, the accompanying Condensed Consolidated Financial Statements include all adjustments of a normal recurring nature necessary for a fair statement of the results of operations and financial position for the periods presented.

The Financial Accounting Standards Board (FASB) has issued Statement of Financial Accounting Standards (SFAS) No. 168 *The FASB Accounting Standards Codification and the Hierarchy of Generally Accepted Accounting Principles*. SFAS 168 establishes the FASB Accounting Standards Codification (ASC) as the single source of authoritative U.S. generally accepted accounting principles (GAAP). Rules and interpretive releases of the Securities and Exchange Commission (SEC) under authority of federal securities laws are also sources of authoritative GAAP for SEC registrants. The ASC supersedes all existing non-SEC accounting and reporting standards. GAAP is not intended to be changed as a result of the FASB s Codification project, and the adoption of the ASC will have no impact on the Company s reported results of operations, financial position, or cash flows.

Certain amounts in the Condensed Consolidated Financial Statements as of March 31, 2009 and for the three and nine months ended December 31, 2008 have been adjusted to conform to the presentation of equivalent amounts in the current period which reflect the adoption of a new accounting standard related to the presentation of minority (noncontrolling) ownership interests in consolidated subsidiaries.

(2) STOCKHOLDERS EQUITY AND COMPREHENSIVE INCOME (LOSS)

The Company adopted a new accounting standard on April 1, 2009. This guidance, among other things, requires that minority ownership interests (noncontrolling interests) in consolidated subsidiaries be reflected as a component of total stockholders equity in the Company s Condensed Consolidated Balance Sheets, and that earnings (losses) attributable to noncontrolling interests be shown separately from those attributable to the Company in its Condensed Consolidated Statements of Operations. The stockholders equity accounts for both the Company and noncontrolling interests consist of:

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Noncontrolling Interests	Total Stockholders Equity
	(In thousands)					
Total Stockholders Equity at April 1, 2009	$ 755	$ 1,111,001	$ (787,281)	$ 1,752	$ 15,840	$ 342,067
Net loss			(52,191)		275	(51,916)
Defined benefit plans, net of tax				2,181		2,181

Translation adjustment				29,272	1,035	30,307
Unrealized gain on derivatives, net of tax				861		861
Increase in ownership of subsidiary		(1,652)			(742)	(2,394)
Stock compensation / other	1	8,371				8,372
Total Stockholders Equity at December 31, 2009	$ 756	$ 1,117,720	$ (839,472)	$ 34,066	$ 16,408	$ 329,478

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Total comprehensive income (loss) and its components are as follows:

	For the Three Months Ended		For the Nine Months Ended	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
	(In thousands)			
Net income (loss)	$ 10,021	$ 15,529	$ (51,916)	$ (4,124)
Defined benefit plans	7	(7,513)	2,181	(13,081)
Cumulative translation adjustment	(1,835)	(19,949)	29,272	(58,523)
Derivatives qualifying as hedges	441	(5,909)	861	(2,900)
Total comprehensive income (loss)	$ 8,634	$ (17,842)	$ (19,602)	$ (78,628)

Comprehensive income (loss) attributable to noncontrolling interests was not material for the three-month and nine-month periods ended December 31, 2009 and 2008.

(3) ACCOUNTING FOR DERIVATIVES

The Company accounts for derivative instruments as assets or liabilities, based on measurements of their fair values. The Company does not enter into derivative contracts for trading or speculative purposes. Derivatives are used only to hedge the volatility arising from changes in the fair value of certain assets and liabilities that are subject to market risk, such as interest rates on debt instruments, foreign currency exchange rates, and certain commodities. If a derivative qualifies for hedge accounting, gains or losses in its fair value that offset changes in the fair value of the asset or liability being hedged (effective gains or losses) are reported in accumulated other comprehensive income, and subsequently recorded to earnings only as the related variability on the hedged transaction is recorded in earnings. If a derivative does not qualify for hedge accounting, changes in its fair value are reported in earnings immediately upon occurrence. Derivatives qualify for hedge accounting if they are designated as hedging instruments at their inception, and if they are highly effective in achieving fair value changes that offset the fair value changes of the assets or liabilities being hedged. Regardless of a derivative s accounting qualification, changes in its fair value that are not offset by fair value changes in the asset or liability being hedged are considered ineffective, and are recognized in earnings immediately.

In February 2008, the Company entered into an interest rate swap agreement to fix the variable component of interest on $200.0 million of its floating rate long-term obligations through February 27, 2011. The rate is fixed at 3.33% per annum through the remainder of the term of the agreement. The interest rate swap is designated as a cash-flow hedging instrument.

In August 2008, the Company entered into a foreign currency forward contract in the notional amount of $62.8 million to mitigate the effect of foreign currency exchange rate fluctuations of a certain foreign subsidiary s debt that is denominated in U.S. dollars. The forward contract and the indebtedness mature in May 2012. Because the Company has not designated this contract as a hedging instrument, changes in its fair value are recognized immediately in earnings.

The following tables set forth information on the presentation of these derivative instruments in the Company s Condensed Consolidated Financial Statements:

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	Balance Sheet	Fair Value As of December 31, 2009	March 31, 2009
		(In thousands)	
Asset Derivative:			
Foreign Exchange Forward	Other noncurrent assets	$ 792	$ 4,962
Liability Derivatives:			
Interest Rate Swap	Other noncurrent liabilities	6,237	7,461

	Statement of Operations	For the Three Months Ended December 31, 2009	December 31, 2008	For the Nine Months Ended December 31, 2009	December 31, 2008
		(In thousands)			
Foreign Currency Forward					
(Gain) loss recorded in Statement of Operations	Other expense (income), net	$ (1,343)	$ (1,355)	$ 4,170	$ (3,630)
Interest Rate Swap					
Realized loss recorded in Statement of Operations	Interest expense, net	1,526	926	4,536	1,584

Approximately $1.3 million is expected to be reclassified from other comprehensive income (OCI) to interest expense during the remainder of fiscal 2010.

(4) INTANGIBLE ASSETS AND GOODWILL

Intangible Assets

Intangible assets consist of:

	Trademarks and Tradenames (not subject to amortization)	Trademarks and Tradenames (subject to amortization)	Customer relationships	Technology	Total
			(In thousands)		
As of December 31, 2009:					
Gross Amount	$ 62,766	$ 14,263	$ 118,290	$ 31,271	$ 226,590
Accumulated Amortization		(6,383)	(28,042)	(9,417)	(43,842)
Net	$ 62,766	$ 7,880	$ 90,248	$ 21,854	$ 182,748
As of March 31, 2009:					
Gross Amount	$ 58,134	$ 13,223	$ 109,690	$ 28,544	$ 209,591

Accumulated Amortization		(5,134)	(22,569)	(6,577)	(34,280)
Net	$ 58,134	$ 8,089	$ 87,121	$ 21,967	$ 175,311

Amortization of intangible assets for the third quarter of fiscal 2010 and 2009 was $2.3 million and $1.9 million, respectively and for the first nine months of fiscal 2010 and 2009, $6.7 million and $5.8 million, respectively. Excluding the impact of any future acquisitions (if any), the Company anticipates annual amortization of intangible assets for each of the next five years to be approximately $8.0 million to $9.0 million. Intangible assets have been recorded at the legal entity level and are subject to foreign currency fluctuation.

Goodwill

In the fourth quarter of fiscal 2009, the Company purchased shares not previously owned in a majority-owned subsidiary. The purchase price of the additional shares amounted to approximately $4.9 million. Of this amount, approximately $4.2 million could not be attributed to the fair values of specific purchased tangible assets or identifiable intangible assets, and has been recorded as goodwill. The goodwill has been recorded in the Company s Transportation Europe and ROW business segment, and will be

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assessed at least annually for potential impairment.

(5) INVENTORIES

Inventories, valued using the first-in, first-out (FIFO) method, consist of:

	December 31, 2009	March 31, 2009
	(In thousands)	
Raw materials	$ 83,591	$ 61,681
Work-in-process	91,754	87,986
Finished goods	265,708	271,148
	$ 441,053	$ 420,815

(6) OTHER ASSETS

Other assets consist of:

	December 31, 2009	March 31, 2009
	(In thousands)	
Deposits (a)	$ 19,377	$ 9,265
Capitalized software, net	3,220	4,017
Loan to affiliate	1,005	1,005
Retirement plans	4,866	1,341
Financial instruments	792	4,962
Other	4,847	5,066
	$ 34,107	$ 25,656

(a) Deposits principally represent amounts held by beneficiaries as cash collateral for the Company s contingent obligations with respect to certain environmental matters, workers compensation insurance, and operating lease commitments.

(7) DEBT

At December 31, 2009 and March 31, 2009, short-term borrowings of $9.5 million and $7.0 million, respectively, consisted of borrowings under various operating lines of credit and working capital facilities maintained by certain of the Company s non-U.S. subsidiaries. Certain of these borrowings are collateralized by receivables, inventories and/or property. These borrowing facilities, which are typically for one-year renewable terms, generally bear interest at current local market rates plus up to one percent per annum. The weighted average interest rate on short-term borrowings was approximately 4.3% and 5.8% at December 31, 2009 and March 31, 2009, respectively.

Total long-term debt consists of:

	December 31, 2009	March 31, 2009
	(In thousands)	
Senior Secured Credit Facility	$ 293,300	$ 287,966
10.5% Senior Secured Notes due 2013	290,000	290,000
Floating Rate Convertible Senior Subordinated Notes due 2013	60,000	60,000
Other, including capital lease obligations and other loans at interest rates generally ranging up to 9% due in installments through 2015	16,214	13,262
Total	659,514	651,228
Less current maturities	4,881	5,048
Total Long-Term Debt	$ 654,633	$ 646,180

Total debt at December 31, 2009 and March 31, 2009 was $669.0 million and $658.2 million, respectively.

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(8) INTEREST EXPENSE, NET

Interest income of $0.2 million and $0.5 million, respectfully, is included in interest expense, net for the three months ended December 31, 2009 and 2008, and $0.7 million and $2.2 million, respectively, for the nine months ended December 31, 2009 and 2008.

(9) OTHER EXPENSE (INCOME), NET

Other expense (income), net consist of:

	For the Three Months Ended		For the Nine Months Ended	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
	(In thousands)			
Net loss on asset sales / impairments	$ 2,300	$ 686	$ 8,474	$ 1,820
Equity (income) loss	(555)	256	(516)	(1,171)
Currency remeasurement (gain) loss (a)	(298)	7,689	(17,158)	33,572
Gain on revaluation of warrants (b)	(740)	(7,062)	(538)	(6,591)
Other	(43)	(1,998)	1	(3,545)
	$ 664	$ (429)	$ (9,737)	$ 24,085

(a) The currency remeasurement (gain) loss relates primarily to U.S.A. intercompany loans to foreign subsidiaries denominated in Euros and Australian dollars.

(b) The warrants entitle the holders to purchase an aggregate of up to approximately 6.7 million shares of new common stock at an exercise price of $29.84 per share. The warrants are exercisable through May 5, 2011. The warrants have

been
marked-to-market
based upon quoted
market prices.
Future results of
operations may be
subject to
volatility from
changes in the
market value of
such warrants.

(10) EMPLOYEE BENEFITS

The components of the Company s net periodic pension and other post-retirement benefit costs are as follows:

	Pension Benefits			
	For the Three Months Ended		For the Nine Months Ended	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
	(In thousands)			
Components of net periodic benefit cost:				
Service cost	$ 1,138	$ 1,030	$ 2,289	$ 3,345
Interest cost	10,676	9,218	26,148	28,779
Expected return on plan assets	(6,597)	(7,549)	(16,900)	(23,394)
Amortization of:				
Prior service cost	4	5	8	16
Actuarial loss (gain)	235	(605)	801	(1,988)
Net periodic benefit cost	$ 5,456	$ 2,099	$ 12,346	$ 6,758

	Other Post-Retirement Benefits			
	For the Three Months Ended		For the Nine Months Ended	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
	(In thousands)			
Components of net periodic benefit cost:				
Service cost	$ 47	$ 45	$ 91	$ 149
Interest cost	383	327	1,028	1,001
Amortization of:				
Prior service cost	(96)	(96)	(288)	(288)
Actuarial loss	16	34	53	101
Net periodic benefit cost	$ 350	$ 310	$ 884	$ 963

The estimated fiscal 2010 pension plan contributions are $14.9 million and other post-retirement contributions are $2.0 million. Payments aggregating $13.3 million were made during the nine month period ended December 31, 2009.

(11) COMMITMENTS AND CONTINGENCIES

Claims Reconciliation

On April 15, 2002, the Petition Date , Exide Technologies, together with certain of its subsidiaries (the Debtors), filed voluntary petitions for reorganization under Chapter 11 of the federal bankruptcy laws (Bankruptcy Code or Chapter 11) in the United States Bankruptcy Court for the District of Delaware (Bankruptcy Court). The Debtors continued to operate their businesses and manage their properties as debtors-in-possession throughout the course of the bankruptcy case. The Debtors, along with the Official Committee of Unsecured Creditors, filed a Joint Plan of Reorganization (the Plan) with the Bankruptcy Court on February 27, 2004 and, on April 21, 2004, the Bankruptcy

Court confirmed the Plan.

Under the Plan, holders of general unsecured claims were eligible to receive collectively 2.5 million shares of common stock and warrants to purchase up to approximately 6.7 million shares of common stock at $29.84 per share. Approximately 13.4% of such common stock and warrants were initially reserved for distribution for disputed claims. The Official Committee of Unsecured Creditors, in consultation with the Company, established such reserve to provide for a pro rata distribution of new common stock and warrants to holders of disputed claims as they become allowed. As claims are evaluated and processed, the Company will object to some claims or portions thereof, and upward adjustments (to the extent common stock and warrants not previously distributed remain) or downward adjustments to the reserve will be made pending or following adjudication of such objections. Predictions regarding the allowance and classification of claims are difficult to make. With respect to environmental claims in particular, it is difficult to assess the Company s potential liability due to the large number of other potentially responsible parties. For example, a demand for the total cleanup costs of a landfill used by many entities may be asserted by the government using joint and several liability theories. Although the Company believes that there is a reasonable basis to believe that it will ultimately be responsible for only its proportional share of these remediation costs, there can be no assurance that the Company will prevail on these claims. In addition, the scope of remedial costs, or other environmental injuries, is highly variable and estimating these costs involves complex legal, scientific and technical judgments. Many of the claimants who have filed disputed claims, particularly environmental and personal injury claims, produce little or no proof of fault on which the Company can assess its potential liability.

Such claimants often either fail to specify a determinate amount of damages or provide little or no basis for the alleged damages. In some cases, the Company is still seeking additional information needed for a claims assessment and information that is unknown to the Company at the current time may significantly affect the Company s assessment regarding the adequacy of the reserve amounts in the future.

As general unsecured claims have been allowed in the Bankruptcy Court, the Company has distributed approximately one share of common stock per $383.00 in allowed claim amount and approximately one warrant per $153.00 in allowed claim amount. These rates were established based upon the assumption that the common stock and warrants allocated to holders of general unsecured claims on the effective date, including the reserve established for disputed claims, would be fully distributed so that the recovery rates for all allowed unsecured claims would comply with the Plan without the need for any redistribution or supplemental issuance of securities. If the amount of general unsecured claims that is eventually allowed exceeds the amount of claims anticipated in the setting of the reserve, additional common stock and warrants will be issued for the excess claim amounts at the same rates as used for the other general unsecured claims. If this were to occur, additional common stock would also be issued to the holders of pre-petition secured claims to maintain the ratio of their distribution in common stock at nine times the amount of common stock distributed for all unsecured claims.

No claims were allowed during the fiscal quarter ended December 31, 2009, and therefore no distribution of stock and warrants were made for the period. Based on information available as of January 29, 2010, approximately 11.3% of common stock and warrants reserved for this purpose has been distributed. The Company also continues to resolve certain non-objected claims.

Private Party Lawsuits and other Legal Proceedings

In 2003, the Company served notices to reject certain executory contracts with EnerSys, including a 1991 Trademark and Trade Name License Agreement (the Trademark License), pursuant to which the Company had licensed to EnerSys use of the Exide trademark on certain industrial battery products in the United States and 80 foreign countries. EnerSys objected to the rejection of certain of the executory contracts, including the Trademark License. In 2006, the Court granted the Company s request to reject the contracts, and it ordered a two-year transition period, which has now expired. EnerSys appealed those rulings, and the appeal remains pending. Because the Bankruptcy Court authorized rejection of the Trademark License, as with other executory contracts at issue, EnerSys will have a pre-petition general unsecured claim relating to the alleged damages arising therefrom. The Company reserves the ability to consider payment in cash of some portion of any settlement or ultimate award on EnerSys claim of alleged rejection damages.

In July 2001, Pacific Dunlop Holdings (US), Inc. (PDH) and several of its foreign affiliates under the various agreements through which Exide and its affiliates acquired GNB, filed a complaint in the Circuit Court for Cook County, Illinois alleging breach of contract, unjust enrichment and conversion against Exide and three of its foreign affiliates. The plaintiffs maintain they are entitled to approximately $17.0 million in cash assets acquired by the defendants through their acquisition of GNB. In December 2001, the Court denied the defendants motion to dismiss the complaint, without prejudice. The defendants filed an answer and counterclaim. In 2002, the Court authorized discovery to proceed as to all parties except the Company. In August 2002, the case was moved to the U.S. Bankruptcy Court for the Northern District of Illinois. In February 2003, the U.S. Bankruptcy Court for the Northern District of Illinois transferred the case to the U.S. Bankruptcy Court in Delaware. In November 2003, the Bankruptcy Court denied PDH s motion to abstain or remand the case and issued an opinion holding that the Bankruptcy Court had jurisdiction over PDH s claims and that liability, if any, would lie solely against Exide Technologies and not against any of its foreign affiliates. The Bankruptcy Court denied PDH s motion to reconsider. In an order dated March 22, 2007, the U.S. District Court for the District of Delaware denied PDH s appeal in its entirety, affirming the Orders of the Bankruptcy Court. PDH then appealed the matter to the United States Court of Appeals for the Third Circuit. On September 19, 2008, the Third Circuit vacated the prior orders of the Bankruptcy Court, remanding the matter with instructions that the Bankruptcy Court hear evidence before ruling whether Exide (as opposed to its non-debtor affiliates) would be solely liable, if any liability is found at all, under the GNB agreements.

In December 2001, PDH filed a separate action in the Circuit Court for Cook County, Illinois seeking recovery of approximately $3.1 million for amounts allegedly owed by the Company under various agreements between the parties. The claim arises from letters of credit and other security allegedly provided by PDH for GNB s performance of certain of GNB s obligations to third parties that PDH claims the Company was obligated to replace. The Company s answer contested the amounts claimed by PDH and the Company filed a counterclaim. Although this action has been consolidated with the Cook County suit concerning GNB s cash assets, the claims relating to this action have been transferred to the U.S. Bankruptcy Court for the District of Delaware and are currently subject to a stay injunction by that court. The Company plans to vigorously defend itself and pursue its counterclaims.

On July 1, 2005, the Company was informed by the Enforcement Division of the Securities and Exchange Commission (the SEC) that it commenced a preliminary inquiry into statements the Company made in fiscal 2005 regarding its ability to comply with fiscal 2005 loan covenants and the going concern modification in the audit report in the Company s annual report on Form 10-K for fiscal 2005. The SEC noted that the inquiry should not be construed as an indication by the SEC or its staff that any violations of law have occurred. The Company intends to fully cooperate with the inquiry and continues to do so.

Environmental Matters

As a result of its multinational manufacturing, distribution and recycling operations, the Company is subject to numerous federal, state, and local environmental, occupational health, and safety laws and regulations, as well as similar laws and regulations in other countries in which the Company operates (collectively, EH&S laws).

The Company is exposed to liabilities under such EH&S laws arising from its past handling, release, storage and disposal of materials now designated as hazardous substances and hazardous wastes. The Company previously has been advised by the U.S. Environmental Protection Agency (EPA) or state agencies that it is a Potentially Responsible Party under the Comprehensive Environmental Response, Compensation and Liability Act or similar state laws at 100 federally defined Superfund or state equivalent sites. At 45 of these sites, the Company has paid its share of liability. While the Company believes it is probable its liability for most of the remaining sites will be treated as disputed unsecured claims under the Plan, there can be no assurance these matters will be discharged. If the Company s liability is not discharged at one or more sites, the government may be able to file claims for additional response costs in the future, or to order the Company to perform remedial work at such sites. In addition, the EPA, in the course of negotiating this pre-petition claim, had notified the Company of the possibility of additional clean-up costs associated with Hamburg, Pennsylvania properties of approximately $35.0 million, as described in more detail below. The EPA has provided summaries of past costs and an estimate of future costs that approximate the amounts in its notification; however, the Company disputes certain elements of the claimed past costs, has not received sufficient information supporting the estimated future costs, and is in negotiations with the EPA. To the extent the EPA or other environmental authorities dispute the pre-petition nature of these claims, the Company would intend to resist any such effort to evade the bankruptcy law s intended result, and believes there are substantial legal defenses to be asserted in that case. However, there can be no assurance that the Company would be successful in challenging any such actions.

The Company is also involved in the assessment and remediation of various other properties, including certain Company-owned or operated facilities. Such assessment and remedial work is being conducted pursuant to applicable EH&S laws with varying degrees of involvement by appropriate legal authorities. Where probable and reasonably estimable, the costs of such projects have been accrued by the Company, as discussed below. In addition, certain environmental matters concerning the Company are pending in various courts or with certain environmental regulatory agencies with respect to these currently or formerly owned or operating locations. While the ultimate outcome of the foregoing environmental matters is uncertain, after consultation with legal counsel, the Company does not believe the resolution of these matters, individually or in the aggregate, will have a material adverse effect on the Company s financial condition, cash flows or results of operations.

On September 6, 2005, the U.S. Court of Appeals for the Third Circuit issued an opinion in U.S. v. General Battery/Exide (No. 03-3515) affirming the district court s holding that the Company is liable, as a matter of federal common law of successor liability, for lead contamination at certain sites in the vicinity of Hamburg, Pennsylvania. This case involves several of the pre-petition environmental claims of the federal government for which the Company, as part of its Chapter 11 proceeding, had established a reserve of common stock and warrants. The amount of the government claims for these sites at the time reserves were established was approximately $14.0 million. On October 2, 2006, the United States Supreme Court denied review of the appellate decision, leaving Exide subject to a stipulated judgment for approximately $6.5 million, based on the ruling that Exide has successor liability for these EPA cost recovery claims. The judgment will be a general unsecured claim payable in common stock and warrants. Additionally, the EPA has asserted a general unsecured claim for costs related to other Hamburg, Pennsylvania sites. The current amount of the government s claims for the aforementioned sites (including the stipulated judgment discussed above) is approximately $20.0 million. A reserve of common stock and warrants for the estimated value of all claims, including the aforementioned claims, was established as part of the Plan.

In October 2004, the EPA, in the course of negotiating a comprehensive settlement of all its environmental claims against the Company, had notified the Company of the possibility of additional clean-up costs associated with other Hamburg, Pennsylvania properties of approximately $35.0 million. The EPA has provided cost summaries for past costs and an estimate of future costs that approximate the amounts in its notification; however, the Company disputes certain elements of the claimed past costs, has not received sufficient information supporting the estimated future costs, and is in negotiations with the EPA.

As unsecured claims are allowed in the Bankruptcy Court, the Company is required to distribute common stock and warrants to the holders of such claims. To the extent the government is able to prove the Company is responsible for the alleged contamination at the other Hamburg, Pennsylvania properties and substantiate its estimated $35.0 million of additional clean-up costs discussed above, these claims would ultimately result in an inadequate reserve of common stock and warrants to the extent not offset by the reconciliation of all other claims for lower amounts than the aggregate reserve. The Company would still retain the right to perform and pay for such cleanup activities, which would preserve the existing reserved common stock and warrants. Except for the government s cost recovery claim resolved by the U.S. v. General Battery/Exide case discussed above, it remains the Company s position that it is not liable for the contamination of this area, and that any liability it may have derives from pre-petition events

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which would be administered as a general, unsecured claim, and consequently no provisions have been recorded in connection therewith.

The Company is conducting an investigation and risk assessment of lead exposure near its Reading recycling plant from past facility emissions and non-Company sources such as lead paint. In 2000, the Company entered into a Consent Order with the EPA to investigate and (as appropriate) remediate potential environmental impacts to properties in the vicinity of its Reading, Pennsylvania recycling plant. Since 2000, Exide has reached agreement with the EPA regarding the boundaries of a study area defining the area of potential impacts, and has sampled all properties but one (where the property owner denied access) within the study area. The EPA established a soil cleanup standard for developed residential properties within the study area and all developed residential properties exceeding that standard have now been remediated. No further sampling of developed residential properties within the study area is required. The Company continues to discuss with the EPA the appropriateness and scope of remediation of other types of properties in the study area including undeveloped residential, commercial, industrial, and recreational (public parks). Where such future remediation is probable and reasonably estimable, the Company has established reserves for such obligations.

The Company received a number of notices of violation issued by the Pennsylvania Department of Environmental Protection (PADEP) for alleged violations of pollution control laws at its Reading, Pennsylvania recycling facility. In an effort to resolve these notices, the Company is negotiating a settlement agreement with PADEP that will likely include monetary sanctions of $0.225 million to PADEP.

The Company has established reserves for on-site and off-site environmental remediation costs where such costs are probable and reasonably estimable and believes that such reserves are adequate. As of December 31, 2009 and March 31, 2009, the amount of such reserves on the Company s Condensed Consolidated Balance Sheets was approximately $30.4 million and $33.8 million, respectively. Because environmental liabilities are not accrued until a liability is determined to be probable and reasonably estimable, not all potential future environmental liabilities have been included in the Company s environmental reserves and, therefore, additional earnings charges are possible. Also, future findings or changes in estimates could have a material adverse effect on the recorded reserves and cash flows.

The sites that currently have the largest reserves include the following:

Tampa, Florida

The Tampa site is a former secondary lead recycling plant, lead oxide production facility, and sheet lead-rolling mill that operated from 1943 to 1989. Under a RCRA Part B Closure Permit and a Consent Decree with the State of Florida, Exide is required to investigate and remediate certain historic environmental impacts to the site. Cost estimates for remediation (closure and post-closure) are expected to range from $12.5 million to $20.5 million depending on final State of Florida requirements. The remediation activities are expected to occur over the course of several years.

Columbus, Georgia

The Columbus site is a former secondary lead recycling plant that was mothballed in 1999, which is part of a larger facility that includes an operating lead acid battery manufacturing facility. Groundwater remediation activities began in 1988. Costs for supplemental investigations, remediation and site closure are currently estimated at $6.0 million to $9.0 million.

Guarantees

At December 31, 2009, the Company had outstanding letters of credit with a face value of $49.6 million and surety bonds with a face value of $3.8 million. The majority of the letters of credit and surety bonds have been issued as collateral or financial assurance with respect to certain liabilities the Company has recorded including, but not limited to, environmental remediation obligations and self-insured workers compensation reserves. Failure of the Company to satisfy its obligations with respect to the primary obligations secured by the letters of credit or surety bonds could entitle the beneficiary of the related letter of credit or surety bond to demand payments pursuant to such instruments. The letters of credit generally have terms up to one year. Collateral held by the sureties in the form of letters of credit at December 31, 2009, pursuant to the terms of the agreement, totaled approximately $3.7 million.

Certain of the Company s European and Asia Pacific subsidiaries have issued bank guarantees as collateral or financial assurance in connection with environmental obligations, income tax claims and customer contract requirements. At December 31, 2009, bank guarantees with a face value of $16.1 million were outstanding.

Sales Returns and Allowances

The Company provides for an allowance for product returns and/or allowances. Based upon its manufacturing re-work process, the Company believes that the majority of its product returns are not the result of product defects. The Company recognizes the estimated cost of product returns as a reduction of sales in the period in which the related revenue is recognized. The product return estimates are based upon historical trends and claims experience, and include assessment of the anticipated lag between the date of sale and claim/return date.

Changes in the Company s sales returns and allowances liability (in thousands) are as follows:

Balance at March 31, 2009	$ 39,721
Accrual for sales returns and allowances provided	21,907
Settlements made (in cash or credit), and currency translation	(23,022)
Balance at December 31, 2009	$ 38,606

(12) INCOME TAXES

The effective tax rates for the third quarter of fiscal 2010 and 2009 were impacted by the generation of income in tax-paying jurisdictions in certain countries in Europe, the U.S., Asia, and Canada, and the recognition of valuation allowances on tax benefits generated from losses in the United Kingdom, Italy, Spain, France, and Australia. The effective tax rate for the third quarter of fiscal 2010 and 2009 was also impacted by the recognition of $29.8 million and $23.8 million, respectively, of valuation allowances on current period tax benefits generated primarily in the United Kingdom, France, Spain, Italy, and Australia. During the first nine months of fiscal 2009, the Company established a full valuation allowance of $13.3 million on its net deductible temporary differences and loss carryforwards related to its Australian operations. In addition, the income tax provision for the first nine months of fiscal 2009 decreased as a result of the removal of $3.1 million in valuation allowances against net deferred tax assets generated from the Company s Austrian and Mexican operations.

The significant components of the Company s effective tax rate are as follows:

	For the Three Months Ended		For the Nine Months Ended	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
	(In thousands)			
Federal statutory rate	35.0%	35.0%	35.0%	35.0%
Change in valuation allowances	10.7%	12.7%	-141.0%	106.8%
Revaluation of warrants	-1.2%	-11.3%	0.7%	-7.9%
Rate differences on foreign subsidiaries	-15.2%	-24.4%	34.6%	-40.5%
Other, net	26.3%	17.1%	-33.8%	20.8%
Effective tax rate	55.6%	29.1%	-104.5%	114.2%

The table above is a condensed table and does not include all items normally included in Form 10-K. Items included in other, net are presented on a net basis and include certain items above 5%.

Each quarter, the Company reviews the need to report the future realization of tax benefits of deductible temporary differences or loss carryforwards on its financial statements. All available evidence is considered to determine whether a valuation allowance should be established against these future tax benefits. This review is performed on a jurisdiction by jurisdiction basis.

The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. With limited exceptions, the Company is no longer subject to U.S. federal income tax examinations by tax authorities for years ended before March 31, 2008. With respect to state and local jurisdictions and countries outside of the United States, with limited exceptions, the Company and its subsidiaries are no longer subject to income tax audits for years ended before March 31, 2002. Although the outcome of tax audits is always uncertain, the Company believes that adequate amounts of tax, interest and penalties have been provided for any adjustments that could result from these years.

The Company s unrecognized tax benefits decreased slightly from $70.5 million to $70.4 million during the first nine months of fiscal 2010 due primarily to the effects of foreign currency translation plus unrecognized tax benefits established during the period less unrecognized tax benefits released during the period through the expiration of statute of limitations and tax settlements. The amount, if recognized, that would affect the Company s effective tax rate at December 31, 2009 is $34.6 million.

The Company classifies interest and penalties on uncertain tax benefits as income tax expense. At December 31, 2009 and March 31, 2009, before any tax benefits, the Company had $4.8 million and $4.3 million, respectively, of accrued interest and penalties on unrecognized tax benefits.

During the next twelve months, the Company expects the resolution of tax audits and expiration of statute of limitations for tax years in which the Company has recorded an uncertain tax benefit. These uncertain tax benefits, if recognized, would affect the Company s effective tax rate by $3.7 million.

(13) RESTRUCTURING

During the first nine months of fiscal 2010, the Company has continued to implement operational changes to streamline and rationalize its structure in an effort to simplify the organization and eliminate redundant and/or unnecessary costs. As part of these restructuring programs, the nature of the positions eliminated range from plant employees and clerical workers to operational and sales management.

During the nine months ended December 31, 2009, the Company recognized restructuring charges of $55.4 million, representing $45.6 million for severance and $9.8 million for related closure costs. These charges primarily represent consolidation efforts in the Transportation America, Transportation Europe and Rest of World (ROW), and Industrial Europe and ROW segments for approximately 1,320 positions.

Summarized restructuring reserve activity:

	Severance Costs	Closure Costs	Total
		(In thousands)	
Balance at March 31, 2009	$ 37,800	$ 4,618	$ 42,418
Restructuring Charges	45,636	9,785	55,421
Payments and Currency Translation	(53,677)	(7,797)	(61,474)
Balance at December 31, 2009	$ 29,759	$ 6,606	$ 36,365

Remaining expenditures principally represent (i) severance and related benefits payable per employee agreements and/or regulatory requirements, (ii) lease commitments for certain closed facilities, branches and offices, as well as leases for excess and permanently idle equipment payable in accordance with contractual terms, and (iii) certain other closure costs including dismantlement and costs associated with removal obligations incurred in connection with the exit of facilities.

(14) EARNINGS (LOSS) PER SHARE

The Company computes basic earnings (loss) per share by dividing net earnings (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is computed by dividing net earnings (loss), after adding back the after-tax amount of interest recognized in the period associated with the Company s Floating Rate Convertible Senior Subordinated Notes, by diluted weighted average shares outstanding. Potentially dilutive shares include the assumed exercise of stock options and the assumed vesting of restricted stock and stock unit awards (using the treasury stock method) as well as the assumed conversion of the convertible debt, if dilutive (using the if-converted method). Shares which are contingently issuable under the Company s plan of reorganization have been included as outstanding common shares for purposes of calculating basic earnings (loss) per share. Basic and diluted earnings (loss) per share for the three and nine months ended December 31, 2009 and 2008 are summarized as follows:

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	For the Three Months Ended		For the Nine Months Ended	
	December 31, 2009	December 31, 2008	December 31, 2009	December 31, 2008
	(In thousands, except per share amounts)			
Net income (loss) attributable to Exide Technologies	$ 9,772	$ 15,427	$ (52,191)	$ (5,120)
Interest expense on Floating Rate Convertible Senior Subordinated Notes		109		
	$ 9,772	$ 15,536	$ (52,191)	$ (5,120)
Basic weighted average shares outstanding	76,028	75,589	75,923	75,474
Effect of dilutive securities:				
Floating Rate Convertible Senior Subordinated Notes	3,697	3,697		
Employee stock options	714	36		
Employee restricted stock awards (non-vested)	353	64		
	4,764	3,797		
Diluted weighted average shares outstanding	80,792	79,386	75,923	75,474
Basic earnings (loss) per share:	$ 0.13	$ 0.20	$ (0.69)	$ (0.07)
Diluted earnings (loss) per share:	$ 0.12	$ 0.20	$ (0.69)	$ (0.07)

For the three months ended December 31, 2009 and 2008, 1,725,818 and 2,293,031 stock options, respectively, were excluded from the diluted earnings per share calculation because their exercise prices were greater than the market price of the related common stock for the period, and their inclusion would be antidilutive. The remaining options were included in the treasury stock method calculation, and the resulting incremental shares were included in the calculation of diluted earnings per share. In addition, 6,725,444 warrants were outstanding for both periods, but were all excluded from the diluted earnings per share calculation because their exercise prices were greater than the market price of the related common stock for the period, and their inclusion would also be antidilutive. Due to a net loss for the nine month periods ended December 31, 2009 and 2008, certain potentially dilutive shares were excluded from the diluted loss per share calculation for those periods because their effect would be antidilutive:

	As of	
	December 31, 2009	December 31, 2008
	(In thousands)	
Shares associated with convertible debt (assumed conversion)	3,697	3,697

Employee stock options	3,933	3,548
Restricted stock awards	855	1,016
Warrants	6,725	6,725
Total shares excluded	15,210	14,986

(15) FAIR VALUE OF FINANCIAL INSTRUMENTS

The Company uses available market information and appropriate methodologies to estimate the fair value of its financial instruments. Considerable judgment is required in interpreting market data to develop these estimates. Accordingly, the estimates presented herein are not necessarily indicative of the amounts that the Company could realize in a current market exchange. Certain of these financial instruments are with major financial institutions and expose the Company to market and credit risks and may at times be concentrated with certain counterparties or groups of counterparties. The creditworthiness of counterparties is continually reviewed, and full performance is currently anticipated.

The Company s cash and cash equivalents, accounts receivable, accounts payable, and short-term borrowings all have carrying amounts that are a reasonable estimate of their fair values. The carrying values and estimated fair values of the Company s long-term obligations and other financial instruments are as follows:

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	December 31, 2009		March 31, 2009	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(In thousands)			
(Liability) Asset:				
Senior Secured Credit Facility	$(293,300)	$(270,048)	$(287,966)	$(195,817)
Senior Secured Notes due 2013	(290,000)	(293,625)	(290,000)	(174,000)
Convertible Senior Subordinated Notes due 2013	(60,000)	(41,250)	(60,000)	(17,475)
Interest Rate Swap (a)	(6,237)	(6,237)	(7,461)	(7,461)
Foreign Currency Forward (a)	792	792	4,962	4,962

(a) These financial instruments are required to be measured at fair value, and are based on inputs as described in the three-tier hierarchy that prioritizes inputs used in measuring fair value as of the reported date:

Level 1 Observable inputs such as quoted prices in active markets for identical assets and liabilities;

Level 2 Inputs other than quoted prices in active markets that are observable either directly or indirectly; and

Level 3 Inputs from valuation techniques in which one or more key value drivers are not observable, and must be based on the reporting entity s own assumptions.

The following table represents our financial (liabilities) assets that are measured at fair value on a recurring basis, and the basis for that measurement:

	Total Fair Value Measurement	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			

December 31, 2009		
Interest rate swap	$(6,237)	$(6,237)
Foreign currency forward	792	792
March 31, 2009:		
Interest rate swap	$(7,461)	$(7,461)
Foreign currency forward	4,962	4,962

The fair value of the interest rate swap is based on observable prices as quoted for receiving the variable LIBOR rate, and paying fixed interest rates and, therefore, was classified as Level 2. The fair value of the foreign currency forward was based upon current quoted market prices and is classified as Level 2 based on the nature of the underlying market in which this derivative is traded. For additional discussion of the Company s derivative instruments and hedging activities, see Note 3.

(16) SEGMENT INFORMATION

The Company reports its results for four business segments: Transportation Americas, Transportation Europe and ROW, Industrial Energy Americas and Industrial Energy Europe and ROW. The Company is a global producer and recycler of lead-acid batteries, and its four business segments provide a comprehensive range of stored electrical energy products and services for transportation and industrial applications. The Company will continue to evaluate its reporting segments pending future organizational changes that may take place.