

EXIDE TECHNOLOGIES

Form 10-Q

February 04, 2009

Table of Contents

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

(Mark One)

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

For the quarterly period ended December 31, 2008

**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
Alpharetta, Georgia
(Address of principal executive offices)**

**30004
(Zip Code)**

(678) 566-9000

(Registrant's telephone number, including area code)

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

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

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

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 No

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

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

As of January 30, 2009, 75,478,355 shares of common stock were outstanding.

**EXIDE TECHNOLOGIES AND SUBSIDIARIES
TABLE OF CONTENTS**

	Page
<u>PART I. FINANCIAL INFORMATION</u>	3
<u>Item 1 FINANCIAL STATEMENTS</u>	3
<u>CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2008 AND 2007</u>	3
<u>CONDENSED CONSOLIDATED BALANCE SHEETS AS OF DECEMBER 31, 2008 AND MARCH 31, 2008</u>	4
<u>CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED DECEMBER 31, 2008 AND 2007</u>	5
<u>NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</u>	6
<u>Item 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	19
<u>Item 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	31
<u>Item 4 CONTROLS AND PROCEDURES</u>	31
<u>PART II. OTHER INFORMATION</u>	33
<u>Item 1. LEGAL PROCEEDINGS</u>	33
<u>Item 1A. RISK FACTORS</u>	33
<u>Item 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	33
<u>Item 3. DEFAULTS UPON SENIOR SECURITIES</u>	33
<u>Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS</u>	34
<u>Item 5. OTHER INFORMATION</u>	34
<u>Item 6. EXHIBITS</u>	34
<u>SIGNATURES</u>	35
<u>EX-31.1</u>	
<u>EX-31.2</u>	
<u>EX-32</u>	

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		For the Nine Months Ended	
	December	December 31,	December	December 31,
	31, 2008	2007	31, 2008	2007
NET SALES	\$ 782,602	\$ 1,042,047	\$ 2,668,050	\$ 2,666,377
COST OF SALES	620,587	876,214	2,174,671	2,251,527
Gross profit	162,015	165,833	493,379	414,850
EXPENSES:				
Selling, marketing and advertising	72,483	76,435	231,009	213,068
General and administrative	42,341	43,623	133,001	126,893
Restructuring	7,783	1,652	19,661	6,334
Other (income) expense, net	(429)	(6,446)	24,085	(20,507)
Interest expense, net	17,532	21,697	55,158	64,320
Loss on early extinguishment of debt				21,342
	139,710	136,961	462,914	411,450
Income before reorganization items, income taxes, and minority interest	22,305	28,872	30,465	3,400
REORGANIZATION ITEMS, NET	409	1,202	1,344	2,412
INCOME TAX PROVISION	6,367	7,947	33,245	30,859
MINORITY INTEREST	102	414	996	1,332
Net income (loss)	\$ 15,427	\$ 19,309	\$ (5,120)	\$ (31,203)
EARNINGS (LOSS) PER SHARE				
Basic	\$ 0.20	\$ 0.26	\$ (0.07)	\$ (0.47)
Diluted	\$ 0.20	\$ 0.25	\$ (0.07)	\$ (0.47)
WEIGHTED AVERAGE SHARES				
Basic	75,589	75,088	75,474	66,043
Diluted	79,386	79,655	75,474	66,043

The accompanying notes are an integral part of these statements.

Table of Contents

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

	December 31, 2008	March 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 148,413	\$ 90,547
Receivables, net of allowance for doubtful accounts of \$32,716 and \$33,630	562,786	782,944
Inventories	489,166	583,593
Prepaid expenses and other	19,666	17,829
Deferred financing costs, net	4,969	5,215
Deferred income taxes	30,736	36,853
Total current assets	1,255,736	1,516,981
Property, plant and equipment, net	583,625	649,526
Other assets:		
Other intangibles, net	183,259	206,283
Investments in affiliates	2,061	6,523
Deferred financing costs, net	13,538	18,071
Deferred income taxes	40,353	51,238
Other	42,100	42,774
	281,311	324,889
Total assets	\$ 2,120,672	\$ 2,491,396

LIABILITIES AND STOCKHOLDERS EQUITY

Current liabilities:		
Short-term borrowings	\$ 19,165	\$ 22,719
Current maturities of long-term debt	10,273	9,875
Accounts payable	309,716	468,240
Accrued expenses	292,832	333,092
Warrants liability	1,681	8,272
Total current liabilities	633,667	842,198
Long-term debt	657,578	683,601
Noncurrent retirement obligations	172,869	212,438
Deferred income taxes	33,236	44,407
Other noncurrent liabilities	136,940	145,642
Total liabilities	1,634,290	1,928,286

Commitments and contingencies

Minority interest	17,395	18,772
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, 75,479 and 75,278 shares issued and outstanding	755	753
Additional paid-in capital	1,109,210	1,104,939
Accumulated deficit	(722,782)	(717,662)
Accumulated other comprehensive income	81,804	156,308
Total stockholders equity	468,987	544,338
Total liabilities and stockholders equity	\$ 2,120,672	\$ 2,491,396

The accompanying notes are an integral part of these statements.

Table of Contents

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

	For the Nine Months Ended	
	December	December 31,
	31, 2008	2007
Cash Flows From Operating Activities:		
Net loss	\$ (5,120)	\$ (31,203)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Depreciation and amortization	73,761	75,338
Unrealized gain on warrants	(6,591)	(1,194)
Net loss on asset sales / impairments	1,820	151
Deferred income taxes	7,400	14,257
Provision for doubtful accounts	6,509	6,591
Non-cash stock compensation	3,844	4,091
Reorganization items, net	1,344	2,412
Minority interest	996	1,332
Amortization of deferred financing costs	3,833	3,585
Loss on early extinguishment of debt		21,342
Currency loss (gain)	33,572	(18,230)
Changes in assets and liabilities		
Receivables	122,733	(81,989)
Inventories	35,698	(147,115)
Prepaid expenses and other	(3,320)	1,641
Payables	(118,778)	53,220
Accrued expenses	(6,703)	34,335
Noncurrent liabilities	(21,579)	(31,574)
Other, net	(8,941)	(812)
Net cash provided by (used in) operating activities	120,478	(93,822)
Cash Flows From Investing Activities:		
Capital expenditures	(58,666)	(39,285)
Proceeds from sales and purchase of assets, net	12,892	3,685
Net cash used in investing activities	(45,774)	(35,600)
Cash Flows From Financing Activities:		
Increase in short-term borrowings	105	3,419
(Decrease) increase in borrowings under Senior Secured Credit Facility	(2,255)	50,856
(Decrease) increase in other debt	(6,618)	7,721
Financing costs and other		(31,736)
Net proceeds from rights offerings and common stock issuance	428	90,998
Net cash (used in) provided by financing activities	(8,340)	121,258

Effect of Exchange Rate Changes on Cash and Cash Equivalents	(8,498)		3,125
Net Increase (Decrease) In Cash and Cash Equivalents	57,866		(5,039)
Cash and Cash Equivalents, Beginning of Period	90,547		76,211
Cash and Cash Equivalents, End of Period	\$ 148,413	\$	71,172

Supplemental Disclosures of Cash Flow Information:

Cash paid during the period			
Interest	\$ 41,080	\$	46,328
Income taxes (net of refunds)	\$ 10,492	\$	12,763

The accompanying notes are an integral part of these statements.

Table of Contents

EXIDE TECHNOLOGIES AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2008
(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, 2008 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.

(2) COMPREHENSIVE (LOSS) INCOME

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

	For the Three Months		For the Nine Months Ended	
	December	December 31,	December	December 31,
	31, 2008	2007	31, 2008	2007
	(In thousands)			
Net income (loss)	\$ 15,427	\$ 19,309	\$ (5,120)	\$ (31,203)
Defined benefit plans	(7,513)	(1,015)	(13,081)	(2,680)
Cumulative translation adjustment	(19,949)	5,612	(58,523)	32,559
Derivatives qualifying as hedges	(5,909)		(2,900)	
Total comprehensive (loss) income	\$ (17,944)	\$ 23,906	\$ (79,624)	\$ (1,324)

(3) ACCOUNTING FOR DERIVATIVES

The Company accounts for derivative instruments and hedging activities in accordance with Statement of Financial Accounting Standards (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 at a rate of 3.45% per annum through February 27, 2011. In August 2008, the terms of this agreement were modified to change the fixed rate to 3.35% per annum from August 15, 2008 through August 15, 2009 and a fixed rate of 3.45% thereafter. The interest rate swap is designated as a cash-flow hedging instrument. At December 31, 2008, the fair value of the swap agreement, which is based on quotes from active markets for instruments of this type, amounted to a liability of \$8.1 million. During the three months and nine months ended December 31, 2008, \$0.9 million and \$1.6 million were recorded as increases in interest expense, respectively, and include both amounts considered ineffective as well as effective amounts related to those periods. The Company expects to reclassify approximately \$0.8 million from accumulated other comprehensive

Table of Contents

income to interest expense during the remainder of fiscal 2009.

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. At December 31, 2008, the fair value of this instrument amounted to an asset of \$3.6 million.

(4) INTANGIBLE ASSETS

Intangible assets consist of:

	Trademarks and Tradenames (not subject to amortization)	Trademarks and Tradenames (subject to amortization)	Customer relationships (In thousands)	Technology	Total
As of December 31, 2008:					
Gross Amount	\$ 60,050	\$ 13,659	\$ 113,295	\$ 29,499	\$ 216,503
Accumulated Amortization		(5,034)	(22,116)	(6,094)	(33,244)
Net	\$ 60,050	\$ 8,625	\$ 91,179	\$ 23,405	\$ 183,259
As of March 31, 2008:					
Gross Amount	\$ 67,089	\$ 15,260	\$ 126,529	\$ 28,323	\$ 237,201
Accumulated Amortization		(4,720)	(20,696)	(5,502)	(30,918)
Net	\$ 67,089	\$ 10,540	\$ 105,833	\$ 22,821	\$ 206,283

Amortization of intangible assets for the third quarter of fiscal 2009 and 2008 were \$1.9 million and \$1.9 million, respectively. For the first nine months of fiscal 2009 and 2008, amortization amounted to \$5.8 million and \$5.4 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.

(5) INVENTORIES

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

	December 31, 2008	March 31, 2008
	(In thousands)	
Raw materials	\$ 71,593	\$ 71,779
Work-in-process	97,021	115,840
Finished goods	320,552	395,974
	\$ 489,166	\$ 583,593

Table of Contents**(6) OTHER ASSETS**

Other assets consist of:

	December 31, 2008	March 31, 2008
	(In thousands)	
Deposits (a)	\$ 9,504	\$ 12,631
Capitalized software, net	3,038	3,711
Loan to affiliate	1,005	1,811
Retirement plans	19,229	17,391
Financial instruments	3,630	
Other	5,694	7,230
	\$ 42,100	\$ 42,774

(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, 2008 and March 31, 2008, short-term borrowings of \$19.2 million and \$22.7 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 5.4% and 6.2% at December 31, 2008 and March 31, 2008, respectively.

Total long-term debt consists of:

	December 31, 2008	March 31, 2008
	(In thousands)	
Senior Secured Credit Facility	\$ 290,762	\$ 306,395

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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% due in installments through 2015	27,089	37,081
Total	667,851	693,476
Less current maturities	10,273	9,875
	\$ 657,578	\$ 683,601

Total debt including long-term debt and short-term borrowings at December 31, 2008 and March 31, 2008 was \$687.0 million and \$716.2 million, respectively.

(8) INTEREST EXPENSE, NET

Interest income of \$0.5 million, \$0.5 million, \$2.2 million, and \$1.2 million is included in interest expense, net for the three and nine months ended December 31, 2008 and 2007, respectively.

Table of Contents**(9) OTHER (INCOME) EXPENSE, NET**

Other (income) expense, net consist of:

	For the Three Months Ended		For the Nine Months Ended	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
	(In thousands)			
Net loss on asset sales / impairments	\$ 686	\$ 48	\$ 1,820	\$ 151
Equity loss (income)	256	(246)	(1,171)	(554)
Currency loss (gain)	7,689	(6,113)	33,572	(18,230)
Gain on revaluation of warrants (a)	(7,062)	(3)	(6,591)	(1,194)
Other	(1,998)	(132)	(3,545)	(680)
	\$ (429)	\$ (6,446)	\$ 24,085	\$ (20,507)

- (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		For the Nine Months Ended	
	December			
	31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
	(In thousands)			
Components of net periodic benefit cost:				
Service cost	\$ 1,030	\$ 1,402	\$ 3,345	\$ 4,024
Interest cost	9,218	9,169	28,779	26,887
Expected return on plan assets	(7,549)	(7,578)	(23,394)	(22,174)
Amortization of:				
Prior service cost	5	5	16	15
Actuarial gain	(605)	(418)	(1,988)	(1,175)
Net periodic benefit cost	\$ 2,099	\$ 2,580	\$ 6,758	\$ 7,577

	Other Post-Retirement Benefits			
	For the Three Months Ended		For the Nine Months Ended	
	December			
	31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
	(In thousands)			
Components of net periodic benefit cost:				
Service cost	\$ 45	\$ 51	\$ 149	\$ 148
Interest cost	327	377	1,001	1,123
Amortization of:				
Prior service cost	(96)		(288)	
Actuarial loss	34	19	101	55

Net periodic benefit cost	\$ 310	\$	447	\$	963	\$	1,326
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The estimated fiscal 2009 pension plan contributions are \$41.8 million and other post-retirement contributions are \$2.2 million. Payments aggregating \$35.2 million were made during the nine months ended December 31, 2008.

(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

Table of Contents

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

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

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

No claims were allowed during the fiscal quarter ended December 31, 2008, and therefore no distribution of stock and warrants were made for the period. Based on information available as of January 30, 2008, 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

Table of Contents

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. United States District Judge Mary L. Cooper consolidated the Aviva Partners and Jarman cases under the Aviva Partners v. Exide Technologies, Inc. caption.

On January 8, 2009, the Company and Plaintiffs' Court-appointed representatives (the Lead Plaintiffs) reached an agreement in principle to settle this litigation (the Proposed Settlement). Any payment under the Proposed Settlement would be made by the Company's insurers and would have no material impact on the Company's financial statements or results of operations.

The Proposed Settlement is subject to execution of a definitive agreement between the Company and Lead Plaintiffs and approval by Lead Plaintiffs' Board of Trustees. The Proposed Settlement is also subject to Court approval, and the Court has ordered Plaintiffs to file their motion for preliminary approval of the Proposed Settlement on or before February 27, 2009. Assuming preliminary Court approval is obtained, notice to members of the class would be issued, and the Company anticipates that a final approval hearing would take place in the latter half of calendar 2009. Upon final approval of the Proposed Settlement by the Court this litigation will be dismissed in its entirety, with prejudice. Under the terms of the Proposed 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

Table of Contents

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 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, 2008 and March 31, 2008, the amount of such reserves on the Company's Consolidated Balance Sheets was approximately \$35.6 million and \$39.1 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) range from \$12.5 million to \$20.5 million depending on final State of Florida requirements. The remediation activities

Table of Contents

are expected to occur over the course of several years.

Columbus, Georgia

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

Guarantees

At December 31, 2008, the Company had outstanding letters of credit with a face value of \$56.4 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 December 31, 2008, pursuant to the terms of the agreement, totaled approximately \$4.3 million.

Certain of the Company's European 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, 2008, bank guarantees with a face value of \$16.7 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, 2008	\$ 57,757
Accrual for sales returns and allowances provided	39,931
Settlements made (in cash or credit), and currency translation	(45,457)
Balance at December 31, 2008	\$ 52,231

(12) INCOME TAXES

The effective tax rates for the third quarter of fiscal 2009 and 2008 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. During the first nine months 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. The income tax provision for the first nine months of fiscal 2008 included a \$16.7 million additional provision due to a reduction in the deferred tax assets for Germany due to legislation enacted during the period which reduced the Company's German subsidiaries marginal tax rate from approximately 37.0% to approximately 28.0%. The effective tax rate for the first nine months fiscal 2009 was impacted by the generation of income tax in the U.S., whereas in the first nine months of fiscal 2008 the U.S. operations generated income subject to the recognition of valuation allowances resulting in no impact to the income tax provision. In addition, the income tax provision for the first nine months of fiscal 2009 decreased as a result of the removal of \$3.1 million in valuation allowances against net deferred tax assets generated from the Company's Austrian and Mexican operations.

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

Table of Contents

	For the Three Months Ended		For the Nine Months Ended	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
Federal statutory rate	35.0%	35.0%	35.0%	35.0%
Local tax provision	6.4%	0.8%	14.6%	-2.6%
Change in valuation allowances	12.7%	1.6%	106.8%	2568.9%
Revaluation of warrants	-11.3%	0.0%	-7.9%	-42.3%
Rate difference on foreign subsidiaries	-24.4%	-16.0%	-40.5%	-1480.8%
Change in tax rate	-0.4%	2.0%	-0.4%	1679.8%
Dividend income	3.7%	-1.7%	2.3%	2.0%
Other, net	7.4%	7.0%	4.3%	359.4%
Effective tax rate	29.1%	28.7%	114.2%	3119.4%

The size, in percentage terms, of the components of the Company's effective tax rate for the first nine months of fiscal 2008 was primarily impacted by a consolidated profit before tax of less than \$1.0 million.

Quarterly, 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. 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 decreased from \$83.3 million to \$70.1 million during the first nine months of fiscal 2009 due primarily to the effects of foreign currency translation plus the recognition of a tax benefit due to the expiration a statute of limitations, partially offset by unrecognized tax benefits established during the period. The amounts, if recognized, that would affect the Company's effective tax rate at December 31, 2008 and March 31, 2008 are \$20.7 million and \$26.6 million, respectively. Included in the balance of unrecognized tax benefits at December 31, 2008 and March 31, 2008 are \$10.4 million and \$7.3 million of tax benefits, respectively, that if recognized, would result in a decrease to long term intangibles recorded in fresh start accounting.

The Company classifies interest and penalties on uncertain tax benefits as income tax expense. At December 31, 2008 and March 31, 2008, before any tax benefits, the Company had \$4.2 million and \$3.7 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 \$0.3 million.

(13) RESTRUCTURING

During the first nine months of fiscal 2009, 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.

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During the nine months ended December 31, 2008, the Company recognized restructuring charges of \$19.7 million, representing \$17.5 million for severance and \$2.2 million for related closure costs. These charges resulted from consolidation efforts in the Transportation Europe and Rest of World (ROW) segment, headcount reductions in the Industrial Energy Europe and ROW segment, and corporate severance. Approximately 349 positions were eliminated.

Table of Contents

Summarized restructuring reserve activity:

	Severance Costs	Closure Costs (In thousands)	Total
Balance at March 31, 2008	\$ 1,788	\$ 3,282	\$ 5,070
Restructuring Charges	17,484	2,177	19,661
Payments and Currency Translation	(15,902)	(3,497)	(19,399)
Balance at December 31, 2008	\$ 3,370	\$ 1,962	\$ 5,332

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

(14) EARNINGS (LOSS) PER SHARE

The Company computes basic earnings (loss) per share in accordance with SFAS 128, *Earnings 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 income (loss), after adding back the after-tax amount of interest recognized in the period associated with the Company's Floating Rate Convertible Senior Subordinated Notes, by diluted weighted average shares outstanding. Potentially dilutive shares include the assumed exercise of stock options and the assumed vesting of restricted stock and stock unit awards (using the treasury stock method) as well as the assumed conversion of the convertible debt, if dilutive (using the if-converted method). Shares which are contingently issuable under the Company's plan of reorganization have been included as outstanding common shares for purposes of calculating basic loss per share. Basic and diluted earnings (loss) per share for the three and nine months ended December 31, 2008 and 2007 are summarized as follows:

	For the Three Months Ended		For the Nine Months Ended	
	December 31, 2008	December 31, 2007	December 31, 2008	December 31, 2007
	(In thousands)			
Net income (loss)	\$ 15,427	\$ 19,309	\$ (5,120)	\$ (31,203)
Interest expense on Floating Rate Convertible Senior Subordinated Notes	\$ 109	\$ 485		
	\$ 15,536	\$ 19,794	\$ (5,120)	\$ (31,203)
Basic weighted average shares outstanding	75,589	75,088	75,474	66,043
Effect of dilutive securities:				
Floating Rate Convertible Senior Subordinated Notes	3,697	3,697		

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Employee stock options	36	536		
Employee restricted stock awards (non-vested)	64	334		
	3,797	4,567		
Diluted weighted average shares outstanding	79,386	79,655	75,474	66,043
Basic earnings (loss) per share:	\$ 0.20	\$ 0.26	\$ (0.07)	\$ (0.47)
Diluted earnings (loss) per share:	\$ 0.20	\$ 0.25	\$ (0.07)	\$ (0.47)

For the three months ended December 31, 2008 and 2007, 3,547,537 and 3,182,562 stock options, respectively, were outstanding. Of these, 2,293,031 and 1,240,686, respectively, were excluded from the diluted earnings per share calculation because their exercise prices were greater than the market price of the related common stock for the period, and their inclusion would be anti-dilutive. The remaining options were included in the treasury stock method calculation, and the resulting incremental shares were included in the calculation of diluted earnings per share. In addition, 6,725,444 warrants were outstanding for both periods, but were all excluded from the diluted earnings per share calculation because their exercise prices were greater than the market price of the related common stock for the period, and their inclusion would also be anti-dilutive.

Due to net losses for the nine months ended December 31, 2008 and 2007, certain potentially dilutive shares associated with convertible debt, employee stock options, restricted stock, restricted stock unit awards, and warrants have been excluded from the diluted loss per share calculation because their effect would be anti-dilutive. As of December 31, 2008 and 2007, outstanding securities which were excluded from the net loss per share calculations consisted of 3,547,537 and 3,182,562 employee stock options, and 1,015,593 and 1,229,816 restricted stock awards (non-vested), respectively. In addition, 6,725,444 warrants and 3,696,858 shares associated with convertible debt (assuming conversion) outstanding were excluded from the net loss per share

Table of Contents

calculations for both periods because their effect would also be anti-dilutive.

On September 28, 2007, the Company consummated a \$91.7 million rights offering, allowing the Company's stockholders to purchase additional shares of common stock. The rights offering resulted in the issuance of 14.0 million shares of common stock.

(15) RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

On September 29, 2006, the FASB issued SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106 and 132(R)* (SFAS 158). The Company adopted the balance sheet recognition provisions of SFAS 158 at March 31, 2007. SFAS 158 also requires that employers measure the benefit obligation and plan assets as of the fiscal year end for fiscal years ending after December 15, 2008. The Company currently uses a December 31 measurement date for its U.S. pension and other postretirement benefit plans and a March 31 measurement date for its non-U.S. plans. The Company intends to eliminate the early measurement date for its U.S. plans at March 31, 2009. The effect of the change in measurement year on the Company's financial statements is currently being assessed, but at this time, no material effect is expected.

In December 2007, the FASB issued SFAS No. 160 *Noncontrolling Interests in Consolidated Financial Statements - an amendment of ARB No. 51* (SFAS 160). SFAS 160 amends Accounting Research Bulletin 51 (ARB 51) to establish accounting and reporting standards for the non-controlling interest in a subsidiary and for the deconsolidation of a subsidiary. It also amends certain of ARB 51's consolidation procedures for consistency with the requirements of FASB Statement No. 141 (revised 2007), *Business Combinations*. SFAS 160 is effective for fiscal years beginning on or after December 15, 2008 (the Company's fiscal 2010) and interim periods within those years. The Company will assess the effect of this pronouncement on its financial statements, but at this time, no material effect is expected.

In March 2008, the FASB issued SFAS No. 161 *Disclosures about Derivative Instruments and Hedging Activities - an amendment of FASB Statement No. 133* (SFAS 161). SFAS 161 enhances required disclosures regarding derivatives and hedging activities, including how an entity uses derivative instruments, how derivatives and related hedged items are accounted for under SFAS No. 133, and how derivative instruments and related hedged items affect an entity's financial position, financial performance, and cash flows. SFAS 161 is effective for fiscal years and interim periods beginning after November 15, 2008 (the Company's fourth quarter of fiscal 2009 and fiscal 2010). The Company will assess the effect of this pronouncement on its financial statements, but at this time, no material effect is expected.

(16) FAIR VALUE MEASUREMENTS

The Company adopted SFAS No. 157, *Fair Value Measurements* (SFAS 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

The following table represents our financial assets (liabilities) measured at fair value on a recurring basis as of December 31, 2008, and the basis for that measurement:

Total Fair Value	Quoted Price in Active Markets for	Significant Other Observable	Significant Unobservable
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	Measurement December 31, 2008	Identical Assets (Level 1)	Inputs (Level 2)	Inputs (Level 3)
		(In thousands)		
Interest rate swap agreement	\$(8,065)		\$(8,065)	
Foreign currency forward contract	3,630		3,630	

The fair value of the interest rate swap agreement is based on observable prices as quoted for receiving the variable three month London Interbank Offered Rates, or LIBOR, 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

Table of Contents

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:

Table of Contents

	For the Three Months Ended December 31, 2008					Consolidated
	Transportation		Industrial		Other (a)	
	Americas	Europe and ROW	Americas	Europe and ROW		
	(in thousands)					
Net sales	\$273,143	\$210,282	\$64,681	\$234,496	\$	\$782,602
Gross profit	53,459	33,205	18,277	57,074		162,015
Expenses	32,730	30,288	9,175	40,848	26,669	139,710
Income (loss) before reorganization items, income taxes, and minority interest	20,729	2,917	9,102	16,226	(26,669)	22,305

	For the Three Months Ended December 31, 2007					Consolidated
	Transportation		Industrial		Other (a)	
	Americas	Europe and ROW	Americas	Europe and ROW		
	(in thousands)					
Net sales	\$289,888	\$360,256	\$84,175	\$307,728	\$	\$1,042,047
Gross profit	54,874	47,654	22,801	40,504		165,833
Expenses	32,615	33,660	9,021	36,492	25,173	136,961
Income (loss) before reorganization items, income taxes, and minority interest	22,259	13,994	13,780	4,012	(25,173)	28,872

	For the Nine Months Ended December 31, 2008					Consolidated
	Transportation		Industrial		Other (a)	
	Americas	Europe and ROW	Americas	Europe and ROW		
	(in thousands)					
Net sales	\$895,128	\$731,510	\$230,707	\$810,705	\$	\$2,668,050
Gross profit	168,646	90,646	65,059	169,028		493,379
Expenses	97,470	94,908	29,209	130,385	110,942	462,914
Income (loss) before reorganization items, income taxes, and minority interest	71,176	(4,262)	35,850	38,643	(110,942)	30,465

	For the Nine Months Ended December 31, 2007					Consolidated
	Transportation		Industrial		Other (a)	
	Americas	Europe and ROW	Americas	Europe and ROW		
	(in thousands)					
Net sales	\$816,685	\$829,536	\$222,445	\$797,711	\$	\$2,666,377
Gross profit	152,118	102,398	57,619	105,109	(2,394)	414,850
Expenses	96,188	84,453	28,278	105,300	97,231	411,450
	55,930	17,945	29,341	(191)	(99,625)	3,400

Income (loss) before reorganization items, income taxes, and minority interest

(a) Other includes unallocated corporate expenses, interest expense, currency remeasurement gain/loss, and gain/loss on revaluation of warrants. For the nine months ended December 31, 2007, Other also includes a \$21.3 million loss on early extinguishment of debt.

(18) SUBSEQUENT EVENT

In January 2009, the Company announced its plan to close one of its transportation battery plants located in Europe. This initiative, among other incremental restructuring activities, is expected to result in a fiscal 2009 fourth quarter restructuring charge of approximately \$30 to \$40 million.

Table of Contents**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 42.1% 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 36% from \$2,842 per metric ton for the nine months ended December 31, 2007 to \$1,819 per metric ton for the nine months ended December 31, 2008. At January 30, 2009, the quoted price on the LME was \$1,151 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 impacted 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 as well as low-priced Asian imports in certain of the Company's markets.

Exchange Rates. The Company is exposed to foreign currency risk in most European countries, principally from fluctuations in the Euro. For the first nine months of fiscal 2009, the exchange rate of the Euro to the U.S. Dollar has increased 5.1% on average to \$1.46 compared to \$1.39 for the first nine months of fiscal 2008. At December 31, 2008,

the Euro was \$1.40 or 11.4% lower as compared to \$1.58 at March 31, 2008.

The Company is also exposed, although to a lesser extent, to foreign currency risk in Australia, countries in the Pacific Rim region, Poland, and the U.K. Fluctuations in 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. Fluctuations in European currencies impacted the Company's results for the periods presented herein. For the nine months ended

Table of Contents

December 31, 2008, approximately 57.8% of the Company's net sales were generated in Europe and ROW. Further, approximately 66.1% of the Company's aggregate accounts receivable and inventory as of December 31, 2008 were held by its European subsidiaries.

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.

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. In addition, many of the Company's industrial battery customers in Europe do not place their battery orders until the end of the calendar year. 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 nine months ended December 31, 2008. See Notes 3 and 7 to the Condensed Consolidated Financial Statements in this Form 10-Q.

Third quarter of Fiscal 2009 Highlights and Outlook

The Company's reported results continue to be impacted in fiscal 2009 by fluctuations in the price of lead and other commodity costs that are primary components in the manufacture of batteries, as well as fluctuations in 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 six 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 34.8% versus the third quarter of fiscal 2008, the second consecutive quarter in which spent battery prices decreased versus prior year levels. 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 lead market prices in Europe, and based on historical volatility in lead prices, 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 many OE customers. The Company currently obtains a small portion of its lead requirements from recycling in its European facilities.

The Company expects that volatilities in lead and other commodity costs, which affect all business segments, will continue to put pressure on 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.

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 ongoing restructuring plans, and organizational realignment of divisional and corporate functions intended to result in further headcount reductions, principally in selling, general and administrative functions globally.

(ii) Actions designed to improve the Company's liquidity and operating cash flow through working capital reduction plans, the sales 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.

Table of Contents

- (iii) Continued factory and distribution productivity improvements through its established Take Charge! initiative.
- (iv) Continued review and rationalization of the various brand offerings of products in its markets to gain efficiencies in manufacturing and distribution, and better leverage the Company's marketing spending.
- (v) 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, 2008 affect the preparation of its Condensed Consolidated Financial Statements. The reader of this report should refer to the Company's annual report for further information.

Results of Operations**Three months ended December 31, 2008 compared with three months ended December 31, 2007***Net Sales*

Net sales were \$782.6 million for the third quarter of fiscal 2009 versus \$1.04 billion in the third quarter of fiscal 2008. Foreign currency translation (primarily the weakening of the Euro against the U.S. dollar) unfavorably impacted net sales in the third quarter of fiscal 2009 by approximately \$57.4 million. Excluding the foreign currency translation impact, net sales decreased by approximately \$202.0 million, or 19.4% primarily as a result of lower unit sales and reduced pricing related to less costly commodities, primarily lead. This lower average price of lead contributed to lower consolidated net sales of \$109.1 million in the fiscal 2009 third quarter when compared to the fiscal 2008 third quarter.

	For the Three Months Ended		FAVORABLE (UNFAVORABLE)		
			December 31, 2008	December 31, 2007	Currency
					TOTAL (in thousands)
Transportation Americas	\$ 273,143	\$ 289,888	\$ (16,745)		\$ (16,745)
Europe & ROW	210,282	360,256	(149,974)	(25,153)	(124,821)
Industrial Energy Americas	64,681	84,175	(19,494)		(19,494)
Europe & ROW	234,496	307,728	(73,232)	(32,261)	(40,971)
TOTAL	\$ 782,602	\$ 1,042,047	\$ (259,445)	\$ (57,414)	\$ (202,031)

Transportation Americas net sales were \$273.1 million for the third quarter of fiscal 2009 versus \$289.9 million for the third quarter of fiscal 2008. Net sales were \$16.7 million or 5.8% lower due to decreased unit volumes in both the

OE and Aftermarket channels as well as a \$20.7 million unfavorable impact caused by the lower average price of lead, partially offset by favorable pricing actions.

Transportation Europe and ROW net sales were \$210.3 million for the third quarter of fiscal 2009 versus \$360.3 million for the third quarter of fiscal 2008. Net sales, excluding an unfavorable impact of \$25.2 million in foreign currency translation, were lower by \$124.8 million or 34.6% mainly due to significantly lower volumes in both the OE and Aftermarket channels as well as \$61.4 million in reduced pricing related to the decrease in the market price of lead.

Industrial Energy Americas net sales were \$64.7 million for the third quarter of fiscal 2009 versus \$84.2 million for the third

Table of Contents

quarter of fiscal 2008. Net sales were \$19.5 million or 23.2% lower due to decreased volumes in both the network power and motive power markets as well as a \$3.2 million unfavorable impact caused by the lower average price of lead, partially offset by favorable pricing actions.

Industrial Energy Europe and ROW net sales were \$234.5 million for the third quarter of fiscal 2009 versus \$307.7 million for the third quarter of fiscal 2008. Net sales, excluding an unfavorable foreign currency translation impact of \$32.3 million, decreased \$41.0 million or 13.3% due to lower volumes in the network power and motive power markets as well as \$23.8 million in reduced pricing related to the decrease in the market price of lead.

Gross Profit

Gross profit was \$162.0 million in the third quarter of fiscal 2009 versus \$165.8 million in the third quarter of fiscal 2008. Gross margin increased 4.8% to 20.7% from 15.9% in the third quarter of fiscal 2008. Gross profit in each of the Company's business segments was impacted by favorable pricing actions and improved manufacturing efficiencies. Foreign currency translation unfavorably impacted gross profit in the third quarter of fiscal 2009 by \$11.6 million.

	For the Three Months Ended				FAVORABLE (UNFAVORABLE)		
	December 31, 2008	Percent	December 31, 2007	Percent	TOTAL	Currency Related	Non-Currency Related
	TOTAL	of Net Sales	TOTAL	of Net Sales			
	(in thousands)						
Transportation							
Americas	\$ 53,459	19.6%	\$ 54,874	18.9%	\$ (1,415)		\$ (1,415)
Europe & ROW	33,205	15.8%	47,654	13.2%	(14,449)	(3,628)	(10,821)
Industrial Energy							
Americas	18,277	28.3%	22,801	27.1%	(4,524)		(4,524)
Europe & ROW	57,074	24.3%	40,504	13.2%	16,570	(7,928)	24,498
TOTAL	\$ 162,015	20.7%	\$ 165,833	15.9%	\$ (3,818)	\$ (11,556)	\$ 7,738

Transportation Americas gross profit was \$53.5 million or 19.6% of net sales in the third quarter of fiscal 2009 versus \$54.9 million or 18.9% of net sales in the third quarter of fiscal 2008. The slight decrease in gross profit is primarily due to lower unit sales in both the OE and Aftermarket channels coupled with lower profits on third party lead sales, partially offset by favorable pricing actions.

Transportation Europe and ROW gross profit was \$33.2 million or 15.8% of net sales in the third quarter of fiscal 2009 versus \$47.7 million or 13.2% of net sales in the third quarter of fiscal 2008. Foreign currency translation unfavorably impacted gross profit during the third quarter of fiscal 2009 by approximately \$3.6 million. The remaining decrease in gross profit was primarily due to significantly lower volumes in both the OE and Aftermarket channels.

Industrial Energy Americas gross profit was \$18.3 million or 28.3% of net sales in the third quarter of fiscal 2009 versus \$22.8 million or 27.1% of net sales in the third quarter of fiscal 2008. The decrease in gross profit was primarily due to decreased volumes in both the network power and motive power markets, partially offset by favorable pricing actions.

Industrial Energy Europe and ROW gross profit was \$57.1 million or 24.3% of net sales in the third quarter of fiscal 2009 versus \$40.5 million or 13.2% of net sales in the third quarter of fiscal 2008. Gross profit, excluding an unfavorable foreign currency translation impact of \$7.9 million, increased \$24.5 million primarily due to favorable pricing actions in both the network power and motive power markets and because of the lag of quarterly lead

escalators in a downward commodity market, as well as cost reductions resulting from the installation of the Take Charge! initiative at the division's manufacturing facilities.

Expenses

Total expenses were \$139.7 million in the third quarter of fiscal 2009 versus \$137.0 million in the third quarter of fiscal 2008, and were impacted by the following items:

Selling, marketing, and advertising expenses decreased \$3.9 million, to \$72.5 million in the third quarter of fiscal 2009 from \$76.4 million in the third quarter of fiscal 2008 due primarily to a favorable foreign currency translation impact of \$6.6 million. Excluding the foreign currency translation impact, the expenses increased by \$2.7 million primarily due to increases in advertising costs.

Table of Contents

General and administrative expenses decreased \$1.3 million, to \$42.3 million in the third quarter of fiscal 2009 from \$43.6 million in the third quarter of fiscal 2008. The decrease primarily resulted from a favorable foreign currency translation impact of \$3.3 million. Excluding the foreign currency translation impact, the expenses increased by \$2.0 million primarily due to increases in professional service fees.

Restructuring expenses increased \$6.1 million to \$7.8 million in the third quarter of fiscal 2009 from \$1.7 million in the third quarter of fiscal 2008. This increase related primarily to costs associated with headcount reductions in Europe.

Other income was \$0.4 million in the third quarter of fiscal 2009 versus 6.5 million in the third quarter of fiscal 2008. The decrease is primarily due to \$13.8 million higher foreign currency remeasurement losses, partially offset by \$7.1 million higher gains on revaluation of warrants.

Interest expense decreased \$4.2 million, to \$17.5 million in the third quarter of fiscal 2009 from \$21.7 million in the third quarter of fiscal 2008 primarily due to reduced borrowings, including a \$36.4 million reduction in factored accounts receivable in Europe, and more favorable interest rates.

Foreign currency translation favorably impacted expenses by \$9.8 million in the third quarter of fiscal 2009.

	For the Three Months Ended		FAVORABLE (UNFAVORABLE)		
	December 31, 2008	December 31, 2007	TOTAL	Currency Related	Non-Currency Related
			(in thousands)		
Transportation					
Americas	\$ 32,730	\$ 32,615	\$ (115)		\$ (115)
Europe & ROW	30,288	33,660	3,372	4,049	(677)
Industrial Energy					
Americas	9,175	9,021	(154)		(154)
Europe & ROW	40,848	36,492	(4,356)	4,550	(8,906)
Unallocated expenses	26,669	25,173	(1,496)	1,212	(2,708)
TOTAL	\$ 139,710	\$ 136,961	\$ (2,749)	\$ 9,811	\$ (12,560)

Transportation Americas expenses were essentially flat at \$32.7 million in the third quarter of fiscal 2009 versus \$32.6 million in the third quarter of fiscal 2008.

Transportation Europe and ROW expenses were \$30.3 million in the third quarter of fiscal 2009 versus \$33.7 million in the third quarter of fiscal 2008. Foreign currency translation favorably impacted expenses in the third quarter of fiscal 2009 by approximately \$4.0 million. Excluding the currency impact, expenses increased by \$0.7 million primarily due to \$2.9 million of restructuring costs, partially offset by lower sales commissions paid on reduced sales.

Industrial Energy Americas expenses were essentially flat at \$9.2 million in the third quarter of fiscal 2009 versus \$9.0 million in the third quarter of fiscal 2008.

Industrial Energy Europe and ROW expenses were \$40.8 million in the third quarter of fiscal 2009 versus \$36.5 million in the third quarter of fiscal 2008. Expenses, excluding a favorable foreign currency translation impact of approximately \$4.6 million, increased by \$9.0 million, primarily due to \$4.3 million of restructuring costs as well as higher sales commissions paid on more profitable sales.

Unallocated corporate expenses were \$26.7 million in the third quarter of fiscal 2009 versus \$25.2 million in the third quarter of fiscal 2008:

Table of Contents

	For the Three Months Ended December		FAVORABLE
	31, 2008	December 31, 2007	(UNFAVORABLE)
	(In thousands)		
Corporate expenses	\$ 10,726	\$ 10,015	\$ (711)
Restructuring	265	3	(262)
Other Income			
Currency remeasurement loss (gain)	5,229	(6,474)	(11,703)
Gain on revaluation of warrants	(7,062)	(3)	7,059
Other	(21)	(65)	(44)
Interest, net	17,532	21,697	4,165
TOTAL	\$ 26,669	\$ 25,173	\$ (1,496)

Foreign currency translation favorably impacted unallocated expenses by \$1.2 million in the third quarter of fiscal 2009.

Income Taxes

	For the Three Months Ended December	
	31, 2008	December 31, 2007
	(In thousands)	
Pre-tax income	\$21,896	\$ 27,670
Income tax provision	\$ 6,367	\$ 7,947
Effective tax rate	29.1%	28.7%

The effective tax rate for the third quarter of fiscal 2009 was impacted by the generation of taxable income in the U.S., whereas in the third quarter of fiscal 2008 the U.S. operations generated income offset by the reduction of valuation allowances resulting in no impact to the income tax provision. In addition, the effective tax rate for the third quarter of fiscal 2009 was impacted by \$7.1 million in warrant revaluation income, which is fully excluded for U.S. tax purposes. The effective tax rate for the third quarter of fiscal 2009 and fiscal 2008 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 third quarter of fiscal 2009 and 2008, respectively, was impacted by the recognition/(reduction) of \$0.2 million and \$0.4 million of valuation allowances on current period tax benefits generated primarily in the United Kingdom, France, Spain, Italy, and Australia. See Note 12 to the Condensed Consolidated Financial Statements for further discussion of the Company's effective tax rate.

Nine months ended December 31, 2008 compared with nine months ended December 31, 2007*Net Sales*

Net sales were essentially flat at \$2.67 billion in the first nine months of fiscal 2009 versus \$2.67 billion in the first nine months of fiscal 2008. Foreign currency translation favorably impacted net sales in the first nine months of fiscal 2009 by approximately \$60.2 million. Excluding the foreign currency translation impact, net sales decreased by approximately \$58.6 million, or 2.2% primarily as a result of lower unit sales and reduced pricing related to lower lead prices. This lower average price of lead contributed to lower consolidated net sales of \$39.9 million in the fiscal 2009 first nine months when compared to the fiscal 2008 first nine months.

Table of Contents

	For the Nine Months Ended		FAVORABLE (UNFAVORABLE)			
	December 31, 2008	December 31, 2007	TOTAL (in thousands)	Currency	Non-Currency	
				Related	Related	
Transportation						
Americas	\$ 895,128	\$ 816,685	\$ 78,443		\$ 78,443	
Europe & ROW	731,510	829,536	(98,026)	30,573	(128,599)	
Industrial Energy						
Americas	230,707	222,445	8,262		8,262	
Europe & ROW	810,705	797,711	12,994	29,655	(16,661)	
TOTAL	\$ 2,668,050	\$ 2,666,377	\$ 1,673	\$ 60,228	\$ (58,555)	

Transportation Americas net sales were \$895.1 million in the first nine months of fiscal 2009 versus \$816.7 million in the first nine months of fiscal 2008. Net sales were \$78.4 million or 9.6% higher due to the favorable impact of price increases, partially offset by a decline in aftermarket and OE unit sales as well as a \$27.3 million unfavorable impact caused by the lower average price of lead.

Transportation Europe and ROW net sales were \$731.5 million in the first nine months of fiscal 2009 versus \$829.5 million in the first nine months of fiscal 2008. Foreign currency translation favorably impacted the first nine months of fiscal 2009 by approximately \$30.6 million. Excluding the currency impact, net sales were \$128.6 million or 15.5% lower, primarily due to lower unit volumes in the aftermarket and OE channels as well as \$5.7 million in reduced pricing related to the decrease in the market price of lead, partially offset by favorable pricing actions in both channels.

Industrial Energy Americas net sales in the first nine months of fiscal 2009 were \$230.7 million versus \$222.4 million in the first nine months of fiscal 2008. Net sales were \$8.3 million or 3.7% higher due to favorable pricing actions implemented in both the network power and motive power markets, partially offset by lower unit sales in the motive power market.

Industrial Energy Europe and ROW net sales in the first nine months of fiscal 2009 were \$810.7 million versus \$797.7 million in the first nine months of fiscal 2008. Net sales, excluding a favorable foreign currency translation impact of \$29.7 million, decreased \$16.7 million or 2.1% primarily due to lower unit sales in both the network power and motive power markets as well as an \$0.4 million unfavorable impact caused by the lower average price of lead, partially offset by favorable pricing actions implemented in both markets.

Gross Profit

Gross profit was \$493.4 million, or 18.5% of net sales in the first nine months of fiscal 2009 versus \$414.9 million, or 15.6% of net sales in the first nine months of fiscal 2008. Foreign currency translation favorably impacted gross profit in the first nine months of fiscal 2009 by approximately \$6.0 million. Gross profit in each of the Company's business segments was impacted by favorable pricing actions and improved manufacturing efficiencies, partially offset by lower unit sales.

TOTAL	For the Nine Months Ended		FAVORABLE (UNFAVORABLE)			
	December 31, 2008	December 31, 2007	TOTAL	Currency	Non-Currency	
	Percent of Net Sales	Percent of Net Sales		Related	Related	

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(in thousands)

Transportation							
Americas	\$ 168,646	18.8%	\$ 152,118	18.6%	\$ 16,528		\$ 16,528
Europe & ROW	90,646	12.4%	102,398	12.3%	(11,752)	2,277	(14,029)
Industrial Energy							
Americas	65,059	28.2%	57,619	25.9%	7,440		7,440
Europe & ROW	169,028	20.8%	105,109	13.2%	63,919	3,732	60,187
Unallocated Other		n/a	(2,394)	n/a	2,394		2,394
TOTAL	\$ 493,379	18.5%	\$ 414,850	15.6%	\$ 78,529	\$ 6,009	\$ 72,520

25

Table of Contents

Transportation Americas gross profit was \$168.6 million, or 18.8% of net sales in the first nine months of fiscal 2009 versus \$152.1 million, or 18.6% of net sales in the first nine months of fiscal 2008. The increase was primarily due to favorable pricing actions, partially offset by lower unit sales.

Transportation Europe and ROW gross profit was \$90.6 million, or 12.4% of net sales in the first nine months of fiscal 2009 versus \$102.4 million, or 12.3% of net sales in the first nine months of fiscal 2008. Foreign currency translation favorably impacted gross profit in the first nine months of fiscal 2009 by approximately \$2.3 million. Excluding the currency impact, gross profit decreased by approximately \$14.0 million primarily as a result of lower unit volumes in both the OE and aftermarket channels, partially offset by favorable pricing actions.

Industrial Energy Americas gross profit was \$65.1 million or 28.2% of net sales in the first nine months of fiscal 2009 versus \$57.6 million or 25.9% of net sales in the first nine months of fiscal 2008. The increase was due to favorable pricing actions in both the network power and motive power markets, partially offset by lower units volumes in the motive power market.

Industrial Energy Europe and ROW gross profit was \$169.0 million or 20.8% of net sales in the first nine months of fiscal 2009 versus \$105.1 million or 13.2% of net sales in the first nine months of fiscal 2008. Foreign currency translation favorably impacted gross profit in the first nine months of fiscal 2009 by approximately \$3.7 million. Excluding the currency impact, gross profit increased by \$60.2 million primarily as a result of favorable pricing actions in both the network and motive power markets and because of the lag of quarterly lead escalators in a downward commodity market, as well as cost reductions resulting from the installation of the Take Charge! initiative at the division's manufacturing facilities. These increases were partially offset by lower unit volumes in both the network power and motive power markets.

Unallocated other was \$2.4 million in the first nine months of fiscal 2008. These costs relate to environmental remediation clean-up activities for a former secondary lead recycling plant and production facility. As this site was closed many years ago, the costs have not been allocated to the current business segments.

Expenses

Total expenses were \$462.9 million in the first nine months of fiscal 2009 versus \$411.4 million in the first nine months of fiscal 2008, and were primarily impacted by the following items:

Selling, marketing, and advertising increased \$17.9 million, to \$231.0 million in the first nine months of fiscal 2009 from \$213.1 million in the first nine months of fiscal 2008. Foreign currency translation unfavorably impacted selling, marketing, and advertising costs in the first nine months of fiscal 2009 by approximately \$2.1 million. The remaining increase was due primarily to increases in commissions on more profitable sales, and increases in advertising costs.

General and administrative increased \$6.1 million, to \$133.0 million in the first nine months of fiscal 2009 from \$126.9 million in the first nine months of fiscal 2008. Foreign currency translation unfavorably impacted general and administrative costs in the first nine months of fiscal 2009 by approximately \$2.6 million. The remaining increase was due primarily to higher professional service fees.

Restructuring increased \$13.4 million, to \$19.7 million in the first nine months of fiscal 2009 from \$6.3 million in the first nine months of fiscal 2008. This increase is due primarily to costs associated with headcount reductions in Europe and Australia.

Other (income) expense was \$24.1 million in the first nine months of fiscal 2009 versus (\$20.5) million in the first nine months of fiscal 2008. The increase in expense is primarily due to \$51.8 million higher foreign currency remeasurement losses, partially offset by \$5.4 million higher gain in revaluation of warrants liability.

Interest expense decreased \$9.1 million, to \$55.2 million in the first nine months of fiscal 2009 from \$64.3 million in the first nine months of fiscal 2008 due primarily to lower borrowings and the favorable impact of lower interest rates on borrowings under the Company's Credit Agreement.

Foreign currency translation unfavorably impacted expenses by \$10.2 million in the first nine months of fiscal 2009.

Table of Contents

	For the Nine Months Ended December 31, 2008 December 31, 2007		FAVORABLE (UNFAVORABLE)		
			TOTAL (in thousands)	Currency	Non-Currency
				Related	Related
Transportation					
Americas	\$ 97,470	\$ 96,188	\$ (1,282)		\$ (1,282)
Europe & ROW	94,908	84,453	(10,455)	(2,332)	(8,123)
Industrial Energy					
Americas	29,209	28,278	(931)		(931)
Europe & ROW	130,385	105,300	(25,085)	(5,372)	(19,713)
Unallocated expenses	110,942	97,231	(13,711)	(2,536)	(11,175)
TOTAL	\$ 462,914	\$ 411,450	\$ (51,464)	\$ (10,240)	\$ (41,224)

Transportation Americas expenses were \$97.5 million in the first nine months of fiscal 2009 versus \$96.2 million in the first nine months of fiscal 2008. The increase was primarily due to higher selling and marketing costs related to higher sales.

Transportation Europe and ROW expenses were \$94.9 million in the first nine months of fiscal 2009 versus \$84.5 million in the first nine months of fiscal 2008. Foreign currency translation unfavorably impacted expenses in the first nine months of fiscal 2009 by approximately \$2.3 million. Excluding the impact of foreign currency translation, expenses increased by \$8.1 million primarily due to \$5.9 million in restructuring costs as well as higher selling and marketing costs.

Industrial Energy Americas expenses were \$29.2 million in the first nine months of fiscal 2009 versus \$28.3 million in the first nine months of fiscal 2008. The increase was primarily due to higher selling and marketing costs related to higher sales.

Industrial Energy Europe and ROW expenses were \$130.4 million in the first nine months of fiscal 2009 versus \$105.3 million in the first nine months of fiscal 2008. Expenses, excluding an unfavorable foreign currency translation impact of \$5.4 million, increased by \$19.7 million, primarily due to \$12.4 million in restructuring costs as well as higher sales commissions related to more profitable sales.

Unallocated expenses were \$110.9 million in the first nine months of fiscal 2009 versus \$97.2 million in the first nine months of fiscal 2008:

	For the Nine Months Ended		FAVORABLE (UNFAVORABLE)
	December 31, 2008	December 31, 2007	
	(In thousands)		
Corporate expenses	\$ 30,991	\$ 31,684	\$ 693
Restructuring	420	99	(321)
Other Income			
Currency remeasurement loss (gain)	30,988	(19,065)	(50,053)
Gain on revaluation of warrants	(6,591)	(1,194)	5,397
Other	(24)	45	69
Interest, net	55,158	64,320	9,162
Loss on early extinguishment of debt		21,342	21,342

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TOTAL	\$ 110,942	\$	97,231	\$	(13,711)
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Foreign currency translation unfavorably impacted unallocated expenses by \$2.5 million in the first nine months of fiscal 2009.

27

Table of Contents*Income Taxes*

	For the Nine Months Ended	
	December 31, 2008	December 31, 2007
	(In thousands)	
Pre-tax income	\$29,121	\$ 988
Income tax provision	\$33,245	\$ 30,859
Effective tax rate	114.2%	3119.4%

The effective tax rate for the first nine months of fiscal 2009 and fiscal 2008 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 nine months of fiscal 2009 and 2008, respectively, was impacted by the recognition/(reduction) of \$23.8 million and \$7.1 million of valuation allowances on current period tax benefits generated primarily in the United Kingdom, France, Spain, Italy, and Australia. During the first nine months of fiscal 2009 the Company established a full valuation reserve of \$13.3 million on its net deductible temporary differences and loss carryforwards related to its Australian operations. The effective tax rate for the first nine months of fiscal 2009 was impacted by the generation of income tax in the U.S., whereas in the first nine months of fiscal 2008 the U.S. operations generated income offset by the reduction of valuation allowances resulting in no impact to the income tax provision. The income tax provision for the first nine months of fiscal 2009 decreased as a result of the removal of \$3.1 million in valuation allowances against net deferred tax assets generated from the Company's Austrian and Mexican operations. The income tax provision for the first nine months of fiscal 2008 included a \$16.7 million additional provision due to a reduction in the deferred tax assets for Germany due to legislation enacted during the period which reduced the Company's German subsidiaries' marginal tax rate from approximately 37.0% to approximately 28.0%. 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 December 31, 2008, the Company had cash and cash equivalents of \$148.4 million and availability under the Company's revolving loan facility of \$141.2 million. This compared to cash and cash equivalents of \$90.5 million and availability under the revolving loan facility of \$136.4 million as of March 31, 2008.

On May 15, 2007, the Company entered into the five-year \$495.0 million Credit Agreement that replaced the prior senior secured credit facility. The loans have a variable interest rate based on three-month LIBOR. The weighted average interest rate on borrowings under the Credit Agreement at December 31, 2008 and March 31, 2008 was 5.0% and 6.7%, respectively. In February 2008, the Company purchased a \$200 million interest rate swap to hedge the variable interest rate of a portion of this loan. See Note 3 to the Condensed Consolidated Financial Statements. 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 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 it 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.

Table of Contents*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 loan will mature in May 2012, but is prepayable at any time at par value.

The term loan will amortize as follows: 0.25% of the initial principal balance of the term loan 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 loan 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. The 10.5% senior secured notes are redeemable at the option of the Company, in whole or in part, subject to payment of a make whole premium, at any time prior to March 15, 2009. In the event of a change of control or the sale of certain assets, the Company may be required to offer to purchase the 10.5% senior secured notes from the note holders. Those notes are secured by a junior priority lien on the assets of the U.S. parent company, including the stock of its subsidiaries. The Indenture for these notes contains financial covenants which limit the ability of the Company and its subsidiaries to among other things incur debt, grant liens, pay dividends, invest in non-subsidiaries, engage in related party transactions and sell assets. Under the Indenture, proceeds from asset sales (to the extent in excess of a \$5.0 million threshold) must be applied to offer to repurchase notes to the extent such proceeds exceed \$20.0 million in the aggregate and are not applied within 365 days to 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 December 31, 2008 and March 31, 2008 was 0.5% and 1.3%, respectively. Interest is payable quarterly. The notes are convertible into the Company's common stock at a conversion rate of 61.6143 shares per one thousand dollars principal amount at maturity, subject to adjustments for any common stock splits, dividends on the common stock, tender and exchange offers by the Company for the common stock and third-party tender offers, and in the case of a change in control in which 10% or more of the consideration for the common stock is cash or non-traded securities, the conversion rate increases, depending on the value offered and timing of the transaction, to as much as 70.2247 shares per one thousand dollars principal amount.

At December 31, 2008, the Company was in compliance in all material respects with covenants contained in the Credit Agreement and indenture agreements that cover the 10.5% senior secured notes and floating rate convertible

subordinated notes.

At December 31, 2008, the Company had outstanding letters of credit with a face value of \$56.4 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

Table of Contents

sureties in the form of letters of credit at December 31, 2008, pursuant to the terms of the agreement, was \$4.3 million.

Risks and uncertainties could cause the Company's performance to differ from management's estimates. As discussed 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 issuance, and the sale of non-core businesses and assets.

Cash flows provided by (used in) operating activities were \$120.5 million and (\$93.8) million in the first nine months of fiscal 2009 and fiscal 2008, respectively. The operating cash flows in the first nine months of fiscal 2009 were primarily attributable to the decrease in net loss to \$5.1 million in the first nine months of fiscal 2009 from \$31.2 million in the first nine months of fiscal 2008 (which included a \$21.3 million non-cash charge for early extinguishment of debt), improved collection in accounts receivable, and lower inventory resulting primarily from decreased lead costs, partially offset by lower payables due to timing of payments.

The Company generated \$12.9 million and \$3.7 million net from the sale/purchase of assets in the first nine months of fiscal 2009 and fiscal 2008, respectively. These sales principally relate to the sale of surplus land and buildings.

Going forward, the Company's principal sources of liquidity will be cash on hand, cash from operations, available accounts receivable factoring, 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 (used in) provided by financing activities was (\$8.3) million and \$121.3 million in the first nine months of fiscal 2009 and fiscal 2008, respectively. This decrease relates primarily to prior year borrowings under the Company's Credit Agreement and proceeds from the Company's rights offering in September 2007.

Total debt at December 31, 2008 was \$687.0 million, as compared to \$716.2 million at March 31, 2008. See Note 7 to the Condensed Consolidated Financial Statements for the composition of such debt.

The Company anticipates that it will have ongoing liquidity needs to support its operational restructuring programs during the remainder of fiscal 2009, which include payment of remaining accrued restructuring costs of approximately \$5.3 million as of December 31, 2008. Restructuring costs of \$19.4 million and \$7.4 million were paid during the first nine months of fiscal 2009 and 2008, respectively. For further discussion see Note 13 to the Condensed Consolidated Financial Statements.

Capital expenditures were \$58.7 million and \$39.3 million in the first nine months of fiscal 2009 and 2008, respectively.

The estimated fiscal 2009 pension plan contributions are \$41.8 million and other post-retirement contributions are \$2.2 million. Payments aggregating \$35.2 million were made during the nine months ended December 31, 2008.

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.

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 \$21.5 million and \$94.3 million of foreign currency trade accounts receivable as of December 31, 2008 and March 31, 2008, respectively. Changes in the level of receivables sold from period to period are included in the change in accounts receivable within cash flow from operations.

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

Changes to the quantitative and qualitative market risks as of December 31, 2008 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, 2008 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.

Changes in Internal Control Over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting during the fiscal quarter ended December 31, 2008 that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

Table of Contents

**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.

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 2008 Form 10-K have not materially changed since we filed our fiscal 2008 Form 10-K, except for the following. See Item 1A to Part I of the Company's fiscal 2008 Form 10-K for a complete discussion of these risk factors.

Adverse global economic conditions could have a material adverse effect on the Company's business, financial condition and results of operations.

Unfavorable changes in global economic conditions, including tightening credit markets, inflation and recession, may result in consumers, businesses and governments deferring or lowering purchases of the Company's products in the future. These economic conditions also may impact the ability of the Company's customers to pay or obtain sufficient credit to finance the Company's products and services. As a result, reserves for doubtful accounts and write-offs of accounts receivable may increase. In addition, the Company's ability to meet customer's demands depend, in part, on the Company's ability to obtain timely and adequate delivery of quality materials, parts and components from its suppliers. If certain key suppliers were to become capacity constrained or insolvent as a result of the global economic conditions, it could result in a reduction or interruption in supplies or a significant increase in the price of supplies. If such economic conditions persist, the Company's financial results of operations could be adversely impacted.

Recently adopted U.S. lead emissions standards under the NAAQS and the implementation of such standards by applicable states could have a material adverse effect on the Company's financial condition, cash flows and results of operations.

On October 15, 2008, the EPA published new lead emissions standards under the NAAQS, which are expected to be effective soon after December 15, 2008. The new standards further restrict lead emissions by reducing the off-site concentration standards for lead in air from 1.5 micrograms per cubic meter to 0.15 micrograms per cubic meter. The Company believes that the new standards will likely impact a number of its U.S. facilities. Under the CAA, publication by the EPA of these ambient air quality standards initiates a process in which the states develop rules implementing such standards, and the likelihood and timing of the implementation of these emission standards, as adopted, has not been determined. Options available under the CAA to appeal and obtain reconsideration or revisions that are more reasonable and feasible are being considered. Although the final impact on the Company's operations cannot be reasonably determined at the current time, the Company believes that the impact of these recently adopted lead emissions standards on its U.S. facilities could have a material adverse effect on its financial condition, cash flows or results of operations.

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

Period	(a) Total Number of Shares (or Units) Purchased (1)	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
October 1 through October 31	1,719	\$ 5.32		
November 1 through November 30	2,503	\$ 3.87		

December 1 through December 31

234

\$ 4.14

- (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

Table of Contents

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.

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.

34

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: February 4, 2009

35