EXIDE TECHNOLOGIES
Form 10-Q
August 06, 2009

Table of Contents

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

(Mark One)

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

For the quarterly period ended June 30, 2009

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

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

Delaware **(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 þ No o

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

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

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

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

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

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

As of July 31, 2009, 75,520,820 shares of common stock were outstanding.

EXIDE TECHNOLOGIES AND SUBSIDIARIES
TABLE OF CONTENTS

	Page
PART I. FINANCIAL INFORMATION	3
Item 1 FINANCIAL STATEMENTS	3
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE THREE MONTHS ENDED JUNE 30, 2009 AND 2008	3
CONDENSED CONSOLIDATED BALANCE SHEETS AS OF JUNE 30, 2009 AND MARCH 31, 2009	4
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED JUNE 30, 2009 AND 2008	5
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	6
Item 2 MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	19
Item 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	28
Item 4 CONTROLS AND PROCEDURES	28
PART II. OTHER INFORMATION	
Item 1. LEGAL PROCEEDINGS	30
Item 1A. RISK FACTORS	30
Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	30
Item 3. DEFAULTS UPON SENIOR SECURITIES	30
Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	30
Item 5. OTHER INFORMATION	30
Item 6. EXHIBITS	30
SIGNATURES	32

EX-10.1
EX-10.2
EX-10.3
EX-10.4
EX-10.5

EX-31.1
EX-31.2
EX-32

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 Ended	
	June 30, 2009	June 30, 2008
NET SALES	$ 592,854	$ 971,275
COST OF SALES	486,170	801,795
Gross profit	106,684	169,480
EXPENSES:		
Selling, marketing and advertising	65,318	78,856
General and administrative	42,931	47,172
Restructuring	35,665	2,223
Other (income) expense, net	(3,361)	7,823
Interest expense, net	14,720	19,225
	155,273	155,299
(Loss) income before reorganization items, and income taxes	(48,589)	14,181
REORGANIZATON ITEMS, NET	555	463
INCOME TAX PROVISION	4,872	23,469
Net loss	(54,016)	(9,751)
NET (LOSS) INCOME ATTRIBUTABLE TO NONCONTROLLING INTERESTS	(42)	560
Net loss attributable to Exide Technologies	$ (53,974)	$ (10,311)
LOSS PER SHARE		
Basic and Diluted	$ (0.71)	$ (0.14)
WEIGHTED AVERAGE SHARES		
Basic and Diluted	75,821	75,376

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)

	June 30, 2009	March 31, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	$ 121,521	$ 69,505
Receivables, net of allowance for doubtful accounts of $30,705 and $28,855	441,283	497,841
Inventories	415,313	420,815
Prepaid expenses and other	17,652	17,427
Deferred financing costs, net	4,991	4,890
Deferred income taxes	26,181	33,005
Total current assets	1,026,941	1,043,483
Property, plant and equipment, net	598,967	586,261
Other assets:		
Goodwill	4,260	4,022
Other intangibles, net	181,865	175,311
Investments in affiliates	2,044	2,048
Deferred financing costs, net	11,130	12,134
Deferred income taxes	58,253	51,272
Other	21,978	25,656
	279,530	270,443
Total assets	$ 1,905,438	$ 1,900,187
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Short-term borrowings	$ 7,532	$ 6,977
Current maturities of long-term debt	5,208	5,048
Accounts payable	245,374	261,652
Accrued expenses	308,492	279,447
Warrants liability	1,614	1,143
Total current liabilities	568,220	554,267
Long-term debt	654,140	646,180
Noncurrent retirement obligations	204,867	197,403
Deferred income taxes	28,625	30,229
Other noncurrent liabilities	137,126	130,041
Total liabilities	1,592,978	1,558,120
Commitments and contingencies		

STOCKHOLDERS EQUITY		
Preferred stock, $0.01 par value, 1,000 shares authorized, 0 shares issued and outstanding		
Common stock, $0.01 par value, 200,000 shares authorized, 75,530 and 75,499 shares issued and outstanding	755	755
Additional paid-in capital	1,112,425	1,111,001
Accumulated deficit	(841,255)	(787,281)
Accumulated other comprehensive income	24,088	1,752
Total stockholders equity attributable to Exide Technologies	296,013	326,227
Noncontrolling interests	16,447	15,840
Total stockholders equity	312,460	342,067
Total liabilities and stockholders equity	$ 1,905,438	$ 1,900,187

The accompanying notes are an integral part of these statements.

4

Table of Contents

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

	For the Three Months Ended June 30, 2009	For the Three Months Ended June 30, 2008
Cash Flows From Operating Activities:		
Net loss	$ (54,016)	$ (9,751)
Adjustments to reconcile net loss to net cash provided by operating activities		
Depreciation and amortization	22,480	25,872
Unrealized loss on warrants	471	9,685
Net loss on asset sales / impairments	5,364	95
Deferred income taxes	345	17,152
Provision for doubtful accounts	1,787	(549)
Non-cash stock compensation	2,284	1,280
Reorganization items, net	555	463
Amortization of deferred financing costs	1,234	1,311
Currency remeasurement gain	(9,264)	(1,807)
Changes in assets and liabilities		
Receivables	75,720	94,061
Inventories	22,757	(32,671)
Prepaid expenses and other	437	(2,301)
Payables	(26,776)	(47,505)
Accrued expenses	15,643	(7,449)
Noncurrent liabilities	(1,354)	(8,048)
Other, net	(1,181)	310
Net cash provided by operating activities	56,486	40,148
Cash Flows From Investing Activities:		
Capital expenditures	(15,171)	(11,767)
Acquisitions of businesses, net of cash acquired	(1,170)	
Proceeds from sales of assets, net		16,425
Net cash (used in) provided by investing activities	(16,341)	4,658
Cash Flows From Financing Activities:		
Increase (decrease) in short-term borrowings	25	(1,491)
Decrease in borrowings under Senior Secured Credit Facility	(749)	(779)
Common stock issuance	51	466
Increase (decrease) in other debt	8,385	(2,045)
Net cash provided by (used in) financing activities	7,712	(3,849)

Effect of Exchange Rate Changes on Cash and Cash Equivalents	4,159	(3)
Net Increase In Cash and Cash Equivalents	52,016	40,954
Cash and Cash Equivalents, Beginning of Period	69,505	90,547
Cash and Cash Equivalents, End of Period	$ 121,521	$ 131,501
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period -		
Interest	$ 4,020	$ 10,076
Income taxes (net of refunds)	$ (552)	$ 492

The accompanying notes are an integral part of these statements.

Table of Contents

EXIDE TECHNOLOGIES AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2009
(Unaudited)

(1) BASIS OF PRESENTATION

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

The financial information has been prepared in accordance with the Company s customary accounting practices. In the Company s opinion, the accompanying condensed consolidated financial information includes all adjustments of a normal recurring nature necessary for a fair statement of the results of operations and financial position for the periods presented. This includes accounting and disclosures related to any subsequent events occurring from the balance sheet date through August 6, 2009, the date the financial statements were issued.

Certain amounts in the Condensed Consolidated Financial Statements as of March 31, 2009 and for the three months ended June 30, 2008 have been adjusted to conform to the presentation of equivalent amounts in the current period which reflect the adoption of Statement of Financial Accounting Standards (SFAS) 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of Accounting Research Bulletin No. 51*.

(2) STOCKHOLDERS EQUITY AND COMPREHENSIVE LOSS

The Company adopted SFAS 160 (see Note 1), on April 1, 2009. This statement, among other things, requires that minority ownership interests (noncontrolling interests) in consolidated subsidiaries be reflected as a component of total stockholders equity in the Company s Condensed Consolidated Balance Sheets, and that earnings (losses) attributable to noncontrolling interests be shown separately from those attributable to the Company in its Condensed Consolidated Statements of Operations. The stockholders equity accounts for both the Company and noncontrolling interests consist of:

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Noncontrolling Interests	Total Stockholders Equity
			(In thousands)			
Total Stockholders Equity at April 1, 2009	$ 755	$ 1,111,001	$ (787,281)	$ 1,752	$ 15,840	$ 342,067
Net loss			(53,974)		(42)	(54,016)
Defined benefit plans, net of tax				2,143		2,143
Translation adjustment				19,587	909	20,496
Unrealized loss on derivatives, net of tax				606		606
Increase in ownership of subsidiary		(860)			(260)	(1,120)
Stock compensation		2,284				2,284

Total Stockholders Equity at June 30, 2009	$ 755	$ 1,112,425	$ (841,255)	$ 24,088	$ 16,447	$ 312,460

Total comprehensive loss and its components are as follows:

	For the Three Months Ended	
	June 30, 2009	June 30, 2008
	(In thousands)	
Net loss	$ (54,016)	$ (9,751)
Defined benefit plans	2,143	181
Cumulative translation adjustment	19,587	(1,217)
Derivatives qualifying as hedges	606	3,909
Total comprehensive loss	$ (31,680)	$ (6,878)

Comprehensive loss attributable to noncontrolling interests was not material for the three month periods ended June 30, 2009 and 2008.

(3) ACCOUNTING FOR DERIVATIVES

The Company accounts for derivative instruments and hedging activities in accordance with SFAS 133, *Accounting for Derivative Instruments and Hedging Activities* , as amended by SFAS 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities and SFAS 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities* (collectively, SFAS 133). SFAS 133 establishes accounting and reporting standards for derivative instruments and hedging activities, and requires balance sheet recognition of all derivatives as assets or liabilities, based on measurements of their fair values.

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

In February 2008, the Company entered into an interest rate swap agreement to fix the variable component of interest on $200.0 million of its floating rate long-term obligations through February 27, 2011. The rate is currently fixed at 3.35% per annum, and at August 17, 2009, will change to 3.33% per annum through the remainder of the agreement. The interest rate swap is designated as a cash-flow hedging instrument.

In August 2008, the Company entered into a foreign currency forward contract in the notional amount of $62.8 million to mitigate the effect of foreign currency exchange rate fluctuations of a certain foreign subsidiary s debt that is denominated in U.S. dollars. The forward contract and the indebtedness mature in May 2012. Because the Company has not designated this contract as a hedging instrument under SFAS 133, changes in its fair value are recognized immediately in earnings.

The following tables set forth information on the presentation of these derivative instruments in the Company s Condensed Consolidated Financial Statements in accordance with SFAS 161, *Disclosures about Derivative Instruments and Hedging Activities* :

Table of Contents

	Balance Sheet	Fair Value As of June 30, 2009	March 31, 2009
		(In thousands)	
Asset Derivative:			
Foreign Exchange Contract	Other noncurrent assets	$1,617	$4,962
Liability Derivative:			
Interest Rate Swap Contract	Other noncurrent liabilities	6,585	7,461

	Statement of Operations	For the Three Months Ended June 30, 2009	June 30, 2008
		(In thousands)	
Foreign Currency Contract			
Loss recorded in Statement of Operations	Other (income) expense, net	$3,345	n/a
Interest Rate Swap Contract			
Unrealized loss recorded in OCI	Other Comprehensive Loss	821	5,315
Realized loss recorded in Statement of Operations	Interest expense, net	1,412	135

Approximately $2.8 million is expected to be reclassified from OCI to interest expense during the remainder of fiscal 2010.

(4) INTANGIBLE ASSETS AND GOODWILL

Intangible Assets

Intangible assets consist of:

	Trademarks and Tradenames (not subject to amortization)	Trademarks and Tradenames (subject to amortization)	Customer relationships	Technology	Total
			(In thousands)		
As of June 30, 2009:					
Gross Amount	$ 61,031	$ 13,869	$ 115,036	$ 30,080	$ 220,016
Accumulated Amortization		(5,659)	(24,865)	(7,627)	(38,151)
Net	$ 61,031	$ 8,210	$ 90,171	$ 22,453	$ 181,865
As of March 31, 2009:					

Gross Amount	$ 58,134	$ 13,223	$ 109,690	$ 28,544	$ 209,591
Accumulated Amortization		(5,134)	(22,569)	(6,577)	(34,280)
Net	$ 58,134	$ 8,089	$ 87,121	$ 21,967	$ 175,311

Amortization of intangible assets for the first three months of fiscal 2010 and 2009 were $2.1 million and $2.0 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 million to $9 million. Intangible assets have been recorded at the legal entity level and are subject to foreign currency fluctuation.

Goodwill

In the fourth quarter of fiscal 2009, the Company purchased shares not previously owned in a majority-owned subsidiary, and accounted for this transaction in accordance with SFAS 141 *Business Combinations*. The purchase price of the additional shares amounted to approximately $4.9 million. Of this amount, approximately $4.2 million could not be attributed to the fair values of specific purchased tangible assets or identifiable intangible assets, and has been recorded as goodwill. The goodwill has been recorded in the Company s Transportation Europe and ROW business segment, and is assessed at least annually for potential impairment (in accordance with SFAS 142).

(5) INVENTORIES

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

	June 30, 2009	March 31, 2009
	(In thousands)	
Raw materials	$ 59,278	$ 61,681
Work-in-process	83,704	87,986
Finished goods	272,331	271,148
	$ 415,313	$ 420,815

(6) OTHER ASSETS

Other assets consist of:

	June 30, 2009	March 31, 2009
	(In thousands)	
Deposits (a)	$ 8,779	$ 9,265
Capitalized software, net	3,779	4,017
Loan to affiliate	1,005	1,005
Retirement plans	1,750	1,341
Financial instruments	1,617	4,962
Other	5,048	5,066
	$ 21,978	$ 25,656

(a) Deposits principally represent amounts held by beneficiaries as cash collateral for the Company s contingent obligations with respect to certain

environmental
matters, workers
compensation
insurance, and
operating lease
commitments.

(7) DEBT

At June 30, 2009 and March 31, 2009, short-term borrowings of $7.5 million and $7.0 million, respectively, consisted of borrowings under various operating lines of credit and working capital facilities maintained by certain of the Company s non-U.S. subsidiaries. Certain of these borrowings are collateralized by receivables, inventories and/or property. These borrowing facilities, which are typically for one-year renewable terms, generally bear interest at current local market rates plus up to one percent per annum. The weighted average interest rate on short-term borrowings was approximately 4.0% and 5.8% at June 30, 2009 and March 31, 2009, respectively.

Table of Contents

Total long-term debt consists of:

	June 30, 2009	March 31, 2009
	(In thousands)	
Senior Secured Credit Facility	$ 292,695	$ 287,966
10.5% Senior Secured Notes due 2013	290,000	290,000
Floating Rate Convertible Senior Subordinated Notes due 2013	60,000	60,000
Other, including capital lease obligations and other loans at interest rates generally ranging up to 9% due in installments through 2015	16,653	13,262
Total	659,348	651,228
Less current maturities	5,208	5,048
Total Long-Term Debt	$ 654,140	$ 646,180

Total debt at June 30, 2009 and March 31, 2009 was $666.9 million and $658.2 million, respectively.

(8) INTEREST EXPENSE, NET

Interest income of $0.2 million and $0.8 million is included in interest expense, net for the three months ended June 30, 2009 and 2008, respectively.

(9) OTHER (INCOME) EXPENSE, NET

Other (income) expense, net consist of:

	For the Three Months Ended	
	June 30, 2009	June 30, 2008
	(In thousands)	
Net loss on asset sales / impairments	$ 5,364	$ 95
Equity income	68	(150)
Currency remeasurement gain	(9,264)	(1,807)
Loss on revaluation of warrants (a)	471	9,685
	$ (3,361)	$ 7,823

The increase in currency remeasurement gain relates primarily to gains on intercompany loans to foreign subsidiaries denominated in Euros and Australian currencies.

(a) 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. In accordance with Emerging Issues Task Force abstract (EITF) 00-19, *Accounting for Derivative Financial Instruments Indexed to, and Potentially Settled in, a Company s Own Stock* , and SFAS 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity*, the warrants have been marked-to-market based upon quoted market prices. Future results of operations may be subject to volatility from changes in the market value of such warrants.

(10) EMPLOYEE BENEFITS

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

	Pension Benefits For the Three Months Ended	
	June 30, 2009	June 30, 2008
	(In thousands)	
Components of net periodic benefit cost:		
Service cost	$ 820	$ 1,179
Interest cost	9,034	9,882
Expected return on plan assets	(5,794)	(7,985)
Amortization of:		
Prior service cost	3	6
Actuarial gain	262	(706)
Net periodic benefit cost	$ 4,325	$ 2,376

	Other Post-Retirement Benefits For the Three Months Ended	
	June 30, 2009	June 30, 2008
	(In thousands)	
Components of net periodic benefit cost:		
Service cost	$ 32	$ 52
Interest cost	348	338
Amortization of:		
Prior service cost	(96)	(96)
Actuarial loss	17	34
Net periodic benefit cost	$ 301	$ 328

The estimated fiscal 2010 pension plan contributions are $14.9 million and other post-retirement contributions are $2.0 million. Payments aggregating $3.3 million were made during the three months ended June 30, 2009.

(11) COMMITMENTS AND CONTINGENCIES

Claims Reconciliation

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

Under the Plan, holders of general unsecured claims were eligible to receive collectively 2.5 million shares of common stock and warrants to purchase up to approximately 6.7 million shares of common stock at $29.84 per share. Approximately 13.4% of such common stock and warrants were initially reserved for distribution for disputed claims. The Official Committee of Unsecured Creditors, in consultation with the Company, established such reserve to provide for a pro rata distribution of new common stock and warrants to holders of disputed claims as they become

allowed. As claims are evaluated and processed, the Company will object to some claims or portions thereof, and upward adjustments (to the extent common stock and warrants not previously distributed remain) or downward adjustments to the reserve will be made pending or following adjudication of such objections. Predictions regarding the allowance and classification of claims are difficult to make. With respect to environmental claims in particular, it is difficult to assess the Company s potential liability due to the large number of other potentially responsible parties. For example, a demand for the total cleanup costs of a landfill used by many entities may be asserted by the government using joint and several liability theories. Although the Company believes that there is a reasonable basis to believe that it will ultimately be responsible for only its proportional share of these remediation costs, there can be no assurance that the Company will prevail on these claims. In addition, the scope of remedial costs, or other environmental injuries, is highly variable and estimating these costs involves complex legal, scientific and technical judgments. Many of the claimants who have filed disputed claims, particularly environmental and personal injury claims, produce little or no proof of fault on which the Company can assess its potential liability. Such claimants often either fail to specify a determinate amount of damages or provide little or no basis for the alleged damages. In some cases, the Company is still seeking additional information needed for a claims assessment and information that is unknown to the Company at the current time may significantly affect the Company s assessment regarding the adequacy of the reserve amounts in the future.

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

No claims were allowed during the fiscal quarter ended June 30, 2009, and therefore no distribution of stock and warrants were made for the period. Based on information available as of July 31, 2009, approximately 11.3% of common stock and warrants reserved for this purpose has been distributed. The Company also continues to resolve certain non-objected claims.

Private Party Lawsuits and other Legal Proceedings

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

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

In December 2001, PDH filed a separate action in the Circuit Court for Cook County, Illinois seeking recovery of approximately $3.1 million for amounts allegedly owed by the Company under various agreements between the parties. The claim arises from letters of credit and other security allegedly provided by PDH for GNB s performance of certain of GNB s obligations to third parties that PDH claims the Company was obligated to replace. The Company s answer contested the amounts claimed by PDH and the Company filed a counterclaim. Although this action has been consolidated with the Cook County suit concerning GNB s cash assets, the claims relating to this action have been

transferred to the U.S. Bankruptcy Court for the District of Delaware and are currently subject to a stay injunction by that court. The Company plans to vigorously defend itself and pursue its counterclaims.

As previously reported, in June 2005 two former stockholders, Aviva Partners LLC and Robert Jarman filed purported class action lawsuits against the Company and certain of its current and former officers alleging violations of certain federal securities laws in the United States District Court for the District of New Jersey (the Court). United States District Judge Mary L. Cooper consolidated the Aviva Partners and Jarman cases under the Aviva Partners v. Exide Technologies, Inc. caption.

The Company and plaintiffs Court-appointed representatives (the Lead Plaintiffs) reached an agreement in principle to settle this litigation (the Proposed Settlement).

12

The Proposed Settlement was approved by the Board of Trustees of co-Lead Plaintiff Alaska Hotel and Restaurant Employees Pension Trust Fund, and thereafter the Company and Lead Plaintiffs negotiated a definitive agreement (the Settlement Agreement). The Court issued its Order Preliminarily Approving Settlement and Providing for Notice on April 13, 2009. Notice was given to prospective class members. The Company s insurer made the payment required by the terms of the Settlement. The Court s final approval hearing was conducted on June 23, 2009. The Court approved the settlement and this litigation has been dismissed in its entirety, with prejudice. Under the terms of the Settlement, the Company and the former officers continue to deny the allegations in Plaintiffs complaints.

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

Environmental Matters

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

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

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

On September 6, 2005, the U.S. Court of Appeals for the Third Circuit issued an opinion in U.S. v. General Battery/Exide (No. 03-3515) affirming the district court s holding that the Company is liable, as a matter of federal common law of successor liability, for lead contamination at certain sites in the vicinity of Hamburg, Pennsylvania. This case involves several of the pre-petition environmental claims of the federal government for which the Company, as part of its Chapter 11 proceeding, had established a reserve of common stock and warrants. The amount of the government claims for these sites at the time reserves were established was approximately $14.0 million. On

October 2, 2006, the United States Supreme Court denied review of the appellate decision, leaving Exide subject to a stipulated judgment for approximately $6.5 million, based on the ruling that Exide has successor liability for these EPA cost recovery claims. The judgment will be a general unsecured claim payable in common stock and warrants. Additionally, the EPA has asserted a general unsecured claim for costs related to other Hamburg, Pennsylvania sites. The current amount of the government s claims for the aforementioned sites (including the stipulated judgment discussed above) is approximately $20.0 million. A reserve of common stock and warrants for the estimated value of all claims, including the aforementioned claims, was established as part of the Plan.

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

As unsecured claims are allowed in the Bankruptcy Court, the Company is required to distribute common stock and warrants to the holders of such claims. To the extent the government is able to prove the Company is responsible for the alleged contamination at the other Hamburg, Pennsylvania properties and substantiate its estimated $35.0 million of additional clean-up costs discussed above, these claims would ultimately result in an inadequate reserve of common stock and warrants to the extent not offset by the reconciliation of all other claims for lower amounts than the aggregate reserve. The Company would still retain the right to perform and pay for such cleanup activities, which would preserve the existing reserved common stock and warrants. Except for the government s cost recovery claim resolved by the U.S. v. General Battery/Exide case discussed above, it remains the Company s position that it is not liable for the contamination of this area, and that any liability it may have derives from pre-petition events which would be administered as a general, unsecured claim, and consequently no provisions have been recorded in connection therewith.

The Company is conducting an investigation and risk assessment of lead exposure near its Reading recycling plant from past facility emissions and non-Company sources such as lead paint. This is being performed under a consent order with the EPA. The Company has previously removed soil from properties with the highest soil lead content, and is in discussions with the EPA to resolve differences regarding the need for, and extent of, further actions by the Company. Alternatives have been reviewed and appropriate reserve estimates made. At this time, the Company cannot determine from available information the extent of additional cleanup which will occur, or the amount of any cleanup costs that may finally be incurred.

The Company has received a number of notices of violation issued by the South Coast Air Quality Management District (SCAQMD) for alleged violations of the Rule 1420 emission standards at its Vernon, California recycling facility. To resolve these notices of violation, the Company negotiated a settlement agreement with SCAQMD that included monetary sanctions of approximately $0.15 million. The settlement also included an agreement to enter into a stipulated Order of Abatement to perform certain pollution control projects and activities.

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 June 30, 2009 and March 31, 2009, the amount of such reserves on the Company s Condensed Consolidated Balance Sheets was approximately $33.4 million and $33.8 million, respectively. Because environmental liabilities are not accrued until a liability is determined to be probable and reasonably estimable, not all potential future environmental liabilities have been included in the Company s environmental reserves and, therefore, additional earnings charges are possible. Also, future findings or changes in estimates could have a material adverse effect on the recorded reserves and cash flows.

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

Tampa, Florida

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

Columbus, Georgia

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

Guarantees

At June 30, 2009, the Company had outstanding letters of credit with a face value of $57.1 million and surety bonds with a face value of $4.4 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 June 30, 2009, pursuant to the terms of the agreement, totaled approximately $2.7 million.

Certain of the Company s European and Asia Pacific subsidiaries have issued bank guarantees as collateral or financial assurance in connection with environmental obligations, income tax claims and customer contract requirements. At June 30, 2009, bank guarantees with a face value of $14.6 million were outstanding.

Sales Returns and Allowances

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

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

Balance at March 31, 2009	$ 39,721
Accrual for sales returns and allowances provided	9,794
Settlements made (in cash or credit), and currency translation	(9,203)
Balance at June 30, 2009	$ 40,312

(12) INCOME TAXES

The effective tax rates for the first quarter of fiscal 2010 and 2009 were impacted by the generation of income in tax-paying jurisdictions in certain countries in Europe, the U.S., and Canada, and the recognition of valuation allowances on tax benefits generated from losses in the United Kingdom, Italy, Spain, France, and Australia. The effective tax rate for the first quarter of fiscal 2010 and 2009, respectively, was also impacted by the recognition of $19.7 million and $16.5 million of valuation allowances on current period tax benefits generated primarily in the United Kingdom, France, Spain, Italy, and Australia. In addition, the effective tax rate for the first quarter of fiscal 2010 was impacted by $0.5 million in warrant revaluation income, which is fully excluded for U.S. tax purposes.During the first quarter of fiscal 2009, the Company established a full valuation reserve of $13.3 million on its net deductible temporary differences and loss carryforwards related to its Australian operations. In addition, the income tax provision for the first quarter of fiscal 2009 decreased as a result of the removal of $3.1 million in valuation allowances against net deferred tax assets generated from the Company s Austrian and Mexican operations.

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

	For the Three Months Ended	
	June 30, 2009	June 30, 2008
	(In thousands)	
Federal statutory rate	35.0%	35.0%
Change in valuation allowances	(42.9%)	130.5%
Revaluation of warrants	(0.3%)	24.7%
Rate differences on foreign subsidiaries	3.2%	(13.4%)
Other, net	(4.9%)	(5.7%)
Effective tax rate	(9.9%)	171.1%

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

jurisdiction by jurisdiction basis.

The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. With limited exceptions, the Company is no longer subject to U.S. federal income tax examinations by tax authorities for years ended before March 31, 2006. With respect to state and local jurisdictions and countries outside of the United States, with limited exceptions, the Company and its subsidiaries are no longer subject to income tax audits for years ended before March 31, 2002. Although the outcome of tax audits is always uncertain, the Company believes that adequate amounts of tax, interest and penalties have been provided for any adjustments that could result from these years.

The Company s unrecognized tax benefits increased from $70.5 million to $75.5 million during the first quarter of fiscal 2010 due primarily to the effects of foreign currency translation plus unrecognized tax benefits established during the period. The amount, if recognized, that would affect the Company s effective tax rate at June 30, 2009 is $36.3 million.

The Company classifies interest and penalties on uncertain tax benefits as income tax expense. At June 30, 2009 and March 31, 2009, before any tax benefits, the Company had $4.5 million and $4.3 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 effective tax rate by $0.4 million.

(13) RESTRUCTURING

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

During the three months ended June 30, 2009, the Company recognized restructuring charges of $35.7 million, representing $33.2 million for severance and $2.5 million for related closure costs. These charges represent consolidation efforts in the Transportation America, Transportation Europe and Rest of World (ROW), and Industrial Europe and ROW segments for approximately 1,116 positions.

Summarized restructuring reserve activity:

	Severance Costs	Closure Costs	Total
		(In thousands)	
Balance at March 31, 2009	$ 37,800	$ 4,618	$ 42,418
Restructuring Charges	33,156	2,509	35,665
Payments and Currency Translation	(10,859)	(713)	(11,572)
Balance at June 30, 2009	$ 60,097	$ 6,414	$ 66,511

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

(14) LOSS PER SHARE

The Company computes basic loss per share in accordance with SFAS 128, Earnings Per Share by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted loss per share is computed by dividing net income, after adding back the after-tax amount of interest recognized in the period associated with the Company s Floating Rate Convertible Senior Subordinated Notes, by diluted weighted average shares outstanding. Potentially dilutive shares include the assumed exercise of stock options and the assumed vesting of restricted stock and stock unit awards (using the treasury stock method) as well as the assumed conversion of the convertible debt, if dilutive (using the if-converted method). Shares which are contingently issuable under the Company s plan of reorganization have been included as outstanding common shares for purposes of calculating basic loss per share.

Due to a net loss for the three month periods ended June 30, 2009 and June 30, 2008, certain potentially dilutive shares were excluded from the diluted loss per share calculation because their effect would be antidilutive:

Table of Contents

	June 30, 2009	June 30, 2008
	(In thousands)	
Shares associated with convertible debt (assumed conversion)	3,697	3,697
Employee stock options	4,038	3,732
Restricted stock awards	954	1,211
Warrants	6,725	6,725
Total shares excluded	15,414	15,365

(15) FAIR VALUE OF FINANCIAL INSTRUMENTS

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

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

	June 30, 2009		March 31, 2009	
	Carrrying Value	Estimated Fair Value	Carrrying Value	Estimated Fair Value
	(In thousands)			
Senior Secured Credit Facility	$292,695	$ 236,667	$287,966	$ 195,817
Senior Secured Notes due 2013	290,000	237,800	290,000	174,000
Convertible Senior Subordinated Notes due 2013	60,000	26,925	60,000	17,475

The fair value of financial instruments required to be measured at fair value has been estimated in accordance with SFAS No. 157, Fair Value Measurements (SFAS 157), and is discussed in Note 16.

(16) FAIR VALUE MEASUREMENTS

The Company adopted SFAS No. 157 on April 1, 2008. This statement, among other things, defines fair value, establishes a consistent framework for measuring fair value, and expands disclosure for each major asset and liability category measured at fair value on either a recurring or nonrecurring basis. SFAS 157 establishes a three-tier hierarchy which prioritizes the inputs used in measuring fair value as follows:

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.

Table of Contents

The following table represents our financial assets (liabilities) that are measured at fair value on a recurring basis as of June 30, 2009 and March 31, 2009, and the basis for that measurement:

	Total Fair Value Measurement	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			
June 30, 2009:				
Interest rate swap agreement	$(6,585)		$(6,585)	
Foreign currency forward contract	1,617		1,617	
March 31, 2009:				
Interest rate swap agreement	$(7,461)		$(7,461)	
Foreign currency forward contract	4,962		4,962	

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

(17) 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.

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 supply (UPS), lift trucks and other material handling equipment, and 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.

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

	For the Three Months Ended June 30, 2009					
	Transportation		Industrial			
	Americas	Europe and ROW	Americas	Europe and ROW	Other (a)	Consolidated
	(In thousands)					
Net sales	$230,797	$146,447	$59,934	$155,676		$592,854
Gross profit	38,192	18,820	13,260	36,412		106,684
Expenses	32,887	42,202	10,647	52,344	$ 17,193	155,273
Income (loss) before reorganization items and income taxes	5,305	(23,382)	2,613	(15,932)	(17,193)	(48,589)

	For the Three Months Ended June 30, 2008					
	Transportation		Industrial			
	Americas	Europe and ROW	Americas	Europe and ROW	Other (a)	Consolidated
	(In thousands)					
Net sales	$306,376	$275,873	$89,196	$299,830		$971,275
Gross profit	59,446	30,431	23,791	55,812		169,480
Expenses	32,754	31,039	9,966	44,026	$ 37,514	155,299
Income (loss) before reorganization items and income taxes	26,692	(608)	13,825	11,786	(37,514)	14,181

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

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

The following discussion and analysis provides information which management believes is relevant to an assessment and understanding of the Company s consolidated results of operation and financial condition. 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. 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 supply (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 40.6 % 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 decreased 35% from $2,305 per metric ton for the three months ended June 30, 2008 to $1,498 per metric ton for the three months ended June 30, 2009. At July 31, 2009, the quoted price on the LME was $1,842 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 and diesel fuel for distribution of its products. The Company seeks to recoup these increased energy costs through price increases or surcharges. To the extent the Company is unable to pass on these 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 quarter of fiscal 2010, the exchange rate of the Euro to the U.S. Dollar has decreased 12.8% on average to $1.36 compared to $1.56 for the first quarter of fiscal 2009. At June 30, 2009, the Euro was $1.40 or 5.3% higher as compared to $1.33 at March 31, 2009. Fluctuations in foreign currencies impacted the Company s results for the periods presented herein. For the first quarter ended June 30, 2009, approximately 51.0% of the Company s net sales were generated in Europe and ROW. Further, approximately 65.1% of the Company s aggregate accounts receivable and inventory as of June 30, 2009 were held by its European subsidiaries.

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 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 impact the Company s financial results. OE volumes in the transportation and motive power channels have been and continue to be depressed, reflecting current unfavorable 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, it is not possible for the Company to recover these sales in later periods. Further, if the Company s sales are adversely affected by the weather, the Company 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 June 30, 2009. See Notes 3 and 7 to the Condensed Consolidated

Financial Statements in this Form 10-Q.

First quarter of Fiscal 2010 Highlights and Outlook

The Company s reported results continue to be impacted in fiscal 2010 by unfavorable global economic conditions, as well as fluctuations in the cost of materials and energy costs used in the manufacturing and distribution of the Company s products.

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 cost of spent batteries has also fluctuated. After a long period of increase, the average cost of spent batteries decreased approximately 33.5% in the current quarter versus the first quarter of fiscal 2009. 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 impact 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 more aggressive restructuring plan and organizational realignment of divisional and corporate functions intended to result in further targeted headcount reductions.

(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.

(iii) Continued factory and distribution productivity improvements through its established EXCELL program and 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 R&D and engineering investments designed to develop enhanced lead-acid products as well as products utilizing alternative chemistries.

(vi) Gain further product and process efficiencies with implementation of the Global Procurement structure. This initiative focuses on leveraging existing relationships and creating an infrastructure for global search for products and components.

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, 2009 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.

Table of Contents

Results of Operations

Three months ended June 30, 2009 compared with three months ended June 30, 2008

Net Sales

Net sales were $592.9 million for the first quarter of fiscal 2010 versus $971.3 million in the first quarter of fiscal 2009. Foreign currency translation (primarily the weakening of the Euro against the U.S. dollar) unfavorably impacted net sales in the first quarter of fiscal 2010 by approximately $48.6 million. Excluding the foreign currency translation impact, net sales decreased by approximately $329.8 million, or 34.0% primarily as a result of lower unit sales and $85.3 million reduced pricing related to the decrease in the market price of lead.

	For the Three Months Ended		FAVORABLE / (UNFAVORABLE)		
	June 30, 2009	June 30, 2008	TOTAL	Currency Related	Non-Currency Related
			(In thousands)		
Transportation					
Americas	$ 230,797	$ 306,376	$ (75,579)	$	$ (75,579)
Europe & ROW	146,447	275,873	(129,426)	(22,866)	(106,560)
Industrial Energy					
Americas	59,934	89,196	(29,262)		(29,262)
Europe & ROW	155,676	299,830	(144,154)	(25,719)	(118,435)
TOTAL	$ 592,854	$ 971,275	$ (378,421)	$ (48,585)	$ (329,836)

Transportation Americas net sales were $230.8 million for the first quarter of fiscal 2010 versus $306.4 million for the first quarter of fiscal 2009. Net sales decreased by $75.6 million or 24.7% due to a decline in aftermarket and OEM unit sales as well as a $7.6 million unfavorable impact caused by the lower average price of lead. Lower unit sales in the current quarter included the transition of two customers (NAPA and CSK) to an alternative supplier. Third-party lead sales for the fiscal 2010 first quarter were approximately $14.5 million higher than the fiscal 2009 first quarter.

Transportation Europe and ROW net sales were $146.4 million for the first quarter of fiscal 2010 versus $275.9 million for the first quarter of fiscal 2009. Net sales, excluding an unfavorable impact of $22.9 million in foreign currency translation, were lower by $106.6 million or 38.6% mainly due to lower unit volumes in the aftermarket and OEM channels, as well as $46.2 million in reduced pricing related to the decrease in the market price of lead.

Industrial Energy Americas net sales were $59.9 million for the first quarter of fiscal 2010 versus $89.2 million for the first quarter of fiscal 2009. Net sales decreased by $29.3 million or 32.8% due to lower unit sales in the motive power and network power markets as well as a $4.5 million unfavorable impact caused by the lower average price of lead. A portion of the reduction in motive power unit sales resulted from an approximate 40% reduction in new lift truck orders during the quarter.

Industrial Energy Europe and ROW net sales were $155.7 million for the first quarter of fiscal 2010 versus $299.8 million for the first quarter of fiscal 2009. Net sales, excluding an unfavorable foreign currency translation impact of $25.7 million, decreased $118.4 million or 39.5% due to lower unit sales in the network power and motive power markets as well as a $27.0 million unfavorable impact of the lower average price of lead.

Gross Profit

Gross profit was $106.7 million in the first quarter of fiscal 2010 versus $169.5 million in the first quarter of fiscal 2009. Gross margin increased 0.6% to 18.0% from 17.4% in the first quarter of fiscal 2009. Gross profit in each of the Company s business segments was impacted by lower unit sales, partially offset by improved manufacturing efficiencies. Foreign currency translation unfavorably impacted gross profit in the first quarter of fiscal 2010 by $9.2 million.

	For the Three Months Ended				FAVORABLE / (UNFAVORABLE)		
	June 30, 2009		June 30, 2008				
	TOTAL	Percent of Net Sales	TOTAL	Percent of Net Sales	TOTAL	Currency Related	Non-Currency Related
				(In thousands)			
Transportation							
Americas	$ 38,192	16.5%	$ 59,446	19.4%	$ (21,254)	$	$ (21,254)
Europe & ROW	18,820	12.9%	30,431	11.0%	(11,611)	(2,977)	(8,634)
Industrial Energy							
Americas	13,260	22.1%	23,791	26.7%	(10,531)		(10,531)
Europe & ROW	36,412	23.4%	55,812	18.6%	(19,400)	(6,209)	(13,191)
TOTAL	$ 106,684	18.0%	$ 169,480	17.4%	$ (62,796)	$ (9,186)	$ (53,610)

Transportation Americas gross profit was $38.2 million or 16.5% of net sales in the first quarter of fiscal 2010 versus $59.4 million or 19.4% of net sales in the first quarter of fiscal 2009. The decrease in gross profit is primarily due to lower unit sales, partially offset by improved plant and distribution efficiencies.

Transportation Europe and ROW gross profit was $18.8 million or 12.9% of net sales in the first quarter of fiscal 2010 versus $30.4 million or 11.0% of net sales in the first quarter of fiscal 2009. Foreign currency translation unfavorably impacted gross profit during the first quarter of fiscal 2010 by approximately $3.0 million. The remaining decrease in gross profit was primarily due to lower unit sales in both the aftermarket and OEM channels, partially offset by improved manufacturing efficiencies. The Auxerre, France battery plant, which is targeted for closure, had only minimal production during the current quarter. Final closure negotiations are near completion, and benefits will begin to be realized in the second fiscal quarter.

Industrial Energy Americas gross profit was $13.3 million or 22.1% of net sales in the first quarter of fiscal 2010 versus $23.8 million or 26.7% of net sales in the first quarter of fiscal 2009. The decrease in gross profit was primarily due to lower unit sales in both the network power and motive power markets.

Industrial Energy Europe and ROW gross profit was $36.4 million or 23.4% of net sales in the first quarter of fiscal 2010 versus $55.8 million or 18.6% of net sales in the first quarter of fiscal 2009. Gross profit, excluding an unfavorable foreign currency translation impact of $6.2 million, decreased $13.2 million primarily due to lower unit sales in both markets, partially offset by improved plant and distribution efficiencies.

Expenses

Total expenses were flat at $155.3 million in the first quarter of fiscal 2010 and fiscal 2009, and were impacted by the following items:

Selling, marketing, and advertising expenses decreased $13.6 million, to $65.3 million in the first quarter of fiscal 2010 from $78.9 million in the first quarter of fiscal 2009 due in part to a favorable foreign currency translation impact of $7.3 million. Excluding the foreign currency translation impact, the expenses decreased by $6.3 million primarily due to decreases in sales commissions, and other spending controls.

General and administrative expenses decreased $4.3 million, to $42.9 million in the first quarter of fiscal 2010 from $47.2 million in the first quarter of fiscal 2009. The decrease primarily resulted from a favorable foreign currency translation impact of $4.5 million. Excluding the foreign currency translation impact, the expenses in the first quarter of fiscal 2010 were essentially flat versus the first quarter of fiscal 2009.

Restructuring expenses increased $33.5 million to $35.7 million in the first quarter of fiscal 2010 from $2.2 million in the first quarter of fiscal 2009. This increase primarily related to costs associated with headcount reductions in certain manufacturing facilities, principally the Auxerre, France transportation battery plant and the Over Hulton, U.K. industrial energy battery plant.

Other (income) expenses were ($3.4) million in the first quarter of fiscal 2010 versus $7.8 million in the first quarter of fiscal 2009. The net change is primarily due to a $7.4 million increase in foreign currency translation, and a $9.2 million lower loss on revaluation of warrants, partially offset by $5.3 million higher losses on asset sales and impairments, principally plant and equipment write downs for the Over Hulton battery plant.

Interest expense decreased $4.5 million, to $14.7 million in the first quarter of fiscal 2010 from $19.2 million in the first quarter of fiscal 2009 primarily due to lower borrowings and the favorable impact of lower interest rates on borrowings under the Company s Credit Agreement.

Table of Contents

	For the Three Months Ended		FAVORABLE / (UNFAVORABLE)		
	June 30, 2009	June 30, 2008	TOTAL	Currency Related	Non-Currency Related
			(In thousands)		
Transportation					
Americas	$ 32,887	$ 32,754	$ (133)	$	$ (133)
Europe & ROW	42,202	31,039	(11,163)	5,988	(17,151)
Industrial Energy					
Americas	10,647	9,966	(681)		(681)
Europe & ROW	52,344	44,026	(8,318)	7,322	(15,640)
Unallocated expenses	17,193	37,514	20,321	1,783	18,538
TOTAL	$ 155,273	$ 155,299	$ 26	$ 15,093	$ (15,067)

Transportation Americas expenses were essentially flat at $32.9 million in the first quarter of fiscal 2010 versus $32.8 million in the first quarter of fiscal 2009.

Transportation Europe and ROW expenses were $42.2 million in the first quarter of fiscal 2010 versus $31.0 million in the first quarter of fiscal 2009. Foreign currency translation favorably impacted expenses in the first quarter of fiscal 2010 by approximately $6.0 million. Excluding the currency impact, expenses increased by $17.2 million primarily due to restructuring expenses related to the planned closure of the Auxerre, France manufacturing facility.

Industrial Energy Americas expenses were essentially flat at $10.6 million in the first quarter of fiscal 2010 versus $10.0 million in the first quarter of fiscal 2009.

Industrial Energy Europe and ROW expenses were $52.3 million in the first quarter of fiscal 2010 versus $44.0 million in the first quarter of fiscal 2009. Excluding a favorable foreign currency translation impact of approximately $7.3 million, expenses increased by $15.6 million, primarily due to restructuring expenses related to the closure of the Over Hulton, U.K. manufacturing facility.

Unallocated corporate expenses were $17.2 million in the first quarter of fiscal 2010 versus $37.5 million in the first quarter of fiscal 2009:

	For the Three Months Ended		FAVORABLE
	June 30, 2009	June 30, 2008	(UNFAVORABLE)
		(In thousands)	
Corporate expenses	$ 10,642	$ 9,660	$ (982)
Other (income) expense:			
Currency remeasurement gain	(8,684)	(1,046)	7,638
Loss on revaluation of warrants	471	9,685	9,214
Other	44	(10)	(54)
Interest, net	14,720	19,225	4,505

TOTAL	$ 17,193	$ 37,514	$ 20,321

Foreign currency translation favorably impacted unallocated expenses by $1.8 million in the first quarter of fiscal 2010.

Table of Contents

Income Taxes

	For the Three Months Ended	
	June 30, 2009	June 30, 2008
	(In thousands)	
Pre-tax income (loss)	$ (49,144)	$ 13,718
Income tax provision	4,872	23,469
Effective tax rate	(9.9%)	171.1%

The effective tax rate for the first quarter of fiscal 2010 and fiscal 2009 was impacted by the generation of income in tax-paying jurisdictions in certain countries in Europe, the U.S., and Canada, and the recognition of valuation allowances on tax benefits generated from losses in the United Kingdom, Italy, Spain, France, and Australia. The effective tax rate for the first quarter of fiscal 2010 and 2009, respectively, was impacted by the recognition of $19.7 million and $16.5 million of valuation allowances on current period tax benefits generated primarily in the United Kingdom, France, Spain, Italy, and Australia. In addition, the effective tax rate for the first quarter of fiscal 2010 was impacted by $0.5 million in warrant revaluation income, which is fully excluded for U.S. tax purposes. During the first quarter of fiscal 2009, the Company established a full valuation reserve of $13.3 million on its net deductible temporary differences and loss carryforwards related to its Australian operations. In addition, the income tax provision for the first quarter of fiscal 2009 decreased as a result of the removal of $3.1 million in valuation allowances against net deferred tax assets generated from the Company s Austrian and Mexican operations. See Note 12 to the Condensed Consolidated Financial Statements for further discussion of the Company s effective tax rate.

Liquidity and Capital Resources

As of June 30, 2009, the Company had cash and cash equivalents of $121.5 million and availability under the Company s revolving loan facility of $110.0 million. This compared to cash and cash equivalents of $69.5 million and availability under the revolving loan facility of $130.6 million as of March 31, 2009.

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 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 lien in current assets and a second priority lien 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, a first priority lien in fixed assets and a second priority lien 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 a lien on substantially all of the assets of such respective borrowers and guarantors.

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 at the option of the Company, in whole or in part, on or after March 15, 2009, initially at 105.25% of the principal amount, plus accrued interest, declining to 100% of the principal amount, plus accrued interest on or after March 15, 2011. 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 retire senior secured credit agreement borrowings or the Company s pension contribution obligations that are secured by a first priority lien on the Company s assets or to make investments or capital expenditures.

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 June 30, 2009 and March 31, 2009 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 June 30, 2009, the Company was in compliance with covenants contained in the Credit Agreement and indenture agreements that govern the 10.5% senior secured notes and floating rate convertible subordinated notes.

At June 30, 2009, the Company had outstanding letters of credit with a face value of $57.1 million and surety bonds with a face value of $4.4 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 June 30, 2009, pursuant to the terms of the agreement, was $2.7 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 rights offerings, common stock issuances, and the sale of non-core businesses and assets.

Cash flows provided by operating activities were $56.5 million and $40.1 million in the first quarter of fiscal 2010 and fiscal 2009, respectively. The operating cash flows generated in the first quarter of fiscal 2010 were primarily attributable to improved working capital resulting from lower lead prices and the related impact on inventory and accounts payable combined with decreased production levels.

Total debt at June 30, 2009 was $666.9 million, as compared to $658.2 million at March 31, 2009. 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, and borrowings under the revolving loan facility.

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 provided by (used in) financing activities was $7.7 million and ($3.8) million in the first quarter of fiscal 2010 and fiscal 2009, respectively. This increase relates primarily to proceeds from debt borrowings.

The Company believes that it will have ongoing liquidity to support its operational restructuring programs during the remainder of fiscal 2010, which include, among other things, payment of remaining accrued restructuring costs of approximately $66.5 million as of June 30, 2009. For further discussion see Note 13 to the Condensed Consolidated Financial Statements.

Capital expenditures were $15.2 million and $11.8 million in the first quarter of fiscal 2010 and 2009, respectively.

The estimated fiscal 2010 pension plan contributions are $14.9 million and other post-retirement contributions are $2.0 million. Payments aggregating $3.3 million were made during the first quarter of fiscal 2010.

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.

Table of Contents

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 $18.9 million and $0.6 million of foreign currency trade accounts receivable as of June 30, 2009 and March 31, 2009, 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 June 30, 2009 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 the Company s annual report on Form 10-K for the fiscal year ended March 31, 2009 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 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 June 30, 2009.

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 June 30, 2009 that have materially affected or are reasonably likely to materially affect the Company s internal control over financial reporting.

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 desires to avail itself of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 (the Act) and is including this cautionary statement for the express purpose of availing itself of the protection afforded by the Act.

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 Company s ability to implement and fund based on current liquidity business strategies and restructuring plans, (ii) unseasonable weather (warm winters and cool summers) which adversely affects demand for automotive and some industrial batteries, (iii) the Company s substantial debt and debt service requirements which may restrict the Company s operational and financial flexibility, as well as imposing significant interest and financing costs, (iv) 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, (v) the realization of the tax benefits of the Company s net operating loss carry forwards, which is dependent upon future taxable income, (vi) 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, (vii) competitiveness of the battery markets in the Americas and Europe, (viii) 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, (ix) general economic conditions, (x) the ability to acquire goods and services and/or fulfill labor needs at budgeted costs, (xi) the Company s reliance on a single supplier for its polyethylene battery separators, (xii) the Company s ability to successfully pass along increased material costs to its customers, (xiii) the loss of one or more of the Company s major customers for its industrial or transportation products, (xiv) recently adopted U.S. lead emissions standards and the implementation of such standards by applicable states, and (xv) the ability of the Company s customers to pay for products and services in light of liquidity constraints resulting from global economic conditions and restrictive credit markets, and (xvi) those risk factors described in the Company s fiscal 2009 Form 10-K filed on June 4, 2009.

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 document.

Item 1A. ***Risk Factors***

The risk factors which were disclosed in the Company s fiscal 2009 Form 10-K have not materially changed since we filed our fiscal 2009 Form 10-K. See Item 1A to Part I of the Company s fiscal 2009 Form 10-K for a complete discussion of these risk factors.

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
April 1 through April 30				
May 1 through May 31	3,078	$ 6.10		
June 1 through June 30	245	$ 4.05		

(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. ***Submission of Matters to a Vote of Security Holders***

None

Item 5.*Other Information*

None

Item 6. *Exhibits*

4.1	Rights Agreement, dated as of December 6, 2008 by and between Exide Technologies and American Stock Transfer & Trust Company, LLC, incorporated by reference to Exhibit 4.1 to the Form 8-A Registration Statement filed by Exide Technologies on December 8, 2008.
10.1	Performance Unit Award Agreement, dated as of May 4, 2009 by and between the Company and Gordon A. Ulsh*
10.2	Performance Unit Award Agreement, dated as of May 4, 2009 by and between the Company and Mitchell S. Bregman*
10.3	Performance Unit Award Agreement, dated as of May 4, 2009 by and between the Company and Phillip A. Damaska*
10.4	Performance Unit Award Agreement, dated as of May 4, 2009 by and between the Company and Barbara A. Hatcher*

10.5	Performance Unit Award Agreement, dated as of May 4, 2009 by and between the Company and Edward J. O Leary*
31.1	Certification of Gordon A. Ulsh, 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.

* Confidential treatment has been requested for portions of this exhibit

Table of Contents

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: August 6, 2009