EXIDE TECHNOLOGIES
Form 10-Q
February 07, 2011

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

(Mark One)

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

For the quarterly period ended December 31, 2010

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 smaller reporting company)	Smaller reporting company o

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

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

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

EXIDE TECHNOLOGIES AND SUBSIDIARIES
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PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

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

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

The accompanying notes are an integral part of these statements.

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EXIDE TECHNOLOGIES AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited, in thousands, except per-share data)

	December 31, 2010	March 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 92,339	$ 89,558
Accounts receivable, net	504,369	488,942
Inventories, net	457,107	418,396
Prepaid expenses and other current assets	28,703	21,543
Deferred income taxes	28,019	24,386
Total current assets	1,110,537	1,042,825
Property, plant and equipment, net	591,172	603,160
Other assets:		
Goodwill and intangibles, net	174,850	180,428
Deferred income taxes	90,814	85,613
Other noncurrent assets	38,477	44,200
	304,141	310,241
Total assets	$ 2,005,850	$ 1,956,226
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Short-term borrowings	$ 7,857	$ 7,682
Current maturities of long-term debt	4,839	5,241
Accounts payable	364,314	333,532
Accrued expenses	256,754	267,374
Total current liabilities	633,764	613,829
Long-term debt	635,857	646,604
Noncurrent retirement obligations	218,083	221,248
Deferred income taxes	27,607	23,485
Other noncurrent liabilities	105,099	103,022
Total liabilities	1,620,410	1,608,188
STOCKHOLDERS EQUITY		
Preferred stock, $0.01 par value, 1,000 shares authorized, 0 shares issued and outstanding		
Common stock, $0.01 par value, 200,000 shares authorized, 77,005 and 75,601 shares issued and outstanding	770	756
Additional paid-in capital	1,126,190	1,119,959

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

The accompanying notes are an integral part of these statements.

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EXIDE TECHNOLOGIES AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

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

Net increase in cash and cash equivalents	2,781	34,004
Cash and cash equivalents, beginning of period	89,558	69,505
Cash and cash equivalents, end of period	$ 92,339	$ 103,509
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period -		
Interest	$ 27,747	$ 27,754
Income taxes (net of refunds)	$ 7,153	$ 2,986

The accompanying notes are an integral part of these statements.

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EXIDE TECHNOLOGIES AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2010
(Unaudited)

(1) BASIS OF PRESENTATION

The Condensed Consolidated Financial Statements include the accounts of Exide Technologies (referred to together with its subsidiaries, unless the context requires otherwise, as Exide or the Company) and all of its majority-owned subsidiaries. These statements are presented in accordance with the requirements of Form 10-Q and consequently do not include all of the disclosures normally required by generally accepted accounting principles in the United States (GAAP), or those disclosures normally made in the Company s annual report on Form 10-K. Accordingly, the reader of this Form 10-Q should refer to the Company s annual report on Form 10-K for the fiscal year ended March 31, 2010 for further information. Unless otherwise indicated or unless the context otherwise requires, references to fiscal year refer to the period ended March 31 of that year (e.g., fiscal 2010 refers to the period beginning April 1, 2009 and ending March 31, 2010).

The financial information has been prepared in accordance with the Company s customary accounting practices. In the Company s opinion, the accompanying Condensed Consolidated Financial Statements include all adjustments of a normal recurring nature necessary for a fair statement of the results of operations, financial position, and cash flows for the periods presented. This includes accounting and disclosures related to any subsequent event occurring from the balance sheet date through the date that the financial statements were issued.

(2) STOCKHOLDERS EQUITY AND COMPREHENSIVE INCOME (LOSS)

The stockholders equity accounts for both the Company and noncontrolling interests consist of:

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

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

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

(3) ACCOUNTING FOR DERIVATIVES

The Company uses derivative contracts to hedge the volatility arising from changes in the fair value of certain assets and liabilities that are subject to market risk, such as interest rates on debt instruments, foreign currency exchange rates, and certain commodities. The Company does not enter into derivative contracts for trading or speculative purposes.

The Company recognizes outstanding derivative instruments as assets or liabilities, based on measurements of their fair values. If a derivative qualifies for hedge accounting, gains or losses in its fair value that offset changes in the fair value of the asset or liability being hedged (effective gains or losses) are reported in accumulated other comprehensive income, and subsequently recorded to earnings only as the related variability on the hedged transaction is recorded in earnings. If a derivative does not qualify for hedge accounting, changes in its fair value are reported in earnings immediately upon occurrence, and the classification of cash flows from these instruments is consistent with that of the transactions being hedged. Derivatives qualify for hedge accounting if they are designated as hedging instruments at their inception, and if they are highly effective in achieving fair value changes that offset the fair value changes of the assets or liabilities being hedged. Regardless of a derivative s accounting designation, changes in its fair value that are not offset by fair value changes in the asset or liability being hedged are considered ineffective, and are recognized in earnings immediately.

In February 2008, the Company entered into an interest rate swap agreement to fix the variable component of interest on $200.0 million of its floating rate long-term obligations through February 27, 2011. The rate is fixed at 3.3% per annum through the remainder of the agreement. The interest rate swap is designated as a cash-flow hedging instrument.

The Company also enters into foreign currency forward contracts for various time periods ranging from one month to several years. The Company uses these contracts to mitigate the effect of its exposure to foreign currency remeasurement gains and losses on selected transactions that will be settled in a currency other than the functional currency of the transacting entity. Included in these instruments is a contract in the notional amount of $60.0 million to mitigate the effect of exchange rate fluctuations of a certain foreign subsidiary s debt that is denominated in U.S. dollars, and a contract in the notional amount of approximately $63.0 million to mitigate similar foreign exchange risk on amounts owed to the Company by a foreign subsidiary that is denominated in Euros. Certain of these contracts have been designated as fair value hedging instruments. Whether or not specifically designated as a fair value hedging instrument, changes in the fair value of these currency forward contracts are recognized immediately in earnings.

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

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	Balance Sheet	Fair Value As of December 31, 2010	March 31, 2010
		(In thousands)	
Asset Derivatives:			
Foreign exchange forward	Current assets	$ 3	$
Commodity swap	Current assets	572	665
Foreign exchange forward	Noncurrent assets		4,034
Liability Derivatives:			
Foreign exchange forward	Current liabilities	$ 668	$ 270
Interest rate swap	Current liabilities	1,296	5,350
Foreign exchange forward	Noncurrent liabilities	2,816	

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

(4) GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of:

	Goodwill (not subject to amortization)	Trademarks and Tradenames (not subject to amortization)	Trademarks and Tradenames (subject to amortization)	Customer Relationships	Technology	Total
			(In thousands)			
As of December 31, 2010						

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

Amortization of intangible assets for the third quarter of fiscal 2011 and 2010 was $2.2 million and $2.3 million, respectively and for the first nine months of fiscal 2011 and 2010, $6.5 million and $6.7 million, respectively. Excluding the impact of any future acquisitions (if any), the Company anticipates annual amortization of intangible assets for each of the next five years to be approximately $8.0 million to $9.0 million. Intangible assets have been recorded at the legal entity level and are subject to foreign currency fluctuation.

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(5) INVENTORIES

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

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

(6) OTHER NONCURRENT ASSETS

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

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

(7) DEBT

At December 31, 2010 and March 31, 2010, short-term borrowings of $7.9 million and $7.7 million, respectively, consisted of borrowings under various operating lines of credit and working capital facilities maintained by certain of the Company s non-U.S. subsidiaries. Certain of these borrowings are collateralized by receivables, inventories and/or property. These borrowing facilities, which are typically for one-year renewable terms, generally bear interest at current local market rates plus up to one percent per annum. The weighted average interest rate on short-term borrowings was approximately 4.6% and 4.5% at December 31, 2010 and March 31, 2010, respectively.

Total long-term debt consists of:

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

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

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

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(8) INTEREST EXPENSE, NET

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

(9) OTHER INCOME, NET

Other income, net consists of:

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

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

(b) The warrants entitle the holders to purchase an aggregate of up to approximately 6.7 million shares of new common stock at an exercise price of $29.84 per share. The warrants are exercisable through May 5, 2011. The warrants have been marked-to-market based upon quoted market prices. Future results of operations may be subject to volatility from changes in the market value of such warrants.

(10) EMPLOYEE BENEFITS

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

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

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

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

(11) COMMITMENTS AND CONTINGENCIES

Claims Reconciliation

On April 15, 2002, the Petition Date , Exide Technologies, together with certain of its subsidiaries (the Debtors), filed voluntary petitions for reorganization under Chapter 11 of the federal bankruptcy laws (Bankruptcy Code or Chapter 11) in the United States Bankruptcy Court for the District of Delaware (Bankruptcy Court). The Debtors continued to operate their businesses and manage their properties as debtors-in-possession throughout the course of

the bankruptcy case. The Debtors, along with the Official Committee of Unsecured Creditors, filed a Joint Plan of Reorganization (the Plan) with the Bankruptcy Court on February 27, 2004 and, on April 21, 2004, the Bankruptcy Court confirmed the Plan.

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

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

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

Based on information available as of January 28, 2011, approximately 11.4% of common stock and warrants reserved for this purpose has been distributed. The Company also continues to resolve certain non-objected claims.

Private Party Lawsuits and other Legal Proceedings

In 2003, the Company served notices to reject certain executory contracts with EnerSys, which the Company contends are executory, including a 1991 Trademark and Trade Name License Agreement (the Trademark License), pursuant to which the Company had licensed to EnerSys use of the Exide trademark on certain industrial battery products in the United States and 80 foreign countries. EnerSys objected to the rejection of certain of those contracts, including the Trademark License. In 2006, the Bankruptcy Court granted the Company s request to reject certain of the contracts, including the Trademark License. EnerSys appealed those rulings. On June 1, 2010, the Third Circuit Court of Appeals reversed the Bankruptcy Court ruling, and remanded to the lower courts, holding that certain of the contracts, including the Trademark License, were not executory contracts and, therefore, were not subject to rejection. On August 27, 2010, acting on the Third Circuit s mandate, the Bankruptcy Court vacated its prior orders and denied the Company s motion to reject the contracts on the grounds that the agreements are not executory. On September 20, 2010, the Company filed a complaint in the Bankruptcy Court seeking a declaratory judgment that EnerSys does not have enforceable rights under the Trademark License under Bankruptcy Code provisions which the Company believes are relevant to non-executory contracts. EnerSys has filed a motion to dismiss that complaint, which the Company has opposed, and the motion remains pending. Additionally, on September 27, 2010, the Company filed a Petition for Certiorari, requesting that the U.S. Supreme Court issue a writ of certiorari to the Third Circuit Court of Appeals to review that court s judgment. That Petition for Certiorari remains pending.

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

instructions that the Bankruptcy Court hear evidence before ruling whether Exide (as opposed to its non-debtor affiliates) would be solely liable, if any liability is found at all, under the GNB agreements.

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

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Environmental Matters

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

The Company is exposed to liabilities under such EH&S laws arising from its past handling, release, storage and disposal of materials now designated as hazardous substances and hazardous wastes. The Company previously has been advised by the U.S. Environmental Protection Agency (EPA) or state agencies that it is or may be a Potentially Responsible Party under the Comprehensive Environmental Response, Compensation and Liability Act or similar state laws regarding 103 federally defined Superfund or state equivalent sites. At 45 of these sites, the Company has paid or settled its share of liability. While the Company believes it is probable it has no liability or its liability for many of the remaining sites will be treated as disputed unsecured claims under the Plan, there can be no assurance these matters will be determined in the Company s favor. If the Company s liability is not discharged at one or more sites, the government may be able to file claims for additional response costs in the future, or to order the Company to perform remedial work at such sites. In addition, the EPA, in the course of negotiating this pre-petition claim, had notified the Company of the possibility of additional clean-up costs associated with Hamburg, Pennsylvania properties of approximately $35.0 million, as described in more detail below. The EPA has provided summaries of past costs and an estimate of future costs that approximate the amounts in its notification; however, the Company disputes certain elements of the claimed past costs, has not received sufficient information supporting the estimated future costs, and is in negotiations with the EPA. To the extent the EPA or other environmental authorities dispute the pre-petition nature of these claims, the Company would intend to resist any such effort to evade the bankruptcy law s intended result, and believes there are substantial legal defenses to be asserted in that case. However, there can be no assurance that the Company would be successful in challenging any such actions.

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

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

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

costs, and is in negotiations with the EPA.

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

The Company has established reserves for on-site and off-site environmental remediation costs where such costs are probable and reasonably estimable and believes that such reserves are adequate. As of December 31, 2010 and March 31, 2010, the amount of such reserves on the Company s Condensed Consolidated Balance Sheets was approximately $29.2 million and $31.8 million, respectively. Because environmental liabilities are not accrued until a liability is determined to be probable and reasonably estimable, not all potential future environmental liabilities have been included in the Company s environmental reserves and, therefore, additional earnings charges are possible. Also, future findings or changes in estimates could have a material adverse effect on the recorded reserves and cash flows.

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

Tampa, Florida

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

Columbus, Georgia

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

Guarantees

At December 31, 2010, the Company had outstanding letters of credit with a face value of $55.0 million and surety bonds with a face value of $2.3 million. The majority of the letters of credit and surety bonds have been issued as collateral or financial assurance with respect to certain liabilities the Company has recorded including, but not limited to, environmental remediation obligations and self-insured workers compensation reserves. Failure of the Company to satisfy its obligations with respect to the primary obligations secured by the letters of credit or surety bonds could entitle the beneficiary of the related letter of credit or surety bond to demand payments pursuant to such instruments. The letters of credit generally have terms up to one year. Collateral held by the sureties in the form of letters of credit at December 31, 2010, pursuant to the terms of the agreement, totaled approximately $2.2 million.

Certain of the Company s European and Asia Pacific subsidiaries have issued bank guarantees as collateral or financial assurance in connection with environmental obligations, income tax claims and customer contract requirements. At December 31, 2010, bank guarantees with an aggregate face value of $16.2 million were outstanding.

Sales Returns and Allowances

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

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

Balance at March 31, 2010	$ 36,257
Accrual for sales returns and allowances	28,354
Settlements made (in cash or credit) and currency translation	(27,677)
Balance at December 31, 2010	$ 36,934

(12) INCOME TAXES

The effective tax rate for the first nine months of fiscal year 2011 and fiscal year 2010 is 6.5% and (104.5%) respectively. The effective tax rate was impacted by the generation of income in tax-paying jurisdictions in certain countries in Europe, the U.S., Asia, and Canada, and the recognition of valuation allowances on tax benefits generated from losses in the United Kingdom, Spain, and France. The Company released its full valuation allowance in fiscal 2011 recorded in Australia and Italy after determining that it was more likely than not that the Company would realize all deductible temporary differences and carryforwards in the foreseeable future.

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

Each quarter, the Company reviews the need to report the future realization of tax benefits of deductible temporary differences or loss carryforwards on its financial statements. All available evidence is considered to determine whether a valuation allowance should be established against these future tax benefits or previously established valuation allowances should be released. This review is performed on a jurisdiction by jurisdiction basis. As global market conditions and the Company s financial results in certain jurisdictions improve, the continued release of related valuation allowances may occur.

The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. With limited exceptions, the Company is no longer subject to U.S. federal income tax examinations by tax authorities for years ended before March 31, 2008. With respect to state and local jurisdictions and countries outside of the United States, with limited exceptions, the Company and its subsidiaries are no longer subject to income tax audits for years ended before March 31, 2004. Although the outcome of tax audits is always uncertain, the Company believes that adequate amounts of tax, interest and penalties have been provided for any adjustments that could result from these years.

The Company s unrecognized tax benefits increased from $52.0 million to $52.2 million during the first nine months of fiscal 2011 due primarily to the effects of foreign currency translation plus unrecognized tax benefits established during the period less unrecognized tax benefits released during the period through tax settlements and expiration of statute of limitations. The amount, if recognized, that would affect the Company s effective tax rate at December 31, 2010 is $20.9 million.

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

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

(13) RESTRUCTURING AND IMPAIRMENTS, NET

The Company implemented operational changes to streamline and rationalize its structure in an effort to simplify the organization and eliminate redundant and/or unnecessary costs. As part of these restructuring programs, the nature of the positions eliminated range from plant employees and clerical workers to operational and sales management.

During the nine months ended December 31, 2010, the Company recorded restructuring and impairment charges of $17.5 million, representing $12.2 million severance, $6.1 million closure costs and ($0.9) million net gain on asset sales and impairments. These charges primarily represent consolidation efforts in the Company s workforce of approximately 250 positions.

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

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

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

Summarized restructuring and asset sale and impairment expenses by segment:

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

(14) EARNINGS (LOSS) PER SHARE

The Company computes basic earnings (loss) per share by dividing net earnings (loss) by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is computed by dividing net earnings (loss), after adding back the after-tax amount of interest recognized in the period associated with the Company s Floating Rate Convertible Senior Subordinated Notes, by diluted weighted average shares outstanding. For the three and nine months ended December 31, 2010, market rates were below the level at which interest payments for these notes are required.

Potentially dilutive shares include the assumed exercise of stock options and the assumed vesting of restricted stock and stock unit awards (using the treasury stock method) as well as the assumed conversion of the convertible debt, if dilutive (using the if-converted method). Shares which are contingently issuable under the Company s plan of reorganization have been included as outstanding common shares for purposes of calculating basic earnings (loss) per share. Basic and diluted earnings (loss) per share for the three and nine months ended December 31, 2010 and 2009 are summarized as follows:

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

For the three and nine months ended December 31, 2010, approximately 1.6 million and 2.2 million stock options, respectively, were excluded from the diluted earnings per share calculation because their exercise prices were greater than the average market price of the related common stock for the periods, and their inclusion would be antidilutive. For the three months ended December 31, 2009, approximately 1.7 million stock options were similarly excluded. The remaining options were included in the treasury stock method calculation, and the resulting incremental shares were included in the calculation of diluted earnings per share. In addition, approximately 6.7 million warrants were outstanding for both periods, but were all excluded from the diluted earnings per share calculation because their exercise prices were greater than the market price of the related common stock for the period, and their inclusion would also be antidilutive. Due to a net loss for the nine month period ended December 31, 2009, certain potentially dilutive shares were excluded from the diluted loss per share calculation for that period because their effect would be antidilutive:

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

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

(15) FAIR VALUE MEASUREMENTS

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

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

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

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

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

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

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

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

	Total Fair Value Measurement	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
	(In thousands)			
December 31, 2010:				
Assets:				
Foreign currency forward	$ 3	$	$ 3	$
Commodity Swap	572		572	
Liabilities:				
Interest rate swap	1,296		1,296	
Foreign exchange forward	3,484		3,484	

March 31, 2010:				
Assets:				
Foreign exchange forward	$ 4,034	$	$ 4,034	$
Commodity Swap	665		665	
Liabilities:				