

EXIDE TECHNOLOGIES

Form 10-Q

February 07, 2011

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

(Mark One)

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

For the quarterly period ended December 31, 2010

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
(State or other jurisdiction of
incorporation or organization)**

**23-0552730
(I.R.S. Employer
Identification Number)**

**13000 Deerfield Parkway,
Building 200
Milton, Georgia
(Address of principal executive offices)**

**30004
(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 No
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 No

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

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

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

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 28, 2011, 77,401,457 shares of common stock were outstanding.

**EXIDE TECHNOLOGIES AND SUBSIDIARIES
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Table of Contents**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		For the Nine Months Ended	
	December	December	December	December
	31,	31,	31,	31,
	2010	2009	2010	2009
Net sales	\$ 800,296	\$ 746,472	\$ 2,112,970	\$ 1,971,141
Cost of sales	634,697	588,274	1,690,277	1,576,353
Gross profit	165,599	158,198	422,693	394,788
Selling and administrative expenses	111,866	110,011	318,734	328,429
Restructuring and impairments, net	4,081	11,624	17,524	63,895
Operating income	49,652	36,563	86,435	2,464
Other income, net	(3,480)	(1,248)	(2,111)	(16,949)
Interest expense, net	15,298	15,266	45,441	44,803
Income (loss) before income taxes	37,834	22,545	43,105	(25,390)
Income tax provision	6,613	12,524	2,800	26,526
Net income (loss)	31,221	10,021	40,305	(51,916)
Net income attributable to noncontrolling interests	11	249	181	275
Net income (loss) attributable to Exide Technologies	\$ 31,210	\$ 9,772	\$ 40,124	\$ (52,191)
Earnings (loss) per share				
Basic	\$ 0.41	\$ 0.13	\$ 0.52	\$ (0.69)
Diluted	\$ 0.38	\$ 0.12	\$ 0.50	\$ (0.69)
Weighted average shares				
Basic	76,675	76,028	76,508	75,923
Diluted	81,479	80,792	80,893	75,923

The accompanying notes are an integral part of these statements.

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

	December 31, 2010	March 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 92,339	\$ 89,558
Accounts receivable, net	504,369	488,942
Inventories, net	457,107	418,396
Prepaid expenses and other current assets	28,703	21,543
Deferred income taxes	28,019	24,386
Total current assets	1,110,537	1,042,825
Property, plant and equipment, net	591,172	603,160
Other assets:		
Goodwill and intangibles, net	174,850	180,428
Deferred income taxes	90,814	85,613
Other noncurrent assets	38,477	44,200
	304,141	310,241
Total assets	\$ 2,005,850	\$ 1,956,226
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Short-term borrowings	\$ 7,857	\$ 7,682
Current maturities of long-term debt	4,839	5,241
Accounts payable	364,314	333,532
Accrued expenses	256,754	267,374
Total current liabilities	633,764	613,829
Long-term debt	635,857	646,604
Noncurrent retirement obligations	218,083	221,248
Deferred income taxes	27,607	23,485
Other noncurrent liabilities	105,099	103,022
Total liabilities	1,620,410	1,608,188
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, 77,005 and 75,601 shares issued and outstanding	770	756
Additional paid-in capital	1,126,190	1,119,959

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Accumulated deficit	(758,971)	(799,095)
Accumulated other comprehensive income	16,619	10,714
Total stockholders' equity attributable to Exide Technologies	384,608	332,334
Noncontrolling interests	832	15,704
Total stockholders' equity	385,440	348,038
Total liabilities and stockholders' equity	\$ 2,005,850	\$ 1,956,226

The accompanying notes are an integral part of these statements.

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	For the Nine Months Ended	
	December 31, 2010	December 31, 2009
Cash Flows From Operating Activities:		
Net income (loss)	\$ 40,305	\$ (51,916)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation and amortization	62,998	67,357
Unrealized gain on warrants	(168)	(538)
Asset sales / impairments, net	(856)	8,474
Deferred income taxes	(4,174)	9,297
Provision for doubtful accounts	(170)	4,165
Non-cash stock compensation	5,345	8,371
Amortization of deferred financing costs	3,711	3,760
Currency remeasurement gain	(4,036)	(17,158)
Changes in assets and liabilities		
Receivables	(16,650)	14,793
Inventories	(35,088)	7,127
Other current assets	(7,047)	2,620
Payables	28,838	43,195
Accrued expenses	(6,714)	(3,599)
Other noncurrent liabilities	(248)	(3,969)
Other, net	(1,352)	(10,501)
Net cash provided by operating activities	64,694	81,478
Cash Flows From Investing Activities:		
Capital expenditures	(52,401)	(58,556)
Proceeds from sales of assets, net	10,635	805
Net cash used in investing activities	(41,766)	(57,751)
Cash Flows From Financing Activities:		
Increase in short-term borrowings, net	1,106	1,514
Decrease in borrowings under Senior Secured Credit Facility	(8,302)	(2,266)
(Decrease) increase in other debt	(1,442)	7,480
Acquisition of noncontrolling interests / other	(14,924)	(1,651)
Net cash (used in) provided by financing activities	(23,562)	5,077
Effect of exchange rate changes on cash and cash equivalents	3,415	5,200

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Net increase in cash and cash equivalents	2,781		34,004
Cash and cash equivalents, beginning of period	89,558		69,505
Cash and cash equivalents, end of period	\$ 92,339	\$	103,509

Supplemental Disclosures of Cash Flow Information:

Cash paid during the period -			
Interest	\$ 27,747	\$	27,754
Income taxes (net of refunds)	\$ 7,153	\$	2,986

The accompanying notes are an integral part of these statements.

Table of Contents**EXIDE TECHNOLOGIES AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****December 31, 2010****(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 in the United States (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, 2010 for further information. Unless otherwise indicated or unless the context otherwise requires, references to fiscal year refer to the period ended March 31 of that year (e.g., fiscal 2010 refers to the period beginning April 1, 2009 and ending March 31, 2010).

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, financial position, and cash flows for the periods presented. This includes accounting and disclosures related to any subsequent event occurring from the balance sheet date through the date that the financial statements were issued.

(2) STOCKHOLDERS EQUITY AND COMPREHENSIVE INCOME (LOSS)

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)					
Balance at April 1, 2010	\$ 756	\$ 1,119,959	\$ (799,095)	\$ 10,714	\$ 15,704	\$ 348,038
Net Income			40,124		181	40,305
Defined benefit plans, net of tax of \$4				476		476
Translation adjustment				2,651	(155)	2,496
Net recognition of unrealized loss on derivatives, net of tax of \$987				2,778		2,778
Increase in ownership of subsidiary		978			(14,898)	(13,920)
Common stock issuance and other	14	(92)				(78)
Stock compensation		5,345				5,345
Balance at December 31, 2010	\$ 770	\$ 1,126,190	\$ (758,971)	\$ 16,619	\$ 832	\$ 385,440

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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, 2010	December 31, 2009	December 31, 2010	December 31, 2009
	(In thousands)			
Net income (loss)	\$ 31,221	\$ 10,021	\$ 40,305	\$ (51,916)
Defined benefit plans	344	7	476	2,181
Cumulative translation adjustment	(2,519)	(1,835)	2,496	29,272
Derivatives qualifying as hedges	1,073	441	2,778	861
Total comprehensive income (loss)	\$ 30,119	\$ 8,634	\$ 46,055	\$ (19,602)

(3) ACCOUNTING FOR DERIVATIVES

The Company uses derivative contracts 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. The Company does not enter into derivative contracts for trading or speculative purposes.

The Company recognizes outstanding derivative instruments as assets or liabilities, based on measurements of their fair values. 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, and the classification of cash flows from these instruments is consistent with that of the transactions being hedged. 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 designation, 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 3.3% per annum through the remainder of the agreement. The interest rate swap is designated as a cash-flow hedging instrument.

The Company also enters into foreign currency forward contracts for various time periods ranging from one month to several years. The Company uses these contracts to mitigate the effect of its exposure to foreign currency remeasurement gains and losses on selected transactions that will be settled in a currency other than the functional currency of the transacting entity. Included in these instruments is a contract in the notional amount of \$60.0 million to mitigate the effect of exchange rate fluctuations of a certain foreign subsidiary's debt that is denominated in U.S. dollars, and a contract in the notional amount of approximately \$63.0 million to mitigate similar foreign exchange risk on amounts owed to the Company by a foreign subsidiary that is denominated in Euros. Certain of these contracts have been designated as fair value hedging instruments. Whether or not specifically designated as a fair value hedging instrument, changes in the fair value of these currency forward contracts 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, 2010	March 31, 2010
(In thousands)			
Asset Derivatives:			
Foreign exchange forward	Current assets	\$ 3	\$
Commodity swap	Current assets	572	665
Foreign exchange forward	Noncurrent assets		4,034
Liability Derivatives:			
Foreign exchange forward	Current liabilities	\$ 668	\$ 270
Interest rate swap	Current liabilities	1,296	5,350
Foreign exchange forward	Noncurrent liabilities	2,816	

Statement of Operations	For the Three Months Ended		For the Nine Months Ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
	(In thousands)		(In thousands)	
Other income, net	\$ (2,019)	\$ (1,343)	\$ (4,843)	\$ 4,170
Commodity Swap Loss (gain)	4		(74)	
Interest Rate Swap Loss	1,467	1,526	4,365	4,536

(4) GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of:

Goodwill (not subject to amortization)	Trademarks and Tradenames (not subject to amortization)	Trademarks and Tradenames (subject to amortization)	Customer Relationships	Technology	Total
(In thousands)					

As of December 31, 2010

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Gross amount	\$ 4,551	\$ 61,453	\$ 13,964	\$ 115,489	\$ 30,974	\$ 226,431
Accumulated amortization			(7,352)	(31,938)	(12,291)	(51,581)
Net	\$ 4,551	\$ 61,453	\$ 6,612	\$ 83,551	\$ 18,683	\$ 174,850
As of March 31, 2010						
Gross amount	\$ 4,538	\$ 61,110	\$ 13,886	\$ 115,175	\$ 30,742	\$ 225,451
Accumulated amortization			(6,489)	(28,517)	(10,017)	(45,023)
Net	\$ 4,538	\$ 61,110	\$ 7,397	\$ 86,658	\$ 20,725	\$ 180,428

Amortization of intangible assets for the third quarter of fiscal 2011 and 2010 was \$2.2 million and \$2.3 million, respectively and for the first nine months of fiscal 2011 and 2010, \$6.5 million and \$6.7 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.

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

	December 31, 2010	March 31, 2010
	(In thousands)	
Raw materials	\$ 79,973	\$ 73,337
Work-in-process	126,557	85,838
Finished goods	250,577	259,221
	\$ 457,107	\$ 418,396

(6) OTHER NONCURRENT ASSETS

	December 31, 2010	March 31, 2010
	(In thousands)	
Deposits (a)	\$ 17,633	\$ 18,981
Deferred financing costs	3,594	7,316
Investment in affiliates	2,105	2,156
Capitalized software, net	2,985	4,402
Loan to affiliate	1,005	1,005
Retirement plans	6,873	1,958
Financial instruments		4,034
Other	4,282	4,348
	\$ 38,477	\$ 44,200

(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, 2010 and March 31, 2010, short-term borrowings of \$7.9 million and \$7.7 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 4.6% and 4.5% at December 31, 2010 and March 31, 2010, respectively.

Total long-term debt consists of:

	December 31, 2010	March 31, 2010
	(In thousands)	
Senior Secured Credit Facility maturing 2012	\$ 277,121	\$ 286,661
10.5% Senior Secured Notes due 2013	290,000	290,000
Floating Rate Convertible Senior Subordinated Notes due 2013	60,000	60,000

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Other, including capital lease obligations and other loans at interest rates generally ranging up to 11.0% due in installments through 2015	13,575	15,184
Total	640,696	651,845
Less-current maturities	4,839	5,241
Total Long-Term Debt	\$ 635,857	\$ 646,604

Total debt at December 31, 2010 and March 31, 2010 was \$648.6 million and \$659.5 million, respectively.

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Interest income of \$0.2 million and \$0.2 million, respectfully, is included in interest expense, net for the three months ended December 31, 2010 and 2009, and \$0.4 million and \$0.7 million, respectively, for the nine months ended December 31, 2010 and 2009.

(9) OTHER INCOME, NET

Other income, net consists of:

	For the Three Months Ended		For the Nine Months Ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
	(In thousands)			
Equity income	\$ (43)	\$ (555)	\$ (233)	\$ (516)
Currency remeasurement gain, net (a)	(4,262)	(298)	(4,036)	(17,158)
Gain on revaluation of warrants (b)		(740)	(168)	(538)
Reorganization items	826	388	2,328	1,262
Other	(1)	(43)	(2)	1
	\$ (3,480)	\$ (1,248)	\$ (2,111)	\$ (16,949)

- (a) The currency remeasurement gain relates primarily to intercompany loans to foreign subsidiaries denominated in Euros and the Australian dollar.
- (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.

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

	Pension Benefits			
	For the Three		For the Nine Months Ended	
	Months Ended	December	December	December
	31,	31,	31,	31,
	2010	2009	2010	2009
	(In thousands)			
Components of net periodic benefit cost:				
Service cost	\$ 812	\$ 1,138	\$ 2,389	\$ 2,289
Interest cost	8,366	10,676	24,867	26,148
Expected return on plan assets	(7,221)	(6,597)	(21,540)	(16,900)
Amortization of:				
Prior service cost	3	4	7	8
Actuarial loss (gain)	266	235	796	801
Net periodic benefit cost	\$ 2,226	\$ 5,456	\$ 6,519	\$ 12,346

	Other Post-Retirement Benefits			
	For the Three		For the Nine Months Ended	
	Months Ended	December	December	December
	31,	31,	31,	31,
	2010	2009	2010	2009
	(In thousands)			
Components of net periodic benefit cost:				
Service cost	\$ 46	\$ 47	\$ 137	\$ 91
Interest cost	255	383	761	1,028
Amortization of:				
Prior service cost	(122)	(96)	(367)	(288)
Actuarial loss	27	16	82	53
Net periodic benefit cost	\$ 206	\$ 350	\$ 613	\$ 884

The estimated fiscal 2011 pension plan contributions are \$19.2 million and other post-retirement contributions are \$1.9 million. Payments aggregating \$13.6 million were made during the nine month period ended December 31, 2010.

(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.

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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.

Based on information available as of January 28, 2011, approximately 11.4% 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, which the Company contends are executory, 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 those contracts, including the Trademark License. In 2006, the Bankruptcy Court granted the Company's request to reject certain of the contracts, including the Trademark License. EnerSys appealed those rulings. On June 1, 2010, the Third Circuit Court of Appeals reversed the Bankruptcy Court ruling, and remanded to the lower courts, holding that certain of the contracts, including the Trademark License, were not executory contracts and, therefore, were not subject to rejection. On August 27, 2010, acting on the Third Circuit's mandate, the Bankruptcy Court vacated its prior orders and denied the Company's motion to reject the contracts on the grounds that the agreements are not executory. On September 20, 2010, the Company filed a complaint in the Bankruptcy Court seeking a declaratory judgment that EnerSys does not have enforceable rights under the Trademark License under Bankruptcy Code provisions which the Company believes are relevant to non-executory contracts. EnerSys has filed a motion to dismiss that complaint, which the Company has opposed, and the motion remains pending. Additionally, on September 27, 2010, the Company filed a Petition for Certiorari, requesting that the U.S. Supreme Court issue a writ of certiorari to the Third Circuit Court of Appeals to review that court's judgment. That Petition for Certiorari remains pending.

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.

Table of Contents***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 or may be a "Potentially Responsible Party" under the Comprehensive Environmental Response, Compensation and Liability Act or similar state laws regarding 103 federally defined Superfund or state equivalent sites. At 45 of these sites, the Company has paid or settled its share of liability. While the Company believes it is probable it has no liability or its liability for many of the remaining sites will be treated as disputed unsecured claims under the Plan, there can be no assurance these matters will be determined in the Company's favor. 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 is expected to 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 which would be administered as a general, unsecured claim, and consequently no provisions have been recorded in connection therewith.

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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, 2010 and March 31, 2010, the amount of such reserves on the Company's Condensed Consolidated Balance Sheets was approximately \$29.2 million and \$31.8 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 taken out of service in 1999, but remains 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, 2010, the Company had outstanding letters of credit with a face value of \$55.0 million and surety bonds with a face value of \$2.3 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, 2010, pursuant to the terms of the agreement, totaled approximately \$2.2 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, 2010, bank guarantees with an aggregate face value of \$16.2 million were outstanding.

Sales Returns and Allowances

The Company provides for an allowance for product returns and/or allowances. Based upon product examination in the 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, 2010	\$ 36,257
Accrual for sales returns and allowances	28,354
Settlements made (in cash or credit) and currency translation	(27,677)
Balance at December 31, 2010	\$ 36,934

Table of Contents**(12) INCOME TAXES**

The effective tax rate for the first nine months of fiscal year 2011 and fiscal year 2010 is 6.5% and (104.5%) respectively. The effective tax rate was 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, Spain, and France. The Company released its full valuation allowance in fiscal 2011 recorded in Australia and Italy after determining that it was more likely than not that the Company would realize all deductible temporary differences and carryforwards in the foreseeable future.

The effective tax rate for fiscal 2011 year-to-date was primarily affected by the following discrete items: The release of a valuation allowance in Australia and Italy of (\$10.2) million; the benefit through a Polish adjustment to tax basis in intangibles of (\$4.2) million; and the impact of various items related to uncertain tax positions of \$1.8 million.

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 or previously established valuation allowances should be released. This review is performed on a jurisdiction by jurisdiction basis. As global market conditions and the Company's financial results in certain jurisdictions improve, the continued release of related valuation allowances may occur.

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, 2004. 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 increased from \$52.0 million to \$52.2 million during the first nine months of fiscal 2011 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 tax settlements and expiration of statute of limitations. The amount, if recognized, that would affect the Company's effective tax rate at December 31, 2010 is \$20.9 million.

The Company classifies interest and penalties on uncertain tax benefits as income tax expense. At December 31, 2010 and March 31, 2010, before any tax benefits, the Company had \$3.7 million and \$3.9 million, respectively, of accrued interest and penalties on unrecognized tax benefits.

During the next twelve months, the Company does not expect the resolution of any tax audits which could potentially reduce unrecognized tax benefits by a material amount. However, expiration of the statute of limitations for a tax year in which the Company has recorded an uncertain tax benefit will occur in the next twelve months. The removal of this uncertain tax benefit would affect the Company's forecasted annual effective tax rate by \$1.2 million.

(13) RESTRUCTURING AND IMPAIRMENTS, NET

The Company implemented 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, 2010, the Company recorded restructuring and impairment charges of \$17.5 million, representing \$12.2 million severance, \$6.1 million closure costs and (\$0.9) million net gain on asset sales and impairments. These charges primarily represent consolidation efforts in the Company's workforce of approximately 250 positions.

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Summarized restructuring reserve activity and asset sale and impairment (gain) loss, net:

	Severance Costs	Closure Costs	Total Restructuring (In thousands)	Asset Sale and Impairments (gain) loss	Total Expenses
Balance at March 31, 2010	\$ 19,483	\$ 7,095	\$ 26,578		
Expenses	12,238	6,142	18,380	\$ (856)	\$ 17,524
Payments and Currency Translation	(21,028)	(8,555)	(29,583)		
Balance at December 31, 2010	\$ 10,693	\$ 4,682	\$ 15,375		

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.

Summarized restructuring and asset sale and impairment expenses by segment:

	For the Three Months Ended		For the Nine Months Ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
	(In thousands)			
Transportation Americas	\$ 3,477	\$ 1,224	\$ 5,298	\$ 5,656
Transportation Europe & ROW	(1,434)	2,097	902	21,989
Industrial Energy Americas	779	77	978	283
Industrial Energy Europe & ROW	1,162	8,000	9,650	34,684
Unallocated	97	226	696	1,283
TOTAL	\$ 4,081	\$ 11,624	\$ 17,524	\$ 63,895

(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. For the three and nine months ended December 31, 2010, market rates were below the level at which interest payments for these notes are required.

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, 2010 and 2009 are summarized as follows:

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	For the Three Months Ended		For the Nine Months Ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
	(In thousands, except per share amounts)			
Net income (loss) attributable to Exide Technologies	\$ 31,210	\$ 9,772	\$ 40,124	\$ (52,191)
Interest expense on Floating Rate Convertible Senior Subordinated Notes	\$ 31,210	\$ 9,772	\$ 40,124	\$ (52,191)
Basic weighted average shares outstanding	76,675	76,028	76,508	75,923
Effect of dilutive securities:				
Floating Rate Convertible Senior Subordinated Notes	3,697	3,697	3,697	
Employee stock options	696	714	516	
Employee restricted stock awards (non-vested)	411	353	172	
	4,804	4,764	4,385	
Diluted weighted average shares outstanding	81,479	80,792	80,893	75,923
Basic earnings (loss) per share:	\$ 0.41	\$ 0.13	\$ 0.52	\$ (0.69)
Diluted earnings (loss) per share:	\$ 0.38	\$ 0.12	\$ 0.50	\$ (0.69)

For the three and nine months ended December 31, 2010, approximately 1.6 million and 2.2 million stock options, respectively, were excluded from the diluted earnings per share calculation because their exercise prices were greater than the average market price of the related common stock for the periods, and their inclusion would be antidilutive. For the three months ended December 31, 2009, approximately 1.7 million stock options were similarly excluded. 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, approximately 6.7 million 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 period ended December 31, 2009, certain potentially dilutive shares were excluded from the diluted loss per share calculation for that period because their effect would be antidilutive:

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

Employee stock options	3,933
Restricted stock awards	855
Warrants	6,725
Total shares excluded	15,210

(15) FAIR VALUE MEASUREMENTS

The Company uses available market information and appropriate methodologies to estimate the fair value of its 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.

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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:

	December 31, 2010		March 31, 2010	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(In thousands)			
(Liability) Asset:				
Senior Secured Credit Facility	\$ (277,121)	\$ (263,771)	\$ (286,661)	\$ (264,816)
Senior Secured Notes due 2013	(290,000)	(294,350)	(290,000)	(294,350)
Convertible Senior Subordinated Notes due 2013	(60,000)	(50,976)	(60,000)	(39,150)
Interest Rate Swap (a)	(1,296)	(1,296)	(5,350)	(5,350)
Foreign Currency Forwards (a)				
Asset	3	3	4,034	4,034
Liability	(3,484)	(3,484)	(270)	(270)
Commodity Swap (a)	572	572	665	665

(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 instruments 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)
December 31, 2010:				
Assets:				
Foreign currency forward	\$ 3	\$	\$ 3	\$
Commodity Swap	572		572	
Liabilities:				
Interest rate swap	1,296		1,296	
Foreign exchange forward	3,484		3,484	

March 31, 2010:

Assets:

Foreign exchange forward	\$ 4,034	\$	\$ 4,034	\$
Commodity Swap	665		665	

Liabilities:

Interest rate swap	5,350		5,350	
Foreign exchange forward	270		270	

The Company uses a market approach to determine the fair values of all of its derivative instruments subject to recurring fair value measurements. The fair value of the interest rate swap is determined based on observable prices as quoted for receiving the

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variable LIBOR rate and paying fixed interest rates and, therefore, was classified as Level 2. The fair value of the foreign currency forwards were determined based upon quoted forward exchange rates for the related currencies, and is classified as Level 2 based on the nature of the underlying market in which these derivatives are traded. The fair value of the commodity swap was determined based on observable forward prices for home heating oil, and is also classified as Level 2 based on the nature of the market in which these derivatives are 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.

The Company's transportation batteries include starting, lighting, and ignition batteries for cars, trucks, off-road vehicles, agricultural and construction vehicles, motorcycles, recreational vehicles, marine, and other applications. The market for transportation batteries includes aftermarket and OEM customers. The Company's Industrial Energy batteries are used in the material handling industry for such applications as electric forklift trucks, floor cleaning machinery, powered wheelchairs, railroad locomotives, and mining machinery, and in a broad range of industries for back-up power applications to ensure continuous power supply and avoid temporary power failures or outage. The market for industrial energy batteries includes motive power and network power customers.

The Company's four reportable segments are determined based upon the nature of the markets served and the geographic regions in which they operate. The Company's chief operating decision-maker monitors and manages the financial performance of these four business groups.

Selected financial information concerning the Company's reportable segments is as follows:

	For the Three Months		For the Nine Months Ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
	(In thousands)			
Net sales				
Transportation Americas	\$ 240,186	\$ 238,784	\$ 694,278	\$ 694,349
Transportation Europe & ROW	282,715	248,556	669,507	577,449
Industrial Energy Americas	78,420	56,758	216,799	173,252
Industrial Energy Europe & ROW	198,975	202,374	532,386	526,091
	\$ 800,296	\$ 746,472	\$ 2,112,970	\$ 1,971,141
Income (loss) before income taxes				
Transportation Americas	\$ 20,249	\$ 26,700	\$ 47,624	\$ 54,189
Transportation Europe & ROW	25,926	19,912	45,603	687
Industrial Energy Americas	7,617	4,883	18,543	10,610
Industrial Energy Europe & ROW	8,967	(5,054)	7,503	(29,731)
Unallocated expenses (a)	(24,925)	(23,896)	(76,168)	(61,145)
	\$ 37,834	\$ 22,545	\$ 43,105	\$ (25,390)

- (a) Includes unallocated corporate expenses, interest expense, currency remeasurement gain/loss, and gain/loss on revaluation of warrants.

(17) SUBSEQUENT EVENT

In the fourth quarter of fiscal 2011, the Company completed a private placement offering of \$675.0 million in aggregate principal amount of 8 5/8% senior secured notes due 2018 (the Notes). The Notes were priced at 100% of their principal amount. Upon issuance, the Notes became the Company's senior secured obligations, and are not guaranteed by any of the Company's subsidiaries. The Company used proceeds from the offering of Notes to repay outstanding borrowings under the Company's existing credit facilities including its senior secured credit facility and to discharge and thereafter redeem any and all of the Company's outstanding 10.5% senior notes due 2013 (see Note 7). The Company expects to record a pretax loss on the early extinguishment of debt of approximately \$17.0 million in the fourth quarter of fiscal 2011. Concurrent with the closing of the offering of the Notes, the Company entering into a new \$200.0 million senior secured asset-based revolving credit facility.

Table of Contents**Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations**

The following discussion and analysis provide information which management believes is relevant to an assessment and understanding of the Company's consolidated financial condition and results of operations. The discussion should be read in conjunction with the Condensed Consolidated Financial Statements and Notes thereto contained in this Report on Form 10-Q.

Some of the statements contained in the following discussion of the Company's financial condition and results of operations refer to future expectations or include other forward-looking information. Those statements are subject to known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from those contemplated by these statements. The forward-looking information is based on various factors and was derived from numerous assumptions. See Cautionary Statement for Purposes of the Safe Harbor Provision of the Private Securities Litigation Reform Act of 1995, included in this Report on Form 10-Q for a discussion of factors to be considered when evaluating forward-looking information detailed below. These factors could cause our actual results to differ materially from the forward looking statements contained herein. For a discussion of certain legal contingencies, see Note 11 to the Condensed Consolidated Financial Statements.

Executive Overview

The Company is a global producer and recycler of lead-acid batteries. The Company's four business segments, Transportation Americas, Transportation Europe and Rest of World (ROW), Industrial Energy Americas, and Industrial Energy Europe and ROW provide a comprehensive range of stored electrical energy products and services for transportation and industrial applications.

Transportation markets include Original Equipment (OE) and aftermarket automotive, heavy-duty truck, agricultural and marine applications, and new technologies for hybrid vehicles and automotive applications. Industrial markets include batteries for telecommunications systems, electric utilities, railroads, uninterruptible power supplies (UPS), lift trucks, mining, and other commercial vehicles.

The Company's four reportable segments are determined based upon the nature of the markets served and the geographic regions in which they operate. The Company's chief operating decision-maker monitors and manages the financial performance of these four business groups.

Factors Which Affect the Company's Financial Performance

Lead and other Raw Materials. Lead represents approximately 50.0% of the Company's cost of goods sold. The market price of lead fluctuates. Generally, when lead prices decrease, customers may seek disproportionate price reductions from the Company, and when lead prices increase, customers may resist price increases. Both of these situations may cause customer demand for the Company's products to be reduced and the Company's net sales and gross margins to decline. The average price of lead as quoted on the London Metals Exchange (LME) has increased 11.1% from \$1,911 per metric ton for the nine months ended December 31, 2009 to \$2,123 per metric ton for the nine months ended December 31, 2010. The LME lead price has increased from \$2,119 per metric ton at March 31, 2010 to \$2,585 per metric ton at December 31, 2010. At January 28, 2011, the quoted price on the LME was \$2,544 per metric ton. To the extent that lead prices continue to be volatile and the Company is unable to maintain existing pricing or pass higher material costs resulting from this volatility to its customers, its financial performance will be adversely impacted.

Energy Costs. The Company relies on various sources of energy to support its manufacturing and distribution process, principally natural gas at its recycling facilities, electricity in its battery plants, and diesel fuel for distribution of its products. The Company seeks to recoup increased energy costs through price increases or surcharges. To the extent the Company is unable to pass on higher energy costs to its customers, its financial performance will be adversely impacted.

Competition. The global transportation and industrial energy battery markets are highly competitive. In recent years, competition has continued to intensify and has affected the Company's ability to pass along increased prices to keep pace with rising production costs. The effects of this competition have been exacerbated by excess capacity in certain of the Company's markets, and fluctuating lead prices and low-priced Asian imports in certain of the Company's markets.

Exchange Rates. The Company is exposed to foreign currency risk in most European countries, principally from fluctuations in the Euro. For the first nine months of fiscal 2011, the exchange rate of the Euro to the U.S. Dollar has decreased 8.1% on average to \$1.31 compared to \$1.42 for the first nine months of fiscal 2010. At December 31, 2010, the exchange rate of the Euro to the U.S., Dollar was \$1.34 or 1.0% lower as compared to \$1.35 at March 31, 2010. Fluctuations in foreign currencies impacted the Company's results for the periods presented herein. For the first nine months ended December 31, 2010, approximately 56.9% of the Company's net sales were generated in Europe and ROW. Further, approximately 65.8% of the Company's aggregate accounts receivable and inventory as of December 31, 2010 were held by its European subsidiaries.

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The Company is also exposed, although to a lesser extent, to foreign currency risk in the U.K., Poland, Australia, and various countries in the Pacific Rim. Fluctuations of foreign exchange rates against the U.S. Dollar can result in variations in the U.S. Dollar value of non-U.S. sales, expenses, assets, and liabilities. In some instances, gains in one currency may be offset by losses in another.

Markets. The Company is subject to concentrations of customers and sales in a few geographic locations and is dependent on customers in certain industries, including the automotive, communications and data and material handling markets. Economic difficulties experienced in these markets and geographic locations can negatively impact the Company's financial results. OE volumes in the transportation and motive power channels have been and continue to be depressed, reflecting global economic conditions. In addition, capital spending by major customers in our network power channels continue to be below historic levels.

Seasonality and Weather. The Company sells a disproportionate share of its transportation aftermarket batteries during the fall and early winter (the Company's third and a portion of its fourth fiscal quarters). Retailers and distributors buy automotive batteries during these periods so they will have sufficient inventory for cold weather periods. The impact of seasonality on sales has the effect of increasing the Company's working capital requirements and also makes the Company more sensitive to fluctuations in the availability of liquidity.

Unusually cold winters or hot summers may accelerate battery failure and increase demand for transportation replacement batteries. Mild winters and cool summers may have the opposite effect. As a result, if the Company's sales are reduced by an unusually warm winter or cool summer, the Company typically does not recover these sales in later periods. Further, if the Company's sales are adversely affected by the weather, the Company typically cannot make offsetting cost reductions to protect its liquidity and gross margins in the short-term because a large portion of the Company's manufacturing and distribution costs are fixed.

Interest Rates. The Company is exposed to fluctuations in interest rates on its variable rate debt, portions of which were hedged during the three months ended December 31, 2010. See Notes 3 and 7 to the Condensed Consolidated Financial Statements in this Form 10-Q.

Third quarter of Fiscal 2011 Highlights and Outlook

In the Americas, the Company obtains the vast majority of its lead requirements from five Company-owned and operated secondary lead recycling plants. These facilities reclaim lead by recycling spent lead-acid batteries, which are obtained for recycling from the Company's customers and outside spent-battery collectors. Recycling helps the Company in the Americas control the cost of its principal raw material as compared to purchasing lead at prevailing market prices. Similar to the fluctuation in lead prices, however, the price of spent batteries has also fluctuated. The average price of spent batteries increased approximately 18.4% in the third quarter of fiscal 2011 versus the third quarter of fiscal 2010. The Company continues to take pricing actions and is attempting to secure higher captive spent battery return rates to help mitigate the risks associated with this price volatility.

In Europe, the Company's lead requirements are mainly fulfilled by third-party suppliers. Because of the Company's exposure to the historically volatile lead market prices in Europe, the Company has implemented several measures to offset changes in lead prices, including selective pricing actions and lead price escalators. The Company has automatic lead price escalators with virtually all OEM customers. The Company currently obtains a small portion of its lead requirements from recycling in its European facilities.

The Company expects that volatility in lead and other commodity costs, which affect all business segments, will continue to affect the Company's financial performance. However, selective pricing actions, lead price escalators in certain contracts and fuel surcharges are intended to help mitigate these risks. The implementation of selective pricing actions and price escalators generally lag the rise in market prices of lead and other commodities. Both lead price escalators and fuel surcharges may not be accepted by our customers, and if the price of lead decreases, our customers may seek disproportionate price reductions.

In addition to managing the impact of fluctuation in lead and other commodity costs on the Company's results, the key elements of the Company's underlying business plans and continued strategies are:

(i) Successful execution and completion of the Company's restructuring plan and organizational realignment of divisional and corporate functions intended to result in further headcount reductions, including the acceleration of such activities in the Americas and Europe as the Company integrates the two business segments under common

leadership.

(ii) Actions designed to improve the Company's liquidity and operating cash flow through working capital reduction plans, the sale of non-strategic assets and businesses, streamlining cash management processes, implementing plans to minimize the cash costs of the Company's restructuring initiatives, and closely managing capital expenditures.

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- (iii) Continued factory and distribution productivity improvements through its established Take Charge! initiative.
- (iv) Continued review and rationalization of the various brand offerings of products in its markets to gain efficiencies in manufacturing and distribution, and better leverage the Company's marketing spending.
- (v) Increased research and development and engineering investments designed to develop enhanced lead-acid products as well as products utilizing alternative chemistries.

Critical Accounting Policies and Estimates

The Company's discussion and analysis of its financial condition and results of operations is based upon the Company's Condensed Consolidated Financial Statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and the related disclosure of contingent assets and liabilities. On an ongoing basis, the Company evaluates its estimates based on its historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

The Company believes that the critical accounting policies and estimates disclosed in the Company's annual report on Form 10-K for the fiscal year ended March 31, 2010 affect the preparation of its Condensed Consolidated Financial Statements. The reader of this report should refer to the Company's annual report for further information.

Results of Operations***Three months ended December 31, 2010 compared with three months ended December 31, 2009****Net Sales*

Net sales were \$800.3 million for the third quarter of fiscal 2011 versus \$746.5 million in the third quarter of fiscal 2010. Foreign currency translation (primarily the Euro against the U.S. dollar) unfavorably impacted net sales in the third quarter of fiscal 2011 by approximately \$25.8 million. Excluding the foreign currency translation impact, net sales increased by approximately \$79.6 million, or 10.7% primarily the result of \$28.4 million in lead related price increases combined with higher unit sales.

	For the Three Months Ended		FAVORABLE / (UNFAVORABLE)		
	December 31, 2010	December 31, 2009	TOTAL	Currency Related	Non-Currency Related
			(In thousands)		
Transportation Americas	\$ 240,186	\$ 238,784	\$ 1,402	\$ 1,813	\$ (411)
Transportation Europe & ROW	282,715	248,556	34,159	(16,963)	51,122
Industrial Energy Americas	78,420	56,758	21,662	253	21,409
Industrial Energy Europe & ROW	198,975	202,374	(3,399)	(10,875)	7,476
TOTAL	\$ 800,296	\$ 746,472	\$ 53,824	\$ (25,772)	\$ 79,596

Transportation Americas net sales, excluding the foreign currency translation impact, decreased 0.2% due to lower unit sales in both the OEM and aftermarket channels, partially offset by a \$7.3 million favorable impact of pricing actions related to the higher average price of lead. Third-party lead sales for the fiscal 2011 third quarter were approximately \$1.0 million higher than such sales during the fiscal 2010 third quarter.

Transportation Europe and ROW net sales, excluding foreign currency translation, increased 20.6% mainly due to a \$13.3 million favorable lead-related price increases as well as an increase in aftermarket unit sales, partially offset by lower OEM unit sales.

Industrial Energy Americas net sales, excluding the foreign currency translation impact, increased 37.7% due to a \$1.5 million lead-related pricing increases as well as higher unit sales in both the Motive Power and Network Power markets.

Industrial Energy Europe and ROW net sales, excluding foreign currency translation impact, increased 3.7% due to a favorable \$6.3 million lead-related pricing increase as well as higher unit sales in the Motive Power market, partially offset by lower unit sales in the Network Power market.

Table of Contents*Gross Profit*

Gross profit was \$165.6 million in the third quarter of fiscal 2011 versus \$158.2 million in the third quarter of fiscal 2010. Foreign currency translation unfavorably impacted gross profit in the third quarter of fiscal 2011 by \$4.0 million. Excluding the impact of foreign currency translation, gross profit increased by \$11.4 million due to higher unit sales. Gross margin of 20.7% in the third quarter of fiscal 2011 declined 0.5% versus the third quarter of fiscal 2010 due to increased lead costs.

	For the Three Months Ended				FAVORABLE / (UNFAVORABLE)		
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009	TOTAL	Currency Related	Non-Currency Related
	Percent of Net Sales	Percent of Net Sales	TOTAL	TOTAL	TOTAL	Related	Related
			(In thousands)				
Transportation Americas	\$ 53,921	22.5%	\$ 56,678	23.7%	\$ (2,757)	\$ 215	\$ (2,972)
Transportation Europe & ROW	50,961	18.0%	48,639	19.6%	2,322	(2,568)	4,890
Industrial Energy Americas	20,135	25.7%	14,806	26.1%	5,329	39	5,290
Industrial Energy Europe & ROW	40,582	20.4%	38,075	18.8%	2,507	(1,717)	4,224
TOTAL	\$ 165,599	20.7%	\$ 158,198	21.2%	\$ 7,401	\$ (4,031)	\$ 11,432

Transportation Americas gross profit decreased primarily due to lower unit sales in the aftermarket and OEM channels as well as increased lead costs.

Transportation Europe and ROW gross profit, excluding the foreign currency translation impact, increased primarily due to an increase in aftermarket unit sales, partially offset by a decline in OEM unit sales as well as increased lead costs.

Industrial Energy Americas gross profit increased primarily due to higher unit sales in both the Motive Power and Network Power markets.

Industrial Energy Europe and ROW gross profit, excluding foreign currency translation impact, increased primarily due to higher unit sales in the Motive Power market as well as improved manufacturing efficiencies, partially offset by lower unit sales in the Network Power market.

Expenses

Selling and administrative expenses increased \$1.9 million, to \$111.9 million in the third quarter of fiscal 2011 from \$110.0 million in the third quarter of fiscal 2010. Excluding favorable foreign currency translation impact of \$2.2 million, the expenses increased by \$4.1 million, primarily due to increases in sales-related incentives and costs associated with the transition of selected executive management positions. Included in selling and administrative expenses were general and administrative expenses of \$48.2 million in the third quarter of fiscal 2011 and \$44.7 million in the third quarter of fiscal 2010.

Restructuring and impairment expenses decreased \$7.5 million to \$4.1 million in the third quarter of fiscal 2011 from \$11.6 million in the third quarter of fiscal 2010. This decrease primarily related to fiscal 2010 restructuring activities, principally the closure of the Over Hulton, U.K. battery plant.

Other income was \$3.5 million in the third quarter of fiscal 2011 versus \$1.2 million in the third quarter of fiscal 2010. The net change was primarily driven by currency remeasurement gains of approximately \$4.0 million.

Interest expense was essentially flat at \$15.3 million in the third quarter of fiscal 2011 versus the third quarter of fiscal 2010.

Table of Contents*Income (loss) before income taxes*

	For the Three Months Ended		FAVORABLE / (UNFAVORABLE)		
	December 31, 2010	December 31, 2009	TOTAL	Currency Related	Non-Currency Related
	(In thousands)				
Transportation Americas	\$ 20,249	\$ 26,700	\$ (6,451)	\$ 49	\$ (6,500)
Transportation Europe & ROW	25,926	19,912	6,014	(1,515)	7,529
Industrial Energy Americas	7,617	4,883	2,734	(17)	2,751
Industrial Energy Europe & ROW	8,967	(5,054)	14,021	46	13,975
Unallocated expenses	(24,925)	(23,896)	(1,029)	(283)	(746)
TOTAL	\$ 37,834	\$ 22,545	\$ 15,289	\$ (1,720)	\$ 17,009

Transportation Americas income before income taxes decreased primarily due to lower gross profit and higher selling and marketing expenses as well as a \$3.5 million restructuring charge related to a previously closed facility.

Transportation Europe and ROW income before income taxes, excluding the foreign currency translation impact, increased primarily due to higher gross profit as well as lower expenses by \$2.6 million, primarily due to gains from sales of assets.

Industrial Energy Americas income before income taxes increased primarily due to higher gross profit, partially offset by increased selling and marketing costs related to higher sales activity and higher costs related to new product engineering initiatives.

Industrial Energy Europe and ROW income before income taxes increased primarily due to higher gross profit and lower expenses. Excluding a favorable foreign currency translation impact, expenses decreased due to lower selling and administrative expenses and \$6.8 million lower restructuring and impairment expenses related to prior year closure of a U.K. battery plant.

Unallocated expense detail is shown below:

	For the Three Months Ended		FAVORABLE (UNFAVORABLE)
	December 31, 2010	December 31, 2009	
	(In thousands)		
Corporate expenses	\$ 12,222	\$ 8,235	\$ (3,987)
Restructuring and impairments, net	97	226	129
Currency remeasurement (gain) loss	(3,517)	451	3,968
Gain on revaluation of warrants		(740)	(740)
Reorganization items, net	826	387	(439)
Other	(1)	71	72
Interest, net	15,298	15,266	(32)
TOTAL	\$ 24,925	\$ 23,896	\$ (1,029)

Income Taxes

	For the Three Months Ended	
	December	December
	31,	31,
	2010	2009
	(In thousands)	
Pre-tax income	\$ 37,834	\$ 22,545
Income tax provision	6,613	12,524
Effective tax rate	17.5%	55.6%

The effective tax rate for the third quarter of fiscal 2011 and fiscal 2010 was 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, Spain, and France.

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The effective tax rate for the third quarter of fiscal 2011 was primarily affected by the impact of various items related to uncertain tax positions of \$1.8 million and changes in jurisdictional tax laws of (\$3.7) million. In fiscal 2010, the effective tax rate was impacted by the recognition of \$2.8 million in valuation allowances on current period tax benefits generated primarily in United Kingdom, France, Spain, and Italy.

The Company is also subject to tax audits by governmental authorities in the U.S. and in non-U.S. jurisdictions. Negative results from one or more such tax audits could materially and adversely affect the Company's business, financial condition, cash flows, or results of operations. See Note 12 to the Condensed Consolidated Financial Statements for further discussion of the Company's effective tax rate.

Nine months ended December 31, 2010 compared with nine months ended December 31, 2009***Net Sales***

Net sales were \$2.11 billion in the first nine months of fiscal 2011 versus \$1.97 billion in the first nine months of fiscal 2010. Foreign currency translation unfavorably impacted net sales in the first nine months of fiscal 2011 by approximately \$58.7 million. Excluding the foreign currency translation impact, net sales increased by approximately \$200.6 million, or 10.2% primarily as a result of \$130.9 million in lead related price increases as well as higher unit sales in many of the Company's markets.

	For the Nine Months Ended		FAVORABLE / (UNFAVORABLE)		
	December 31, 2010	December 31, 2009	TOTAL	Currency Related	Non-Currency Related
			(In thousands)		
Transportation Americas	\$ 694,278	\$ 694,349	\$ (71)	\$ 6,667	\$ (6,738)
Transportation Europe & ROW	669,507	577,449	92,058	(36,947)	129,005
Industrial Energy Americas	216,799	173,252	43,547	1,083	42,464
Industrial Energy Europe & ROW	532,386	526,091	6,295	(29,541)	35,836
TOTAL	\$ 2,112,970	\$ 1,971,141	\$ 141,829	\$ (58,738)	\$ 200,567

Transportation Americas net sales, excluding the foreign currency translation impact, decreased 1.0% primarily due to a decline in aftermarket unit sales and third party lead sales, partially offset by an increase in OEM unit sales as well as a \$20.9 million impact of lead-related price increases. Third-party lead sales for the first nine months of fiscal 2011 were approximately \$18.6 million lower than the first nine months of fiscal 2010.

Transportation Europe and ROW net sales, excluding the impact of foreign currency translation, were 22.3% higher primarily due to a \$59.8 million impact of lead-related pricing actions as well as higher unit sales in both the aftermarket and OEM channels.

Industrial Energy Americas net sales, excluding the foreign currency translation impact, increased 24.5% due to \$9.9 million of lead-related pricing actions as well as higher unit sales in both the Motive Power and Network Power markets.

Industrial Energy Europe and ROW net sales, excluding the foreign currency translation impact, increased 6.8% primarily due to \$40.4 million of lead-related pricing actions as well as higher motive power unit sales, partially offset by lower network power unit sales.

Gross Profit

Gross profit was \$422.7 million, or 20.0% of net sales in the first nine months of fiscal 2011 versus \$394.8 million, or 20.0% of net sales in the first nine months of fiscal 2010. Gross profit in each of the Company's business segments was positively impacted by higher unit sales as well as improved manufacturing efficiencies.

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	For the Nine Months Ended		December 31,		FAVORABLE / (UNFAVORABLE)		
	December 31, 2010	Percent of Net Sales	December 31, 2009	Percent of Net Sales	TOTAL	Currency Related	Non-Currency Related
TOTAL			TOTAL				
				(In thousands)			
Transportation Americas	\$ 141,352	20.4%	\$ 146,683	21.1%	\$ (5,331)	\$ 1,159	\$ (6,490)
Transportation Europe & ROW	120,876	18.1%	97,428	16.9%	23,448	(5,483)	28,931
Industrial Energy Americas	53,233	24.6%	41,128	23.7%	12,105	235	11,870
Industrial Energy Europe & ROW	107,232	20.1%	109,549	20.8%	(2,317)	(4,558)	2,241
TOTAL	\$ 422,693	20.0%	\$ 394,788	20.0%	\$ 27,905	\$ (8,647)	\$ 36,552

Transportation Americas gross profit, excluding the foreign currency translation impact, decreased primarily due to lower unit sales in the aftermarket channel combined with higher spent battery costs, partially offset by higher OEM unit sales.

Transportation Europe and ROW gross profit, excluding the foreign currency translation impact, increased primarily as a result of higher unit sales in both the aftermarket and OEM channels.

Industrial Energy Americas gross profit increased primarily due to higher unit sales in both the Motive Power and Network Power markets as well as improved manufacturing efficiencies.

Industrial Energy Europe and ROW gross profit, excluding the foreign currency translation impact, increased primarily as a result of higher Motive Power unit sales and improved manufacturing efficiencies, partially offset by lower Network Power unit sales and higher lead costs.

Expenses

Selling and administrative expenses decreased \$9.7 million to \$318.7 million in the first nine months of fiscal 2011 from \$328.4 million in the first nine months of fiscal 2010. Foreign currency translation favorably impacted selling, general, and administrative expenses in the first nine months of fiscal 2011 by approximately \$6.8 million. The remaining decrease was due primarily to decreases in selling costs, and other spending controls. Included in selling and administrative expenses were general and administrative expenses of \$134.3 million in the first nine months of fiscal 2011 and \$134.0 million in the first nine months of fiscal 2010.

Restructuring and impairment expenses decreased \$46.4 million to \$17.5 million in the first nine months of fiscal 2011 from \$63.9 million in the first nine months of fiscal 2010. This decrease primarily related to fiscal 2010 restructuring activities, principally the closure of the Auxerre, France battery plant and the Over Hulton, U.K. battery plant.

Other income was \$2.1 million in the first nine months of fiscal 2011 versus \$16.9 million in the first nine months of fiscal 2010. The decrease primarily relates to lower currency remeasurement gains of approximately \$13.1 million.

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Interest expense increased \$0.6 million to \$45.4 million in the first nine months of fiscal 2011 from \$44.8 million in the first nine months of fiscal 2010.

Income (loss) before income taxes

	For the Nine Months Ended		FAVORABLE / (UNFAVORABLE)		
	December 31, 2010	December 31, 2009	TOTAL	Currency Related	Non-Currency Related
	(In thousands)				
Transportation Americas	\$ 47,624	\$ 54,189	\$ (6,565)	\$ 318	\$ (6,883)
Transportation Europe & ROW	45,603	687	44,916	(2,663)	47,579
Industrial Energy Americas	18,543	10,610	7,933	(3)	7,936
Industrial Energy Europe & ROW	7,503	(29,731)	37,234	1,573	35,661
Unallocated expenses	(76,168)	(61,145)	(15,023)	258	(15,281)
TOTAL	\$ 43,105	\$ (25,390)	\$ 68,495	\$ (517)	\$ 69,012

Transportation Americas income before income taxes decreased primarily due to the decrease in gross profit.

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Transportation Europe and ROW income before income taxes, excluding the foreign currency translation impact, increased primarily due to higher gross profit combined with \$21.1 million lower restructuring and impairment expenses related to the fiscal 2010 closure of the Auxerre, France battery plant.

Industrial Energy Americas income before income taxes increased primarily due to higher gross profit, partially offset by increased selling and marketing costs related to the higher sales as well as higher costs related to new product engineering initiatives.

Industrial Energy Europe and ROW income before income taxes, excluding the foreign currency translation impact, increased primarily due to lower restructuring and impairment expenses of \$25.1 million related to the fiscal 2010 closure of the U.K. battery plant, combined with lower selling, and administrative expenses resulting from headcount reductions and spending controls.

Unallocated expenses detail is shown below:

	For the Nine Months Ended		
	December 31, 2010	December 31, 2009	FAVORABLE (UNFAVORABLE)
	(In thousands)		
Corporate expenses	\$ 31,139	\$ 29,920	\$ (1,219)
Restructuring and impairments, net	696	1,283	587
Currency remeasurement gain	(3,266)	(15,717)	(12,451)
Gain on revaluation of warrants	(168)	(538)	(370)
Reorganization items, net	2,328	1,262	(1,066)
Other	(2)	132	134
Interest, net	45,441	44,803	(638)
TOTAL	\$ 76,168	\$ 61,145	\$ (15,023)

Income Taxes

	For the Nine Months Ended	
	December 31, 2010	December 31, 2009
	(In thousands)	
Pre-tax (loss) income	\$ 43,105	\$ (25,390)
Income tax provision	2,800	26,526
Effective tax rate	6.5%	-104.5%

The effective tax rate for the first nine months of fiscal year 2011 and fiscal year 2010 was 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, Spain, and France. The Company released its full valuation allowance in fiscal 2011 recorded in Australia and Italy after determining that it was more likely than not that the Company would realize all deductible temporary differences and carryforwards in the foreseeable future.

The effective tax rate for the first nine months of fiscal 2011 was primarily affected by the following discrete items: The release of valuation allowance in Australia and Italy (\$10.2) million; the benefit through a Polish adjustment to tax basis in intangibles of (\$4.2) million; and the impact of various items related to uncertain tax positions of \$1.8 million. In fiscal 2010, the effective tax rate was impacted by the recognition of valuation allowance

of \$29.8 million on current period tax benefits generated primarily in the United Kingdom, France, Spain, and Italy.

Liquidity and Capital Resources

As of December 31, 2010, the Company had cash and cash equivalents of \$92.3 million and availability under the Company's revolving senior secured credit facility (Revolving Loan Facility) of \$124.3 million. This compared to cash and cash equivalents of \$89.6 million and availability under the Revolving Loan Facility of \$124.6 million as of March 31, 2010.

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At December 31, 2010, the Company's debt consisted of the following:

The Credit Agreement

In May 2007, the Company entered into a five-year \$495.0 million Credit Agreement. The Credit Agreement consists of a \$295.0 million term loan and a \$200.0 million asset-based revolving loan and matures in May 2012. The Credit Agreement contains no financial maintenance covenants.

The Revolving Loan

Borrowings under the Revolving Loan Facility bear interest at a rate equal to the London Interbank Offered Rate, or LIBOR, plus 1.50%. The applicable spread on the Revolving Loan Facility will be subject to change and may increase or decrease in accordance with a leverage-based pricing grid. The Revolving Loan Facility includes a letter of credit sub-facility of \$75.0 million and an accordion feature that allows the Company to increase the facility size up to \$250.0 million if the Company can obtain commitments from existing or new lenders for the incremental amount. The Revolving Loan Facility will mature in May 2012, but is prepayable at any time at par.

Availability under the Revolving Loan Facility is subject to a borrowing base comprised of up to 85.0% of the Company's eligible accounts receivable plus 85.0% of the net orderly liquidation value of eligible North American inventory less, in each case, certain limitations and reserves. Revolving loans made to the Company domestically under the Revolving Loan Facility are guaranteed by substantially all domestic subsidiaries of the Company, and revolving loans made to Exide Global Holding Netherlands C.V. (Exide C.V.) under the Revolving Loan Facility are guaranteed by substantially all domestic subsidiaries of the Company and certain foreign subsidiaries. These guaranteed obligations are secured by liens on substantially all of the assets of such respective borrowers and guarantors, including, subject to certain exceptions, in the case of security provided by the domestic subsidiaries, first priority liens in current assets and second priority liens in fixed assets.

The Revolving Loan Facility contains customary terms and conditions, including, without limitation, limitations on liens, indebtedness, implementation of cash dominion and control agreements, and other typical covenants. A springing fixed charge financial covenant of 1.0:1.0 will be triggered if the excess availability under the Revolving Loan Facility falls below \$40.0 million. The Company is also required to pay an unused line fee that varies based on usage of the Revolving Loan Facility.

The Term Loan

Borrowings under the term loan in U.S. Dollars bear interest at a rate equal to LIBOR plus 3.00%, and borrowings under the Term Loan in Euros bear interest at a rate equal to LIBOR plus 3.25%. The term loans will mature in May 2012, but are prepayable at any time at par value.

The term loans will amortize as follows: 0.25% of the initial principal balance of the term loans will be due and payable on a quarterly basis, with the balance payable at maturity. Mandatory prepayment by the Company may be required under the term loans as a result of excess cash flow, asset sales and casualty events, in each case, subject to certain exceptions.

The portion of the term loan made to the Company is guaranteed by substantially all domestic subsidiaries of the Company, and the portion of the term loan made to Exide C.V. is guaranteed by substantially all domestic subsidiaries of the Company and certain foreign subsidiaries. These obligations are secured by a lien on substantially all of the assets of such respective borrowers and guarantors, including, subject to certain exceptions, in the case of security provided by the domestic subsidiaries, first priority liens in fixed assets and second priority liens in current assets.

The term loan contains customary terms and conditions, including, without limitation, (1) limitations on debt (including a leverage or coverage based incurrence test), (2) limitations on mergers and acquisitions, (3) limitations on restricted payments, (4) limitations on investments, (5) limitations on capital expenditures, (6) limitations on asset sales with limited exceptions, (7) limitations on liens, and (8) limitations on transactions with affiliates.

Borrowings of the Company and other domestic borrowers are guaranteed by substantially all domestic subsidiaries of the Company, and borrowings of Exide C.V. are guaranteed by the Company, substantially all domestic subsidiaries of the Company, and certain foreign subsidiaries. These guarantee obligations are secured by liens on substantially all of the assets of such respective borrowers and guarantors.

The Senior Notes

In March 2005, the Company issued \$290.0 million in aggregate principal amount of 10.5% senior secured notes due 2013. Interest of \$15.2 million is payable semi-annually on March 15 and September 15. The 10.5% senior secured notes are redeemable

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at the option of the Company, in whole or in part, on or after March 15, 2010, at 102.625% of the principal amount, plus accrued interest, declining to 100% of the principal amount, plus accrued interest on or after March 15, 2011. The 10.5% senior secured notes were redeemable at the option of the Company, in whole or in part, subject to payment of a make whole premium, at any time prior to March 15, 2009. In the event of a change of control or the sale of certain assets, the Company may be required to offer to purchase the 10.5% senior secured notes from the note holders. Those notes are secured by a junior priority lien on the assets of the U.S. parent company, including the stock of its subsidiaries. The Indenture for these notes contains financial covenants which limit the ability of the Company and its subsidiaries to among other things incur debt, grant liens, pay dividends, invest in non-subsidiaries, engage in related party transactions and sell assets. Under the Indenture, proceeds from asset sales (to the extent in excess of a \$5.0 million threshold) must be applied to offer to repurchase notes to the extent such proceeds exceed \$20.0 million in the aggregate and are not applied within 365 days to (i) retire senior secured credit agreement borrowings or (ii) to make investments or capital expenditures.

The Convertible Notes

Also, in March 2005, the Company issued floating rate convertible senior subordinated notes due September 18, 2013, with an aggregate principal amount of \$60.0 million. These notes bear interest at a per annum rate equal to the 3-month LIBOR, adjusted quarterly, minus a spread of 1.5%. The interest rate at December 31, 2010 and March 31, 2010 was 0.0%. Interest is payable quarterly. The notes are convertible into the Company's common stock at a conversion rate of 61.6143 shares per one thousand dollars principal amount at maturity, subject to adjustments for any common stock splits, dividends on the common stock, tender and exchange offers by the Company for the common stock and third-party tender offers, and in the case of a change in control in which 10% or more of the consideration for the common stock is cash or non-traded securities, the conversion rate increases, depending on the value offered and timing of the transaction, to as much as 70.2247 shares per one thousand dollars principal amount.

At December 31, 2010, the Company was in compliance with covenants contained in the Credit Agreement and indenture agreements that cover the 10.5% senior secured notes and floating rate convertible subordinated notes.

At December 31, 2010, the Company had outstanding letters of credit with a face value of \$55.0 million and surety bonds with a face value of \$2.3 million. The majority of the letters of credit and surety bonds have been issued as collateral or financial assurance with respect to certain liabilities that 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 surety in the form of letters of credit at December 31, 2010, pursuant to the terms of the agreement, was \$2.2 million.

Risks and uncertainties could cause the Company's performance to differ from management's estimates. As discussed above under *Factors Which Affect the Company's Financial Performance - Seasonality and Weather*, the Company's business is seasonal. During the Company's first and second fiscal quarters, the Company builds inventory in anticipation of increased sales in the winter months. This inventory build increases the Company's working capital needs. During these quarters, because working capital needs are already high, unexpected costs or increases in costs beyond predicted levels would place a strain on the Company's liquidity.

Sources of Cash

The Company's liquidity requirements have been met historically through cash provided by operations, borrowed funds and the proceeds of sales of accounts receivable. Additional cash has been generated in recent years through the sale of non-core businesses and assets.

Cash flows provided by operating activities were \$64.7 million and \$81.5 million in the first nine months of fiscal 2011 and fiscal 2010, respectively. The operating cash flows decreased primarily due to increased working capital usage versus the prior year period related to higher sales and building inventory for the selling season.

Total debt at December 31, 2010 was \$648.6 million, as compared to \$659.5 million at March 31, 2010. See Note 7 to the Condensed Consolidated Financial Statements for the composition of such debt.

Going forward, the Company's principal sources of liquidity will be cash on hand, cash from operations, borrowings under the asset-based revolving credit facility and the refinancing of the Company's debt and new notes

issued in the Company's private placement offering completed during the fourth quarter of fiscal 2011 (see Note 17 to the Condensed Consolidated Financial Statements).

Table of Contents***Uses of Cash***

The Company's liquidity needs arise primarily from the funding of working capital needs, and obligations on indebtedness and capital expenditures. Because of the seasonality of the Company's business, more cash has typically been generated in the third and fourth fiscal quarters than the first and second fiscal quarters. Greatest cash demands from operations have historically occurred during the months of June through October.

Cash (used in) provided by financing activities was (\$23.6) million and \$5.1 million in the first nine months of fiscal 2011 and fiscal 2010, respectively. This increased cash usage primarily relates to increased payments under the Company's Credit Agreement and increased ownership interests in certain subsidiaries not wholly owned. Cash provided by financing activities in the first nine months of fiscal 2010 included proceeds of \$9.7 million received in connection with a government economic stimulus program.

The Company believes that it will have ongoing liquidity to support its operational restructuring programs during the remainder of fiscal 2011, which include, among other things, payment of remaining accrued restructuring costs of approximately \$15.4 million as of December 31, 2010. For further discussion see Note 13 to the Condensed Consolidated Financial Statements.

Capital expenditures were \$52.4 million and \$58.6 million in the first nine months of fiscal 2011 and 2010, respectively.

The estimated fiscal 2011 pension plan contributions are \$19.2 million and other post-retirement contributions are \$1.9 million. Payments aggregating \$13.6 million were made during the first nine months of fiscal 2011.

Financial Instruments and Market Risk

From time to time, the Company has used forward contracts to economically hedge certain commodity price exposures, including lead. The forward contracts are entered into for periods consistent with related underlying exposures and do not constitute positions independent of those exposures. The Company expects that it may increase the use of financial instruments, including fixed and variable rate debt as well as swaps, forward and option contracts to finance its operations and to hedge interest rate, currency and certain commodity purchasing requirements in the future. The swap, forward, and option contracts would be entered into for periods consistent with related underlying exposures and would not constitute positions independent of those exposures. The Company has not entered into, and does not intend to enter into, contracts for speculative purposes nor be a party to any leveraged instruments. See Note 3 to the Condensed Consolidated Financial Statements.

The Company's ability to utilize financial instruments may be restricted because of tightening, and/or elimination of unsecured credit availability with counter-parties. If the Company is unable to utilize such instruments, the Company may be exposed to greater risk with respect to its ability to manage exposures to fluctuations in foreign currencies, interest rates, lead prices, and other commodities.

Accounts Receivable Factoring Arrangements

In the ordinary course of business, the Company utilizes accounts receivable factoring arrangements in countries where programs of this type are typical. Under these arrangements, the Company may sell certain of its trade accounts receivable to financial institutions. The arrangements do not contain recourse provisions against the Company for its customers' failure to pay. The Company sold approximately \$59.7 million and \$38.5 million of foreign currency trade accounts receivable as of December 31, 2010 and March 31, 2010, respectively. Changes in the level of receivables sold from year to year are included in the change in accounts receivable within cash flow from operations in the Condensed Consolidated Statements of Cash Flows.

Item 3. *Quantitative and Qualitative Disclosures about Market Risks*

Changes to the quantitative and qualitative market risks as of December 31, 2010 are described in Item 2 above, Management's Discussion and Analysis of Financial Condition and Results of Operations - Financial Instruments and Market Risk. Also, see Part II, Item 7A of the Company's Annual Report on Form 10-K for the fiscal year ended March 31, 2010 for further information.

Item 4. *Controls and Procedures***Evaluation of Disclosure Controls and Procedures**

The Company maintains disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act, that are designed to ensure that information required to be disclosed by the Company

in reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to the Company's management, including the Company's

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chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of senior management, including the chief executive officer and the chief financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rules 13a-15(b) and 15d-15(b). Based upon, and as of the date of this evaluation, the chief executive officer and the chief financial officer concluded that the Company's disclosure controls and procedures were effective as of December 31, 2010.

Changes in Internal Control Over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting during the fiscal quarter ended December 31, 2010 that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

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**CAUTIONARY STATEMENT FOR PURPOSES OF THE SAFE HARBOR
PROVISION OF THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995**

Except for historical information, this report may be deemed to contain forward-looking statements. The Company includes this cautionary statement for the express purpose of availing itself of the protection afforded by the Private Securities Litigation Reform Act of 1995.

Examples of forward-looking statements include, but are not limited to (a) projections of revenues, cost of raw materials, income or loss, earnings or loss per share, capital expenditures, growth prospects, dividends, the effect of currency translations, capital structure, and other financial items, (b) statements of plans and objectives of the Company or its management or Board of Directors, including the introduction of new products, or estimates or predictions of actions by customers, suppliers, competitors or regulating authorities, (c) statements of future economic performance, and (d) statements of assumptions, such as the prevailing weather conditions in the Company's market areas, underlying other statements and statements about the Company or its business.

Factors that could cause actual results to differ materially from these forward looking statements include, but are not limited to, the following general factors such as: (i) the fact that lead, a major constituent in most of the Company's products, experiences significant fluctuations in market price and is a hazardous material that may give rise to costly environmental and safety claims, (ii) the Company's ability to implement and fund business strategies based on current liquidity, (iii) the Company's ability to realize anticipated efficiencies and avoid additional unanticipated costs related to any restructuring activities that the Company may undertake, (iv) the cyclical nature of the industries in which the Company operates and the impact of current adverse economic conditions on those industries, (v) unseasonable weather (warm winters and cool summers), which could adversely affect demand for automotive and some industrial batteries, (vi) the Company's substantial debt and debt service requirements which may restrict the Company's operational and financial flexibility, as well as impose significant interest and financing costs, (vii) the litigation proceedings to which the Company is subject, the results of which could have a material adverse effect on the Company and its business, (viii) the realization of the tax benefits of the Company's net operating loss carry forwards, which is dependent upon future taxable income, (ix) the negative results of tax audits in the U.S. and Europe, (x) competitiveness of the battery markets in the Americas and Europe, (xi) risks involved in foreign operations such as disruption of markets, changes in import and export laws, currency restrictions, currency exchange rate fluctuations, and possible terrorist attacks against U.S. interests, (xii) the ability to acquire goods and services and/or to fulfill later needs at budgeted costs, (xiii) general economic conditions (xiv) the Company's ability to successfully pass along increased material costs to the Company's customers, (xv) recently adopted U.S. lead emissions standards and the implementation of such standards, and (xvi) those risk factors described in the Company's fiscal 2010 Form 10-K filed on June 2, 2010.

The Company cautions each reader of this report to carefully consider those factors set forth above. Such factors have, in some instances, affected and in the future could affect the ability of the Company to achieve its projected results and may cause actual results to differ materially from those expressed herein.

Table of Contents**PART II. OTHER INFORMATION****Item 1. Legal Proceedings**

See Note 11 to the Condensed Consolidated Financial Statements in this Form 10-Q.

Item 1A. Risk Factors

The risk factors filed with our fiscal 2010 Form 10-K for the year ended March 31, 2010 have not materially changed except as otherwise set forth below. See Item 1A to Part I of the Company's fiscal 2010 Form 10-K for a complete discussion of these risk factors.

Any restructuring activities that we may undertake, including the Company's recently announced alignment of its global industrial businesses, may not achieve the benefits anticipated and could result in additional unanticipated costs, which could have a material adverse effect on the Company's business, financial condition, cash flows, or results of operations.

The Company regularly evaluates its existing operations, production capacity and business efficiencies and, as a result of such evaluations, the Company may undertake restructuring activities within its businesses, including the recently announced alignment of the Company's global industrial businesses. These restructuring plans may involve higher costs or longer timetables than the Company anticipates and could result in substantial costs related to severance and other employee-related matters, litigation risks and expenses, and other costs. These restructuring activities may not result in improvements in future financial performance. If the Company is unable to realize the benefits of any restructuring activities or appropriately structure its businesses to meet market conditions, the restructuring activities could have a material adverse effect on the Company's business, financial condition, cash flows, or results of operations.

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

Period	(a) Total Number of Shares (or Units) Purchased (1)	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
October 1 through October 31				
November 1 through November 30	3,109	\$ 7.69		
December 1 through December 31	31,007	\$ 9.35		

(1) Acquired by the Company in exchange for payment of U.S. tax obligations for certain participants in the Company's 2004 Stock Incentive Plan that elected to surrender a portion of their shares in connection with vesting of restricted stock awards.

Item 3. Defaults Upon Senior Securities

None

Item 4. [Removed and Reserved]

None

Item 5. Other Information

None

Item 6. Exhibits

- 10.1 U.K. Form of Non-Employee Director Restricted Stock Unit Award, incorporated by reference to Exhibit 10.1 to the Report on Form 8-K (file no. 001-11263) dated September 20, 2010.
- 10.2 U.K. Form of Non-Employee Director Restricted Stock Unit Award for New Directors, incorporated by reference

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to Exhibit 10.2 to the Report on Form 8-K (file no. 001-11263) dated September 20, 2010.

- 10.3 U.S. Form of Non-Employee Director Restricted Stock Unit Award for New Directors, incorporated by reference to Exhibit 10.3 to the Report on Form 8-K (file no. 001-11263) dated September 20, 2010.
- 10.4 Form of Indemnification Agreement, incorporated by reference to Exhibit 10.1 to the Report on Form 8-K (file no. 001-11263) dated November 10, 2010.
- 10.5 Release, Settlement and Income Protection Agreement between Exide Technologies and Mitchell S. Bregman, incorporated by reference to Exhibit 10.1 to the Report on Form 8-K (file no. 001-11263) dated December 20, 2010.
- *10.6 Amendment to Agreement between Exide Technologies and Edward R. Tetreault, dated December 22, 2010.
- *31.1 Certification of James R. Bolch, President and Chief Executive Officer, pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
- *31.2 Certification of Phillip A. Damaska, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
- *32 Certifications pursuant to Section 906 of Sarbanes-Oxley Act of 2002.
- * Filed with this Report

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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.

EXIDE TECHNOLOGIES

By: /s/ Phillip A. Damaska
Phillip A. Damaska
Executive Vice President and
Chief Financial Officer

Date: February 7, 2011

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