

EXIDE TECHNOLOGIES
Form 10-Q
November 09, 2011

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

(Mark One)

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

For the quarterly period ended September 30, 2011

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

Commission File Number 1-11263

EXIDE TECHNOLOGIES

(Exact Name of Registrant as Specified in Its Charter)

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

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

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

**30004
(Zip Code)**

(678) 566-9000

(Registrant's telephone number, including area code)

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

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company

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 October 28, 2011, 78,122,823 shares of common stock were outstanding.

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

	For the Three Months Ended		For the Six Months Ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
	(In thousands, except per-share data)			
Net sales	\$ 772,953	\$ 668,008	\$ 1,518,048	\$ 1,312,674
Cost of sales	654,339	537,084	1,282,784	1,067,032
Gross profit	118,614	130,924	235,264	245,642
Selling and administrative expenses	96,140	99,400	198,877	195,416
Restructuring and impairments, net	1,281	5,239	1,577	13,444
Operating income	21,193	26,285	34,810	36,782
Other expense (income), net	5,751	(8,953)	5,870	1,368
Interest expense, net	18,074	15,161	35,735	30,144
(Loss) income before income taxes	(2,632)	20,077	(6,795)	5,270
Income tax provision (benefit)	995	1,988	2,628	(3,813)
Net (loss) income	(3,627)	18,089	(9,423)	9,083
Net (loss) income attributable to noncontrolling interests	(39)	132	(643)	170
Net (loss) income attributable to Exide Technologies	\$ (3,588)	\$ 17,957	\$ (8,780)	\$ 8,913
(Loss) income per share				
Basic	\$ (0.05)	\$ 0.23	\$ (0.11)	\$ 0.12
Diluted	(0.05)	0.22	(0.11)	0.11
Weighted average shares				
Basic	77,627	76,492	77,573	76,416
Diluted	77,627	80,603	77,573	80,634

The accompanying notes are an integral part of these statements.

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

	September 30, 2011	March 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 84,832	\$ 161,363
Accounts receivable, net	493,593	508,937
Inventories, net	555,835	519,909
Prepaid expenses and other current assets	26,882	22,476
Deferred income taxes	30,152	31,115
Total current assets	1,191,294	1,243,800
Property, plant and equipment, net	594,749	611,635
Other assets:		
Goodwill and intangibles, net	166,181	178,418
Deferred income taxes	78,601	81,036
Other noncurrent assets	67,656	68,775
	312,438	328,229
Total assets	\$ 2,098,481	\$ 2,183,664
 LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Short-term borrowings	\$ 21,075	\$ 9,088
Current maturities of long-term debt	1,448	2,132
Accounts payable	404,845	417,156
Accrued expenses	251,850	273,387
Total current liabilities	679,218	701,763
Long-term debt	749,369	746,938
Noncurrent retirement obligations	198,367	214,236
Deferred income taxes	9,823	15,898
Other noncurrent liabilities	98,067	98,940
Total liabilities	1,734,844	1,777,775
 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, 78,089 and 77,498 shares issued and outstanding	781	775
Additional paid-in capital	1,131,582	1,127,124

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Accumulated deficit	(781,432)	(772,652)
Accumulated other comprehensive income	12,055	49,540
Total stockholders' equity attributable to Exide Technologies	362,986	404,787
Noncontrolling interests	651	1,102
Total stockholders' equity	363,637	405,889
Total liabilities and stockholders' equity	\$ 2,098,481	\$ 2,183,664

The accompanying notes are an integral part of these statements.

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

	For the Six Months Ended	
	September 30, 2011	September 30, 2010
Cash Flows From Operating Activities:		
Net (loss) income	\$ (9,423)	\$ 9,083
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities		
Depreciation and amortization	43,284	41,586
Net loss on asset sales / impairments	423	1,353
Deferred income taxes	(5,631)	(8,815)
Provision for doubtful accounts	585	200
Non-cash stock compensation	2,585	3,259
Amortization of deferred financing costs	2,143	2,433
Currency remeasurement loss	9,383	226
Changes in assets and liabilities		
Receivables	(4,857)	39,630
Inventories	(63,121)	(48,504)
Other current assets	(8,315)	(1,528)
Payables	12,912	3,131
Accrued expenses	(13,549)	(20,611)
Other noncurrent liabilities	(6,121)	2,914
Other, net	(4,172)	1,525
Net cash (used in) provided by operating activities	(43,874)	25,882
Cash Flows From Investing Activities:		
Capital expenditures	(43,192)	(30,592)
Proceeds from asset sales	36	1,301
Net cash used in investing activities	(43,156)	(29,291)
Cash Flows From Financing Activities:		
Increase in short-term borrowings	14,035	894
Decrease in borrowings under Senior Secured Credit Facility		(7,591)
Decrease in other debt	(1,316)	(809)
Acquisition of noncontrolling interests/other	340	(3,146)
Net cash provided by (used in) financing activities	13,059	(10,652)
Effect of exchange rate changes on cash and cash equivalents	(2,560)	1,883

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Net decrease in cash and cash equivalents	(76,531)	(12,178)
Cash and cash equivalents, beginning of period	161,363	89,558
Cash and cash equivalents, end of period	\$ 84,832	\$ 77,380

Supplemental Disclosures of Cash Flow Information:

Cash paid during the period -		
Interest	\$ 34,357	\$ 23,369
Income taxes (net of refunds)	\$ 6,118	\$ 1,155

The accompanying notes are an integral part of these statements.

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EXIDE TECHNOLOGIES AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
September 30, 2011
(Unaudited)

(1) BASIS OF PRESENTATION

The Condensed Consolidated Financial Statements include the accounts of Exide Technologies (referred to together with its subsidiaries, unless the context requires otherwise, as Exide or the Company) and all of its majority-owned subsidiaries. These statements are presented in accordance with the requirements of Form 10-Q and consequently do not include all of the disclosures normally required by generally accepted accounting principles in the United States (GAAP), or those disclosures normally made in the Company s annual report on Form 10-K. Accordingly, the reader of this Form 10-Q should refer to the Company s annual report on Form 10-K for the fiscal year ended March 31, 2011 for further information.

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

Unless otherwise indicated or unless the context otherwise requires, references to fiscal year refer to the period ended March 31 of that year (e.g., fiscal 2012 refers to the period beginning April 1, 2011 and ending March 31, 2012). Certain comparative prior period amounts in the Condensed Consolidated Financial Statements have been reclassified to conform to current period presentation. Specifically, the Company reclassified approximately \$5.8 million and \$11.5 million from selling and administrative expenses to cost of sales in the prior year three and six month periods, respectively, to conform the classification of certain Industrial Energy Europe and Rest of World (ROW) headcount and related expenses to that of other operating segments. This reclassification did not impact operating income or cash flows.

On October 11, 2011, the Company was apprised of allegations of intentional misstatement of production and inventory entries at the Company s Portugal recycling facility. The Company immediately commenced an investigation into the allegations. The Company has determined that intentional misstatements of production and inventories were made, which resulted in overstatements of inventory and understatements of cost of sales over a multi-year period. The Company has concluded that the amounts necessary to correct these errors are not material to expected fiscal 2012 full year results and the Company has concluded that the amounts associated with each of the relevant prior fiscal periods impacted are not material. Accordingly, the Company s financial results for the second fiscal quarter include an out of period adjustment of \$5.1 million for the Transportation Europe and ROW segment to correct these errors.

(2) STOCKHOLDERS EQUITY AND COMPREHENSIVE (LOSS) INCOME

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

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Noncontrolling Interests	Total Stockholders Equity
	(In thousands)					
Balance at April 1, 2011	\$ 775	\$ 1,127,124	\$ (772,652)	\$ 49,540	\$ 1,102	\$ 405,889
Net loss			(8,780)		(643)	(9,423)
Defined benefit plans, net of tax of \$25				(70)		(70)
Translation adjustment				(33,681)	192	(33,489)

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Net recognition of unrealized gain on derivatives, net of tax \$1,454					(3,734)		(3,734)
Common stock issuance/other	6	1,873					1,879
Stock compensation		2,585					2,585
Balance at September 30, 2011	\$ 781	\$ 1,131,582	\$ (781,432)	\$	12,055	\$	651 \$ 363,637

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

	For the Three Months Ended		For the Six Months Ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
	(In thousands)			
Net (loss) income	\$ (3,627)	\$ 18,089	\$ (9,423)	\$ 9,083
Defined benefit plans	(76)	(348)	(70)	132
Cumulative translation adjustment	(45,937)	24,261	(33,489)	5,015
Derivatives qualifying as hedges	(4,469)	778	(3,734)	1,705
 Total comprehensive (loss) income	 \$ (54,109)	 \$ 42,780	 \$ (46,716)	 \$ 15,935

(3) ACCOUNTING FOR DERIVATIVES

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

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

The Company enters into commodity swap and forward contracts for various time periods usually not exceeding one year. The Company uses these contracts to mitigate the effects of its exposure to price variability on certain raw materials and other costs included in the delivered cost of its products. These contracts have generally been designated as cash flow hedging instruments. Changes in the fair value of these contracts are recognized in cost of sales as the products containing the hedged commodities are sold to customers.

The Company enters into foreign currency forward contracts for various time periods ranging from one month to several years. The Company uses these contracts to mitigate the effect of its exposure to foreign currency remeasurement gains and losses on selected transactions that will be settled in a currency other than the functional currency of the transacting entity. These contracts have been designated as fair value hedging instruments. Changes in the fair value of these currency forward contracts are recognized immediately in earnings.

The Company also enters into interest rate swaps for time periods ranging from one month to several years in order to mitigate exposures related to interest rates on long-term debt. During the second quarter of fiscal 2012, the Company entered into two interest rate swap contracts to convert a total of \$100.0 million of its \$675.0 million Senior Secured Notes from a fixed rate of 8.625% to floating rates through February 1, 2018. The swaps' notional values were \$75.0 million and \$25.0 million, and were both designated as fair value hedging instruments in which changes in the

fair value of the instruments are reflected as adjustments to the carrying value of the hedged debt. On September 22, 2011, the counterparty to the \$25.0 million swap notified the Company of its intention to exercise a call option on a portion of that instrument, at which point the Company de-designated that swap as a fair value hedging instrument.

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

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	Balance Sheet Location	Fair Value As of	
		September 30, 2011	March 31, 2011
		(In thousands)	
Asset Derivatives:			
Interest rate swap	Current assets	\$ 1,773	\$
Foreign currency forwards	Current assets	1,389	
Commodity swaps	Current assets		1,564
Interest rate swap	Noncurrent assets	2,427	
Liability Derivatives:			
Foreign currency forwards	Current liabilities		2,555
Commodity swap / forwards	Current liabilities	5,500	1,263

	Statement of Operations Location	For the Three Months Ended		For the Six Months Ended	
		September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
		(In thousands)			
Foreign currency forwards					
	Other (income) expense, net				
(Gain) loss		\$ (8,121)	\$ 12,922	\$ (6,157)	\$ (2,824)
Commodity swaps / forwards					
	Cost of goods sold				
Loss (gain)		810	(185)	810	(78)
Interest Rate Swaps					
	Interest expense, net				
(gain) loss		(518)	1,469	(518)	2,898

(4) GOODWILL AND INTANGIBLE ASSETS

Goodwill and intangible assets consist of:

	Goodwill (not subject to amortization)	Trademarks and Tradenames (not subject to amortization)	Trademarks and Tradenames (subject to amortization)	Customer Relationships	Technology	Total
	(In thousands)					
As of September 30, 2011						
Gross amount	\$ 4,163	\$ 60,819	\$ 13,821	\$ 114,295	\$ 30,433	\$ 223,531
Accumulated amortization			(8,095)	(35,164)	(14,091)	(57,350)

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Net	\$	4,163	\$	60,819	\$	5,726	\$	79,131	\$	16,342	\$	166,181
As of March 31, 2011												
Gross amount	\$	4,568	\$	63,561	\$	14,444	\$	119,454	\$	31,986	\$	234,013
Accumulated amortization						(7,891)		(34,273)		(13,431)		(55,595)
Net	\$	4,568	\$	63,561	\$	6,553	\$	85,181	\$	18,555	\$	178,418

Amortization of intangible assets for the first six months of fiscal 2012 and 2011 were \$4.5 million and \$4.3 million, respectively. Excluding the impact of any future acquisitions (if any), the Company anticipates annual amortization of intangible assets for each of the next five years to be approximately \$8.0 million to \$9.0 million. Goodwill and intangible assets have been recorded at the legal entity level and are subject to foreign currency fluctuation.

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

	September 30, 2011	March 31, 2011
	(In thousands)	
Raw materials	\$ 85,828	\$ 83,584
Work-in-process	134,067	128,003
Finished goods	335,940	308,322
	\$ 555,835	\$ 519,909

(6) OTHER NONCURRENT ASSETS

Other noncurrent assets consist of the following:

	September 30, 2011	March 31, 2011
	(In thousands)	
Deposits (a)	\$ 17,731	\$ 21,813
Deferred financing costs	22,334	23,982
Investment in affiliates	2,075	1,988
Capitalized software, net	2,383	3,102
Loan to affiliate	1,005	1,005
Retirement plans	15,542	12,523
Financial instruments	2,427	
Other	4,159	4,362
	\$ 67,656	\$ 68,775

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

(7) DEBT

At September 30, 2011 and March 31, 2011, short-term borrowings of \$21.1 million and \$9.1 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 4.7% at September 30, 2011 and March 31, 2011, respectively.

Total long-term debt consists of:

	September 30, 2011	March 31, 2011
	(In thousands)	
8 5/8% Senior Secured Notes due 2018	\$ 675,000	\$ 675,000
Floating Rate Convertible Senior Subordinated Notes due 2013	60,000	60,000
Other, including capital lease obligations and other loans at interest rates generally ranging up to 11.0% due in installments through 2024	12,043	14,070

	747,043	749,070
Fair value adjustments on hedged debt	3,774	
Total	750,817	749,070
Less-current maturities	1,448	2,132
Total long-term debt	\$ 749,369	\$ 746,938

Total debt at September 30, 2011 and March 31, 2011 was \$771.9 million and \$758.2 million, respectively.

As discussed in Note 3, the Company purchased interest rate swaps during the second fiscal quarter to hedge fair value risk associated with the fixed interest rate on \$100.0 million of its Senior Secured Notes. The interest rate swaps have been designated as fair value hedging instruments.

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Interest income of \$0.2 million and \$0.1 million, \$0.9 million and \$0.3 million is included in interest expense, net for the three months and six months ended September 30, 2011 and 2010, respectively.

(9) OTHER EXPENSE (INCOME), NET

Other expense (income), net consist of:

	For the Three Months Ended		For the Six Months Ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
	(In thousands)			
Currency remeasurement loss (gain) (a)	6,832	(9,530)	9,383	226
Reorganization items (b)	311	865	865	1,502
Gain on interest rate swap	(1,301)		(4,645)	
Other	(91)	(288)	267	(360)
	\$ 5,751	\$ (8,953)	\$ 5,870	\$ 1,368

- (a) The currency remeasurement loss (gain) relates primarily to intercompany loans to foreign subsidiaries denominated in Euros, the Australian dollar, Polish Zloty, Belarus ruble, and various other foreign currencies.
- (b) Reorganization items primarily consist of professional fees and claim settlements related to the Company's prior bankruptcy filing from which the successor Company emerged May 2004.

(10) EMPLOYEE BENEFITS

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

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	Pension Benefits			
	For the Three Months Ended		For the Six Months Ended	
	September	September 30,	September	September 30,
	30,	2010	30, 2011	2010
	2011			
				(In thousands)
Components of net periodic benefit cost:				
Service cost	\$ 643	\$ 796	\$ 1,229	\$ 1,577
Interest cost	8,329	8,297	16,327	16,499
Expected return on plan assets	(7,805)	(7,200)	(15,412)	(14,319)
Amortization of:				
Prior service cost	22	2	43	5
Actuarial loss	165	265	335	530
Net periodic benefit cost	\$ 1,354	\$ 2,160	\$ 2,522	\$ 4,292

	Other Post-Retirement Benefits			
	For the Three Months Ended		For the Six Months Ended	
	September	September 30,	September	September 30,
	30,	2010	30, 2011	2010
	2011			
				(In thousands)
Components of net periodic benefit cost:				
Service cost	\$ 131	\$ 45	\$ 255	\$ 90
Interest cost	282	253	559	507
Amortization of:				
Prior service cost	(122)	(122)	(245)	(245)
Actuarial loss	125	27	248	55
Net periodic benefit cost	\$ 416	\$ 203	\$ 817	\$ 407

The estimated fiscal 2012 pension plan contributions are \$28.7 million and other post-retirement contributions are \$2.0 million. Payments aggregating \$13.8 million were made during the six months ended September 30, 2011.

(11) COMMITMENTS AND CONTINGENCIES**Claims Reconciliation**

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

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

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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. Effective May 6, 2011, all outstanding warrants expired and were cancelled. No more warrants will be issued to resolve any remaining pre-petition claims. 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 will be issued for the excess claim amounts at the same rates as used for the other general unsecured claims. If this were to occur, additional common stock would also be issued to the holders of pre-petition secured claims to maintain the ratio of their distribution in common stock at nine times the amount of common stock distributed for all unsecured claims.

Based on information available as of October 28, 2011, approximately 68.5% of common stock and warrants reserved for this purpose has been distributed. The Company also continues to resolve certain non-objected claims.

Private Party Lawsuits and other Legal Proceedings

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

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 received notification from the U.S. Environmental Protection Agency (EPA), equivalent state and local agencies or others alleging or indicating that the Company is or may be responsible for performing and/or investigating environmental remediation, or seeking the repayment of the costs spent by governmental entities or others performing investigations and/or remediation at certain U.S. sites under the Comprehensive Environmental Response, Compensation and Liability Act or similar state laws.

The Company monitors and responds to inquiries from the EPA, equivalent state and local agencies and others at approximately 50 federally defined Superfund or state equivalent sites. While the ultimate outcome of these environmental matters is uncertain due to several factors, including the number of other parties that also may be responsible, the scope of investigation performed at such sites and the remediation alternatives pursued by such

federal and equivalent state and local agencies, the Company presently believes any liability for these matters, individually and in the aggregate, will not have a material adverse effect on the Company's financial condition, cash flows or results of operations.

The Company is also involved in the assessment and remediation of various other properties, including certain currently and formerly owned or operating facilities. Such assessment and remedial work is being conducted pursuant to applicable EH&S laws with varying degrees of involvement by appropriate regulatory authorities. 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

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formerly owned or operating locations. While the ultimate outcome of these environmental matters is uncertain, the Company presently believes the resolution of these known environmental matters, individually and in the aggregate, will not have a material adverse effect on the Company's financial condition, cash flows or results of operations.

The Company has established liabilities for on-site and off-site environmental remediation costs where such costs are probable and reasonably estimable and believes that such liabilities are adequate. As of September 30, 2011 and March 31, 2011, the amount of such liabilities on the Company's Consolidated Balance Sheets was approximately \$28.2 million. 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 liabilities and, therefore, additional earnings charges are possible. Also, future findings or changes in estimates could have a material adverse effect on the recorded reserves and cash flows.

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

Tampa, Florida

The Tampa site is a former secondary lead recycling plant, lead oxide production facility, and sheet lead-rolling mill that operated from 1943 to 1989. Under a RCRA Part B Closure Permit and a Consent Decree with the State of Florida, Exide is required to investigate and remediate certain historic environmental impacts to the site. Cost estimates for remediation (closure and post-closure) are expected to range from \$13.0 million to \$20.0 million depending on final State of Florida requirements. The remediation activities are expected to occur over the course of several years.

Columbus, Georgia

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

Guarantees

At September 30, 2011, the Company had outstanding letters of credit with a face value of \$58.9 million and surety bonds with a face value of \$32.6 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 September 30, 2011, pursuant to the terms of the agreement, totaled approximately \$30.6 million.

Certain of the Company's European and Asia Pacific subsidiaries have issued bank guarantees as collateral or financial assurance in connection with environmental obligations, income tax claims and customer contract requirements. At September 30, 2011, bank guarantees with an aggregate face value of \$16.5 million were outstanding.

Sales Returns and Allowances

The Company provides for an allowance for product returns and/or allowances. Based upon product examination in the manufacturing re-work process, the Company believes that the majority of its product returns are not the result of product defects. The Company recognizes the estimated cost of product returns as a reduction of net 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 an assessment of the anticipated lag between the date of sale and claim/return date.

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

Balance at March 31, 2011	\$ 35,707
Accrual for sales returns and allowances	20,768
Settlements made (in cash or credit) and currency translation	(21,425)

Balance at September 30, 2011

\$ 35,050

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

The effective tax rate for the first six months of fiscal year 2012 and fiscal year 2011 is (38.7%) and (72.4%) respectively. The effective tax rate for the first six months of fiscal 2012 was impacted by the recognition of taxes on income and losses in all of our jurisdictions with the exception of the United Kingdom, Spain, and France which have full valuation allowances. The effective tax rate for the first six months of fiscal 2011 was impacted by the release of valuation allowances in Australia and Italy. The Company released its full valuation allowance in fiscal 2011 recorded in Australia and Italy after determining that it was more likely than not that the Company would realize all deductible temporary differences and carryforwards in the foreseeable future.

The effective tax rate for the first six months of fiscal 2012 was impacted by miscellaneous discrete items of \$1.0 million.

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

The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction and various state and foreign jurisdictions. With limited exceptions, the Company is no longer subject to U.S. federal income tax examinations by tax authorities for years ended before March 31, 2008. With respect to state and local jurisdictions and countries outside of the United States, with limited exceptions, the Company and its subsidiaries are no longer subject to income tax audits for years ended before March 31, 2005. 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 is appealing the results of a tax audit in Spain for fiscal years 2003 through 2006 that is related to current and certain former Spanish subsidiaries. In May 2011, the Company was notified that the Spanish tax authorities will begin an audit of its current and certain former Spanish subsidiaries for fiscal years 2007 through 2010. The Company anticipates that it will receive an assessment for matters similar to those under appeal, which may amount to \$40.0 million. Although the Company would appeal this estimated assessment and attempt to enter into a delayed payment plan as it successfully accomplished with respect to the 2003 through 2006 assessment, negative results from one or more such tax audits could materially and adversely affect the Company's business, financial condition, cash flows, or results of operations.

The Company's unrecognized tax benefits decreased from \$51.5 million to \$50.9 million during the first six months of fiscal 2012 due primarily to the effects of foreign currency translation plus unrecognized tax benefits established during the period less unrecognized tax benefits released during the period due to expiration of statute of limitations. The amount, if recognized, that would affect the Company's effective tax rate at September 30, 2011 is \$18.8 million.

The Company classifies interest and penalties on uncertain tax benefits as income tax expense. At September 30, 2011 and March 31, 2011, before any tax benefits, the Company had \$2.8 million and \$2.7 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 \$1.1 million.

(13) RESTRUCTURING AND IMPAIRMENTS, NET

During the first six months of fiscal 2012, 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.

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Summarized restructuring reserve activity:

	Severance Costs	Closure Costs	Total Restructuring (In thousands)	Asset Sale and Impairments (gain) loss	Total Expenses
Balance at March 31, 2011	\$ 18,732	\$ 4,607	\$ 23,339		
Expenses	1,133	21	1,154	\$ 423	\$ 1,577
Payments and Currency Translation	(6,881)	(3,036)	(9,917)		
Balance at September 30, 2011	\$ 12,984	\$ 1,592	\$ 14,576		

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

Summarized restructuring and asset sale and impairment expenses by segment:

	For the Three Months Ended September 30, 2011		For the Six Months Ended September 30, 2011	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
	(In thousands)			
Transportation Americas	\$ 542	\$ 354	\$ 623	\$ 1,822
Transportation Europe & ROW	(552)	2,036	(453)	2,336
Industrial Energy Americas	169	138	346	199
Industrial Energy Europe & ROW	744	2,426	683	8,488
Unallocated corporate	378	285	378	599
TOTAL	\$ 1,281	\$ 5,239	\$ 1,577	\$ 13,444

(14) (LOSS) EARNINGS PER SHARE

The Company computes basic (loss) earnings per share by dividing net (loss) earnings by the weighted average number of common shares outstanding during the period. Diluted (loss) earnings per share is computed by dividing net (loss) earnings, after adding back the after-tax amount of interest recognized in the period associated with the Company's Floating Rate Convertible Senior Subordinated Notes, by diluted weighted average shares outstanding. For the three and six month periods ended September 30, 2011 and 2010, market rates were below the level at which interest payments for these notes are required.

Potentially dilutive shares include the assumed exercise of stock options and the assumed vesting of restricted stock and stock unit awards (using the treasury stock method) as well as the assumed conversion of the convertible debt, if dilutive (using the if-converted method). Shares which are contingently issuable under the Company's plan of reorganization have been included as outstanding common shares for purposes of calculating basic (loss) earnings per

share.

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	For the Three Months Ended		For the Six Months Ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
	(In thousands, except per share amounts)			
Net (loss) income attributable to Exide Technologies	\$ (3,588)	\$ 17,957	\$ (8,780)	\$ 8,913
Basic weighted average shares outstanding	77,627	76,492	77,573	76,416
Effect of dilutive securities:				
Floating Rate Convertible Senior Subordinated Notes		3,697		3,697
Employee stock options		350		393
Employee restricted stock awards (non-vested)		64		128
		4,111		4,218
Diluted weighted average shares outstanding	77,627	80,603	77,573	80,634
Basic (loss) earnings per share:	\$ (0.05)	\$ 0.23	\$ (0.11)	\$ 0.12
Diluted (loss) earnings per share:	\$ (0.05)	\$ 0.22	\$ (0.11)	\$ 0.11

Due to a net loss for the three and six month periods ended September 30, 2011, certain potentially dilutive shares were excluded from the diluted loss per share calculation for those periods because their effect would be antidilutive:

	September 30, 2011 (In thousands)
Shares associated with convertible debt (assumed conversion)	3,697
Employee stock options	3,071
Restricted stock awards	1,259
Total shares excluded	8,027

For the three and six months ended September 30, 2010, 2,195,053 and 2,248,524 stock options, respectively, were excluded from the diluted earnings per share calculation because their exercise prices were greater than the average market price of the related common stock for the periods, and their inclusion would be antidilutive. In addition, 6,725,444 warrants were outstanding for both periods, but were all excluded from the diluted earnings per share calculation because their exercise prices were greater than the market price of the related common stock for the period, and their inclusion would also be antidilutive.

(15) FAIR VALUE MEASUREMENTS

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

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

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	September 30, 2011		March 31, 2011	
	Carrying	Estimated	Carrying	Estimated
	Value	Fair	Value	Fair
		Value		Value
		(In thousands)		
(Liability) Asset:				
Senior Secured Notes due 2018 (a)	\$(678,774)	\$(625,219)	\$(675,000)	\$(718,031)
Convertible Senior Subordinated Notes due 2013	(60,000)	(50,400)	(60,000)	(55,425)
Interest Rate Swaps (b)	4,200	4,200		
Foreign Currency Forwards (b)				
Asset	1,389	1,389		
Liability			(2,555)	(2,555)
Commodity swaps / forwards (b)				
Asset			1,564	1,564
Liability	(5,500)	(5,500)	(1,263)	(1,263)

(a) Carrying value at September 30, 2011 includes \$3.8 million increase related to fair value adjustment of hedged portion of notes. See Notes 3 and 7.

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

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

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

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

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

	Total	Quoted	Significant	Significant
	Fair Value	Price	Other	Unobservable
	Measurement	in	Observable	Inputs
		Active	Inputs	(Level 3)
		Markets	(Level 2)	
		for		
		Identical		
		Assets		
		(Level		
		1)		
		(In thousands)		
September 30, 2011:				
Assets:				
Interest rate swaps	\$ 4,200	\$	\$4,200	\$

Foreign currency forwards	1,389	1,389
Liabilities:		
Commodity swaps / forwards	5,500	5,500
March 31, 2011:		
Assets:		
Commodity Swap	1,564	1,564
Liabilities:		
Foreign currency forward	2,555	2,555
Commodity Swap	1,263	1,263

The Company uses a market approach to determine the fair values of all of its derivative instruments subject to recurring fair value measurements. The fair value of each financial instrument was determined based upon observable forward prices for the

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related underlying financial index or commodity price, and each has been classified as Level 2 based on the nature of the underlying markets in which those derivatives are traded. For additional discussion of the Company's derivative instruments and hedging activities, see Note 3.

(16) SEGMENT INFORMATION

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

Transportation markets include original-equipment and aftermarket batteries for cars, trucks, off-road vehicles, agricultural and construction vehicles, motorcycles, recreational vehicles, marine, and other applications. Industrial markets include batteries for motive power and network power applications. Motive power batteries are used in the materials handling industry for electric forklift trucks, and in other industries, including floor cleaning machinery, powered wheelchairs, railroad locomotives, mining and the electric road vehicles market. Network power batteries are used for backup power for use with telecommunications systems, computer installations, hospitals, air traffic control, security systems, utility, railway and military applications.

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. Costs of certain shared services and other corporate costs are not allocated or charged to the business groups.

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

	For the Three Months Ended		For the Six Months Ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
	(In thousands)			
Net sales				
Transportation Americas	\$ 224,437	\$ 227,038	\$ 442,034	\$ 454,092
Transportation Europe & ROW	247,478	205,419	474,698	386,792
Industrial Energy Americas	90,994	69,888	179,539	138,379
Industrial Energy Europe & ROW	210,044	165,663	421,777	333,411
	\$ 772,953	\$ 668,008	\$ 1,518,048	\$ 1,312,674
Operating income (loss)				
Transportation Americas	\$ 813	\$ 18,209	\$ (3,737)	\$ 29,122
Transportation Europe & ROW	6,595	13,976	18,849	22,042
Industrial Energy Americas	11,519	6,080	20,908	11,062
Industrial Energy Europe & ROW	9,730	2,847	13,665	6,916
Unallocated corporate expenses	(6,183)	(9,588)	(13,298)	(18,916)
	22,474	31,524	36,387	50,226
Less: Restructuring and Impairment Costs (a)	1,281	5,239	1,577	13,444
Total Operating Income	\$ 21,193	\$ 26,285	\$ 34,810	\$ 36,782

(a) See Note 13 for detail by segment.

(17) SUBSEQUENT EVENT

On November 7, 2011, the Company announced the idling of its Bristol, Tennessee flooded battery facility. The Company is currently evaluating the amount and timing of charges associated with the Transportation Americas capacity reduction at the Bristol, Tennessee facility.

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 operations and financial condition. The discussion should be read in conjunction with the Condensed Consolidated Financial Statements and Notes thereto contained in this Quarterly 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

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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. 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 represented approximately 49.0% of the Company's cost of goods sold. The market price of lead fluctuates. Generally, when lead prices decrease, customers may seek disproportionate price reductions from the Company, and when lead prices increase, customers may resist price increases. Either of these situations may cause customer demand for the Company's products to be reduced and the Company's net sales and gross margins to decline. The average price of lead as quoted on the London Metals Exchange (LME) has increased 25.8% from \$1,988 per metric ton for the six months ended September 30, 2010 to \$2,501 per metric ton for the six months ended September 30, 2011. During the first six months of fiscal 2012, the LME lead price has decreased from \$2,719 per metric ton at March 31, 2011 to \$2,060 per metric ton at September 30, 2011. At October 28, 2011, the quoted price on the LME was \$1985.5 per metric ton. To the extent that lead prices continue to be volatile and the Company is unable to maintain existing pricing or pass higher material costs resulting from this volatility to its customers, its financial performance will be adversely impacted.

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

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

Exchange Rates. The Company is exposed to foreign currency risk in most European countries, principally from fluctuations in the Euro. For the first six months of fiscal 2012, the exchange rate of the Euro to the U.S. Dollar increased 11.2% on average to \$1.43 compared to \$1.28 for first six months of fiscal 2011. At September 30, 2011, the Euro was \$1.34 or 5.6% lower as compared to \$1.42 at March 31, 2011. Fluctuations in foreign currencies impacted the Company's results for the periods presented herein. For the first six months ended September 30, 2011, approximately 59.1% of the Company's net sales were generated in Europe and ROW. Further, approximately 65.7% of the Company's aggregate accounts receivable and inventory as of September 30, 2011 were held by its European and ROW subsidiaries.

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

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

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

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

Interest Rates. The Company is exposed to fluctuations in interest rates on its variable rate debt, and to interest rate related fluctuations in the fair value of its fixed rate debt, portions of which were hedged during the first six months ended September 30, 2011. See Notes 3 and 7 to the Condensed Consolidated Financial Statements in this Form 10-Q.

Second quarter of Fiscal 2012 Highlights and Outlook

In the Americas, the Company obtains the vast majority of its lead requirements from five Company-owned and operated secondary lead recycling plants. These facilities reclaim lead by recycling spent lead-acid batteries, which are obtained for recycling from the Company's customers and outside spent-battery collectors. Recycling helps the Company in the Americas control the cost of its principal raw material as compared to purchasing lead at prevailing market prices. Similar to the fluctuation in lead prices, however, the cost of spent batteries has also fluctuated. The average market cost of purchased spent batteries increased approximately 23.2% in the second quarter of fiscal 2012 versus the second quarter of fiscal 2011. In response, the Company takes pricing actions as allowed by the market and is attempting to secure higher captive spent battery return rates to help mitigate the risks associated with this price volatility.

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

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

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

- (i) Successful execution and completion of the Company's restructuring plan and organizational realignment of divisional and corporate functions intended to result in further targeted headcount reductions.
- (ii) Actions designed to improve the Company's liquidity and operating cash flow through working capital reduction plans, the sale of non-strategic assets and businesses, streamlining cash management processes, implementing plans to minimize the cash costs of the Company's restructuring initiatives, and closely managing capital expenditures.
- (iii) Continued factory and distribution productivity improvements through the Company's established EXCELL program utilizing tools that include six sigma, lean, and the Toyota Production System.
- (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) Continued investment in production capacity to meet evolving needs for enhanced batteries (AGM and Micro-Hybrid Flooded) required for the increasing numbers of Stop & Start and Micro-Hybrid vehicles.

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(vi) Increased research and development and engineering investments designed to develop enhanced lead-acid products as well as products utilizing alternative chemistries. In this regard, the Company continues to identify government funding opportunities to support near and long-term technological improvements in energy storage applications.

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, 2011 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 September 30, 2011 compared with three months ended September 30, 2010***Net Sales*

Net sales were \$773.0 million for the second quarter of fiscal 2012 versus \$668.0 million in the second quarter of fiscal 2011. Foreign currency translation favorably impacted net sales in the second quarter of fiscal 2012 by approximately \$36.8 million. Excluding the foreign currency translation impact, net sales increased by approximately \$68.2 million, or 10.2%, primarily as a result of an estimated \$53.2 million in lead related price increases partially offset by a slight decrease in unit sales in some of the Company's markets.

Net sales by business segment were as follows:

	For the Three Months Ended		FAVORABLE / (UNFAVORABLE)		
			TOTAL	Currency	Non-Currency
September 30, 2011	September 30, 2010	(In thousands)		Related	Related
Transportation Americas	\$ 224,437	\$ 227,038	\$ (2,601)	\$ 1,912	\$ (4,513)
Transportation Europe & ROW	247,478	205,419	42,059	17,460	24,599
Industrial Energy Americas	90,994	69,888	21,106	283	20,823
Industrial Energy Europe & ROW	210,044	165,663	44,381	17,121	27,260
TOTAL	\$ 772,953	\$ 668,008	\$ 104,945	\$ 36,776	\$ 68,169

Transportation Americas net sales, excluding the foreign currency translation impact, decreased 2.0% due to a 18.4% decrease in aftermarket unit sales, partially offset by a 98.2% increase in OEM unit sales and \$20.2 million impact of lead related price increases. Third-party lead sales for the second quarter of fiscal 2012 were approximately \$1.7 million higher than such third-party sales in the second quarter of fiscal 2011.

Transportation Europe and ROW net sales, excluding foreign currency translation, increased 12.0% mainly due to 11.8% higher unit sales in the OEM channel and \$23.7 million impact of lead related pricing actions, partially offset by 3.8% lower unit sales in the aftermarket channel.

Industrial Energy Americas net sales, excluding the foreign currency translation impact, increased 29.8% due to 11.7% higher unit sales in both the Motive Power and Network Power markets and \$1.6 million impact of lead related price increases.

Industrial Energy Europe and ROW net sales, excluding foreign currency translation impact, increased 16.5% due to 36.3% higher unit sales in the Motive Power market and \$7.7 million of lead related pricing actions. Network Power sales in Europe continue to be relatively depressed.

Table of Contents*Gross Profit*

Gross profit was \$118.6 million in the second quarter of fiscal 2012 versus \$130.9 million in the second quarter of fiscal 2011. Gross margin decreased to 15.3% from 19.6% in the second quarter of fiscal 2011. Gross profit was unfavorably impacted by \$7.0 million or 119 basis points resulting from unrecovered lead costs. Foreign currency translation favorably impacted gross profit in the second quarter of fiscal 2012 by \$5.2 million.

Operating Expenses

- i. Selling and administrative expenses decreased \$3.3 million, to \$96.1 million in the second quarter of fiscal 2012 from \$99.4 million in fiscal 2011. Excluding unfavorable foreign currency translation impact of \$4.4 million, the expenses decreased \$7.7 million primarily due to savings from lower wages and benefits. Included in selling and administrative expenses were general and administrative expenses of \$40.2 million in the second quarter of fiscal 2012 and \$44.0 million in the second quarter of fiscal 2011.
- ii. Restructuring and impairment expenses decreased by \$3.9 million, to \$1.3 million in the second quarter of fiscal 2012 from \$5.2 million in the second quarter of fiscal 2011, and included non-cash asset impairment charges of \$0.2 million and \$0.04 million in the second quarter of fiscal 2012 and 2011, respectively. The decrease was primarily due to restructuring activities in the prior year quarter, including certain headcount reductions in Europe.

Operating Income

Operating income was \$21.2 million in the second quarter of fiscal 2012 versus \$26.3 million in the second quarter of fiscal 2011. Operating income was favorably impacted \$3.9 million of lower restructuring and impairment expenses, partially offset by the \$7.0 million unfavorable impact of unrecovered lead. Foreign currency translation favorably impacted operating income in the second quarter of fiscal 2012 by \$0.8 million.

Operating income by segment was as follows:

	For the Three Months Ended				FAVORABLE / (UNFAVORABLE)		
	September 30, 2011		September 30, 2010		TOTAL	CurrencyNon-Currency	
	TOTAL	Percent of Net Sales	TOTAL	Percent of Net Sales (In thousands)		Related	Related
Transportation Americas	\$ 813	0.4%	\$ 18,209	8.0%	\$ (17,396)	\$ 16	\$ (17,412)
Transportation Europe & ROW	6,595	2.7%	13,976	6.8%	(7,381)	449	(7,830)
Industrial Energy Americas	11,519	12.7%	6,080	8.7%	5,439	(10)	5,449
Industrial Energy Europe & ROW	9,730	4.6%	2,847	1.7%	6,883	733	6,150
Unallocated corporate	(6,183)	n/a	(9,588)	n/a	3,405	(417)	3,822
	22,474	2.9%	31,524	4.7%	(9,050)	771	(9,821)
Less: Restructuring and Impairment Costs	1,281	n/a	5,239	n/a	3,958	(6)	3,964
Total Operating Income	\$ 21,193	2.7%	\$ 26,285	3.9%	\$ (5,092)	\$ 765	\$ (5,857)

Gross margins by segment are shown below:

	For the Three Months Ended	
	September 30, 2011	September 30, 2010
Transportation Americas	14.2%	21.0%
Transportation Europe & ROW	12.5%	18.8%
Industrial Energy Americas	24.0%	24.2%
Industrial Energy Europe & ROW	16.1%	16.7%
TOTAL	15.3%	19.6%

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Transportation Americas operating income, excluding the foreign currency translation impact, decreased primarily due to 18.4% lower aftermarket unit sales. Higher commodity costs including lead significantly impacted the gross margin for the period. The increase in net sales and cost of sales from lead related pricing had a 140 basis point unfavorable impact on gross margin.

Transportation Europe and ROW operating income, excluding foreign currency translation, decreased mainly due to lower unit sales in the aftermarket channel, partially offset by pricing actions and higher unit sales in the OEM channel. The increase in net sales and cost of sales from lead related pricing had a 160 basis point unfavorable impact on gross margin. Also, negatively impacting the current period operating income results is an out of period adjustment of approximately \$5.0 million as discussed in Note 1 to the Condensed Consolidated Financial Statements.

Industrial Energy Americas operating income increased due to higher unit sales in the Motive Power and Network Power markets as well as improved manufacturing efficiencies and lower warranty expenses.

Industrial Energy Europe and ROW operating income, excluding foreign currency translation impact, increased mainly due to higher unit sales, principally in the Motive Power market, productivity improvements resulting from the prior year closure of the Over Hulton, UK plant and operating expense reductions. The increase in net sales and cost of sales from lead related pricing had a 60 basis point unfavorable impact on gross margin.

Unallocated corporate operating expenses, excluding the foreign currency translation impact, decreased mainly due to lower professional fees, recruiting expenses, and bonus accruals.

Other Expenses (Income)

Other expense (income) was \$5.8 million in the second quarter of fiscal 2012 versus (\$9.0) million in the second quarter of fiscal 2011. The unfavorable change primarily relates to \$6.8 million of currency remeasurement loss in the second quarter of fiscal 2012 versus \$9.0 million of currency remeasurement gain in the second quarter of fiscal 2011.

Interest Expenses

Interest expense increased \$2.9 million, to \$18.1 million in the second quarter of fiscal 2012 from \$15.2 million in the second quarter of fiscal 2011 primarily due to increased borrowings.

Income Taxes

	For the Three Months Ended	
	September 30, 2011	September 30, 2010
	(In thousands)	
Pre-tax income	\$(2,632)	\$ 20,077
Income tax provision	995	1,988
Effective tax rate	-37.8%	9.9%

The effective tax rate for the second quarter of fiscal 2012 and fiscal 2011 was impacted by the recognition of taxes on income and losses in all of our jurisdictions with the exception of the United Kingdom, Spain, and France which have full valuation allowances. The effective tax rate for the second quarter of fiscal 2011 was impacted by the release of valuation allowances in Australia and Italy.

The effective tax rate for the second quarter of fiscal 2012 was primarily affected by the utilization of (\$7.5) million in valuation allowances on current period tax expense generated in the United Kingdom, France, and Spain. The second quarter tax expense was also impacted by miscellaneous discrete items of \$0.8 million. The effective tax rate for the second quarter of fiscal year 2011 was impacted by the release of valuation allowances of (\$9.0) million in Australia and Italy and the discrete release of liability for uncertain tax positions of (\$0.9) million in Australia.

The Company is also subject to tax audits by governmental authorities in the U.S. and in non-U.S. jurisdictions. The Company is appealing the results of a tax audit in Spain for fiscal years 2003 through 2006 that is related to current and certain former Spanish subsidiaries. In May 2011, the Company was notified that the Spanish tax authorities will begin an audit of its current and certain former Spanish subsidiaries for fiscal years 2007 through 2010. The Company anticipates that it will receive an assessment for matters similar to those under appeal, which may amount to \$40.0 million. Although the Company would appeal this estimated assessment and attempt to enter into a

delayed payment plan as it successfully accomplished with respect to the 2003 through 2006 assessment, negative results from one or more such tax audits could materially and adversely affect the Company's business,

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financial condition, cash flows, or results of operations. See Note 12 to the Condensed Consolidated Financial Statements for further discussion of the Company's effective tax rate.

Six months ended September 30, 2011 compared with six months ended September 30, 2010*Net Sales*

Net sales were \$1.52 billion in the first half of fiscal 2012 versus \$1.31 billion in the first half of fiscal 2011. Foreign currency translation (primarily the strengthening of the Euro against the U.S. dollar) favorably impacted net sales in the first half of fiscal 2012 by approximately \$90.9 million. Excluding the foreign currency translation impact, net sales increased by approximately \$114.4 million, or 8.7%, primarily as a result of an estimated \$82.7 million in lead related price increases partially offset by a slight decrease in unit sales in some of the Company's markets.

Net sales by business segment were as follows:

	For the Six Months Ended		FAVORABLE / (UNFAVORABLE)		
	September 30, 2011	September 30, 2010	TOTAL	Currency Related	Non-Currency Related
			(In thousands)		
Transportation Americas	\$ 442,034	\$ 454,092	\$ (12,058)	\$ 4,075	\$ (16,133)
Transportation Europe & ROW	474,698	386,792	87,906	44,108	43,798
Industrial Energy Americas	179,539	138,379	41,160	614	40,546
Industrial Energy Europe & ROW	421,777	333,411	88,366	42,146	46,220
TOTAL	\$ 1,518,048	\$ 1,312,674	\$ 205,374	\$ 90,943	\$ 114,431

Transportation Americas net sales, excluding the foreign currency translation impact, decreased 3.6% due to a 17.4% decrease in aftermarket unit sales partially offset by a 60.5% increase in OEM unit sales and \$34.0 million impact of lead related price increases. Third-party lead sales in the first half of fiscal 2012 were approximately \$10.6 million higher than such third-party sales in the first half of fiscal 2011.

Transportation Europe and ROW net sales, excluding foreign currency translation, increased 11.3% mainly due to 9.2% higher unit sales in the OEM channel and \$35.5 million impact of lead related pricing actions, partially offset by 5.7% lower unit sales in the aftermarket channel.

Industrial Energy Americas net sales, excluding the foreign currency translation impact, increased 29.3% due to 16.3% higher unit sales in both the Motive Power and Network Power markets.

Industrial Energy Europe and ROW net sales, excluding foreign currency translation impact, increased 13.9% due to 33.7% higher unit sales in the Motive Power market and \$13.4 million of lead related pricing actions. Network Power sales in Europe continue to be relatively depressed.

Gross Profit

Gross profit was \$235.3 million in the first half of fiscal 2012 versus \$245.6 million in the first half of fiscal 2011. Gross margin decreased to 15.5% from 18.7% in the first half of fiscal 2011. Gross profit was unfavorably impacted by \$17.3 million or 91 basis points resulting from unrecovered lead costs. Foreign currency translation favorably impacted gross profit in the first half of fiscal 2012 by \$14.0 million.

Operating Expenses

- iii. Selling and administrative expenses increased \$3.5 million, to \$198.9 million in the first half of fiscal 2012 from \$195.4 million in fiscal 2011. Excluding unfavorable foreign currency translation impact of \$11.4 million, the expenses decreased \$7.9 million primarily due to savings from lower wages and benefits. Included in selling and administrative expenses were general and administrative expenses of \$83.7 million in the first half of fiscal 2012 and \$86.2 million in the first half of fiscal 2011.

- iv. Restructuring and impairment expenses decreased by \$11.8 million, to \$1.6 million in the first half of fiscal 2012 from \$13.4 million in the first half of fiscal 2011, and included non-cash asset impairment charges of \$0.4 million and \$1.4

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million in the first half of fiscal 2012 and 2011, respectively. The decrease was primarily due to restructuring activities in the prior year, including certain headcount reductions in Europe and plant closure in the Americas.

Operating Income

Operating income was \$34.8 million in the first half of fiscal 2012 versus \$36.8 million in the first half of fiscal 2011. Operating income was favorably impacted by manufacturing efficiencies and \$11.8 million of lower restructuring and impairment expenses, partially offset by the unfavorable impact of lead on gross margin. Foreign currency translation favorably impacted operating income in the first half of fiscal 2012 by \$2.6 million.

Operating income by segment was as follows:

	For the Six Months Ended				FAVORABLE / (UNFAVORABLE)		
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010	TOTAL	Currency Related	Non-Currency Related
		Percent of Net Sales		Percent of Net Sales	(In thousands)		
Transportation Americas	\$ (3,737)	-0.8%	\$ 29,122	6.4%	\$ (32,859)	\$ 114	\$ (32,973)
Transportation Europe & ROW	18,849	4.0%	22,042	5.7%	(3,193)	2,042	(5,235)
Industrial Energy Americas	20,908	11.6%	11,062	8.0%	9,846	(12)	9,858
Industrial Energy Europe & ROW	13,665	3.2%	6,916	2.1%	6,749	1,513	5,236
Unallocated corporate	(13,298)	n/a	(18,916)	n/a	5,618	(1,035)	6,653
	36,387	2.4%	50,226	3.8%	(13,839)	2,622	(16,461)
Less: Restructuring and Impairment Costs	1,577	n/a	13,444	n/a	11,867	(14)	11,881
Total Operating Income	\$ 34,810	2.3%	\$ 36,782	2.8%	\$ (1,972)	\$ 2,608	\$ (4,580)

Gross margins by segment are shown below:

	For the Six Months Ended	
	September 30, 2011	September 30, 2010
Transportation Americas	13.1%	19.3%
Transportation Europe & ROW	14.7%	18.1%
Industrial Energy Americas	23.4%	23.9%
Industrial Energy Europe & ROW	15.5%	16.6%
TOTAL	15.5%	18.7%

Transportation Americas operating income, excluding the foreign currency translation impact, decreased primarily due to 17.4% lower aftermarket unit sales. Higher commodity costs including lead significantly impacted the gross margin for the period. The increase in net sales and cost of sales from lead related pricing had a 110 basis point unfavorable impact on gross margin.

Transportation Europe and ROW operating income, excluding foreign currency translation, increased mainly due to pricing actions and higher unit sales in the OEM channel. The increase in net sales and cost of sales from lead

related pricing had a 130 basis point unfavorable impact on gross margin. Also, negatively impacting the current period operating income results is an out of period adjustment of approximately \$5.0 million as discussed in Note 1 to the Condensed Consolidated Financial Statements.

Industrial Energy Americas operating income increased due to higher unit sales in the Motive Power and Network Power markets as well as improved manufacturing efficiencies, lower warranty expenses and operating expense reductions.

Industrial Energy Europe and ROW operating income, excluding foreign currency translation impact, increased mainly due to higher unit sales, principally in the Motive Power market, productivity improvements resulting from the prior year closure of the Over Hulton, UK plant resulted in improved profits in Europe. The increase in net sales and cost of sales from lead related pricing had a 50 basis point unfavorable impact on gross margin.

Unallocated corporate operating expenses, excluding the foreign currency translation impact, decreased mainly due to lower bonus accrual, professional fees, and stock compensation expenses.

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Other expense was \$5.9 million in the first half of fiscal 2012 versus \$1.4 million in the first half of fiscal 2011. The increase primarily relates to increased currency remeasurement loss of \$9.2 million, partially offset by a \$4.6 million gain on certain interest rate swaps (see Note 3 to the Condensed Consolidated Financial Statements).

Interest Expenses

Interest expense increased \$5.6 million, to \$35.7 million in the first half of fiscal 2012 from \$30.1 million in the first half of fiscal 2011 primarily due to increased borrowings.

Income Taxes

	For the Six Months Ended	
	September 30, 2011	September 30, 2010
	(In thousands)	
Pre-tax (loss) income	\$(6,795)	\$ 5,270
Income tax provision (benefit)	2,628	(3,813)
Effective tax rate	-38.7%	-72.4%

The effective tax rate for the first six months of fiscal 2012 and fiscal 2011 was impacted by the recognition of taxes on income and losses in all of our jurisdictions with the exception of the United Kingdom, Spain, and France which have full valuation allowances. The effective tax rate for the first six months of fiscal 2011 was impacted by the release of valuation allowances in Australia and Italy.

The effective tax rate for the first six months of fiscal 2012 was primarily affected by the utilization of (\$5.9) million in valuation allowances on current period tax expense generated in the United Kingdom, France, and Spain. The first six months tax expense was also impacted by miscellaneous discrete items of \$1.0 million. The effective tax rate for the first six months of fiscal year 2011 was impacted by the release of valuation allowances of (\$9.0) million in Australia and Italy and the discrete release of liability for uncertain tax positions in Australia of (\$0.9) million. Additionally, the tax rate in fiscal year 2011 was impacted by a benefit of \$4.2 million established through a Polish adjustment to tax basis in intangibles.

Liquidity and Capital Resources

As of September 30, 2011, the Company had cash and cash equivalents of \$84.8 million and availability under the Company's senior secured asset-backed revolving credit facility (the ABL facility) of \$141.1 million. This compared to cash and cash equivalents of \$161.4 million and availability under the ABL facility of \$144.0 million as of March 31, 2011.

In January 2011, the Company issued \$675.0 million in aggregate principal amount of 8 5/8% senior secured notes (Senior Secured Notes) due 2018. Concurrently with the issuance of the Senior Secured Notes, the Company entered into the five-year ABL facility with commitments of an aggregate borrowing capacity of \$200.0 million.

The Senior Secured Notes

Borrowings under the Senior Secured Notes bear interest at a rate of 8 5/8% per annum, payable semi-annually in arrears in the months of February and August.

The notes are secured by (i) a first-priority lien on the notes priority collateral, which includes the Company's existing and after-acquired equipment, stock of the Company's direct subsidiaries, certain intercompany loans, certain real property, and substantially all of the Company's other assets that do not secure the ABL facility on a first-priority basis, and (ii) a second-priority lien on the ABL priority collateral, which includes the Company's assets that secure the ABL facility on a first-priority basis, including the Company's receivables, inventory, intellectual property rights, deposit accounts, tax refunds, certain intercompany loans and certain other related assets and proceeds thereof. The ABL facility is secured by a first-priority lien on the ABL priority collateral and a second-priority lien on the notes priority collateral. The value of the collateral at any time will depend on market and other

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economic conditions, including the availability of suitable buyers for the collateral.

The notes contain provisions by which the Company may elect to repay some or all of the principal balance prior to its 2018 maturity date:

Prior to February 1, 2014, the Company may on one or more occasions redeem up to 35% of the aggregate principal amount of the notes at a redemption price equal to 108.625% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest, with the net cash proceeds of certain equity offerings. The Company may make such a redemption only if, after such redemption, at least 65% of the aggregate principal amount of the notes issued under the indenture remains outstanding and the Issuer issues a redemption notice in respect thereof not more than 60 days of the date of the equity offering closing.

Prior to February 1, 2015, the Company may:

- i. redeem in whole or in part the notes at a redemption price equal to 100% of the principal amount of the notes plus accrued and unpaid interest, and a make-whole premium.
- ii. redeem, no more than once in any twelve-month period, up to 10% of the original aggregate principal amount of the notes at a redemption price equal to 103% of the principal amount of the notes to be redeemed, plus accrued and unpaid interest.

On or after February 1 of the years indicated below, the Company may redeem, in whole or in part, the notes at the redemption prices set forth in the following table (expressed as a percentage of the principal amount thereof):

Year	Percentage
2015	104.313%
2016	102.16%
2017 and thereafter	100.00%

Upon a change of control the Company will be required to make an offer to repurchase the notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest to the date of repurchase.

The indenture for these notes contains certain covenants which limit the ability of the Company and its subsidiaries ability to, among other things, incur debt, pay dividends, make investments, create liens or use assets as security, and sell assets including the capital stock of subsidiaries.

Asset-Backed Revolving Credit Facility

The ABL facility has a borrowing capacity of \$200 million, and includes a letter of credit sub-facility of \$75.0 million, a swingline sub-facility of \$25.0 million and an accordion feature that permits the Company to increase the revolving credit commitments by an amount up to \$50.0 million (for an aggregate revolving credit commitment of up to \$250.0 million) if the Company obtains commitments from existing or new lenders for such increase. Revolving loans and letters of credit under the ABL facility will be available in U.S. Dollars and Euros. The ABL facility will mature January 25, 2016. The ABL facility (not including the swingline sub-facility) bears interest at a rate equal to (1) the base rate plus an interest margin or (2) LIBOR (for U.S. Dollar or Euro denominated revolving loans, as applicable) plus an interest margin. The base rate will be a rate per annum equal to the greatest of (a) the U.S. Federal Funds Rate plus 0.50%, (b) the prime commercial lending rate of the administrative agent, and (c) a rate equal to LIBOR for a one-month interest period plus 1.00%. The swingline sub-facility will bear interest at a rate per annum equal to the applicable floating rate (base rate or LIBOR for a one-month interest period) plus an interest margin. The interest margin will be adjusted quarterly based on the average amount available for drawing under the ABL facility and will range between 2.75% and 3.25% per annum for LIBOR borrowings and 1.75% and 2.25% per annum for base rate borrowings.

The Company's ability to obtain revolving loans and letters of credit under the ABL facility will be subject to a borrowing base comprising the following: (1) a domestic borrowing base comprising 85% of the Company's eligible accounts receivable and those of the Company's domestic subsidiaries, plus 85% of the net orderly liquidation value of

the Company's eligible inventory and such domestic subsidiaries less, in each case, certain reserves and subject to certain limitations, and (2) a foreign borrowing base comprising 85% of the combined eligible accounts receivable of the Company's foreign subsidiaries, plus 85% of the net orderly liquidation value of eligible inventory of the Company's Canadian subsidiaries less, in each case, certain reserves and subject to certain limitations. The maximum amount of credit that will be available to the Company under the foreign borrowing base will be limited to the U.S. Dollar equivalent of \$40.0 million plus the availability generated by the eligible accounts receivable and

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inventory of our Canadian subsidiaries.

The obligations under the ABL facility are guaranteed by certain of the Company's domestic subsidiaries. The obligations of Exide C.V. under the ABL facility will be guaranteed by the Company's domestic subsidiary and certain foreign subsidiaries.

The obligations under the ABL facility will be secured by a lien on substantially all of the assets of Exide Technologies and domestic subsidiaries, and the obligations of Exide C.V. and the foreign subsidiaries under the ABL facility will be secured by a lien on substantially all of the assets of Exide Technologies and domestic subsidiaries, and on substantially all of the personal property of Exide C.V. and the foreign subsidiaries. Subject to certain permitted liens, the liens securing the obligations under the ABL facility will be first priority liens on all assets other than notes priority collateral and will be second priority liens on all notes priority collateral.

The ABL facility contains customary conditions including restrictions on, among other things, the incurrence of indebtedness and liens, dividends and other distributions, consolidations and mergers, the purchase and sale of assets, the issuance or redemption of equity interests, loans and investments, acquisitions, intercompany transactions, a change of control, voluntary payments and modifications of indebtedness, modification of organizational documents and material contracts, affiliate transactions, and changes in lines of business. The ABL facility also contains a financial covenant requiring the Company to maintain a minimum fixed charge coverage ratio of 1.00 to 1.00, tested monthly on a trailing twelve-month basis, if at any time the Company's excess availability under the ABL facility is less than the greater of \$30.0 million and 15% of the aggregate commitments of the lenders.

The Convertible Notes

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 September 30, 2011 and March 31, 2011 was 0.0%. Interest is payable quarterly. The notes are convertible into the Company's common stock at a conversion rate of 61.6143 shares per one thousand dollars principal amount at maturity, subject to adjustments for any common stock splits, dividends on the common stock, tender and exchange offers by the Company for the common stock and third-party tender offers, and in the case of a change in control in which 10% or more of the consideration for the common stock is cash or non-traded securities, the conversion rate increases, depending on the value offered and timing of the transaction, to as much as 70.2247 shares per one thousand dollars principal amount.

At September 30, 2011, the Company was in compliance with covenants contained in the ABL Facility and indenture governing the 8 5/8% Senior Secured Notes and floating rate convertible subordinated notes.

At September 30, 2011, the Company had outstanding letters of credit with a face value of \$58.9 million and surety bonds with a face value of \$32.6 million. The majority of the letters of credit and surety bonds have been issued as collateral or financial assurance with respect to certain liabilities that the Company has recorded, including but not limited to environmental remediation obligations and self-insured workers' compensation reserves. Failure of the Company to satisfy its obligations with respect to the primary obligations secured by the letters of credit or surety bonds could entitle the beneficiary of the related letter of credit or surety bond to demand payments pursuant to such instruments. The letters of credit generally have terms up to one year. Collateral held by the surety in the form of letters of credit at September 30, 2011, pursuant to the terms of the agreement, was \$30.6 million.

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

Sources and Uses 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 the past several years through rights offerings, common stock issuances, and the sale of non-core businesses and assets.

The Company's liquidity needs arise primarily from the funding of working capital, 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.

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Going forward, the Company's principal sources of liquidity are expected to be cash on hand, cash from operations, borrowings under the ABL facility, and the sale of idled assets, principally closed facilities, in certain foreign countries.

Cash (used in) provided by operating activities were (\$43.9) million and \$25.9 million in the first six months of fiscal 2012 and fiscal 2011, respectively. This decrease primarily relates to increased working capital usage versus the prior year period related to higher accounts receivable activity, and increases in inventory resulting from higher commodity costs, partially offset by \$13.8 million in decreased restructuring payments.

Cash used in investing activities primarily consisted of capital expenditures of \$43.2 million and \$30.6 million in the first six months of fiscal 2012 and 2011, respectively.

Cash provided by (used in) financing activities was \$13.1 million and (\$10.7) million in the first six months of fiscal 2012 and fiscal 2011, respectively. The increase was primarily due to increase in short-term borrowings.

The Company believes that it will have adequate liquidity to support its operational restructuring programs during the remainder of fiscal 2012, which include, among other things, payment of remaining accrued restructuring costs of approximately \$14.6 million as of September 30, 2011. For further discussion see Note 13 to the Condensed Consolidated Financial Statements.

The estimated fiscal 2012 pension plan contributions are \$28.7 million and other post-retirement contributions are \$2.0 million. Payments aggregating \$13.8 million were made during the first half of fiscal 2012.

The Company is subject to tax audits by governmental authorities in the U.S. and in non-U.S. jurisdictions. The Company is appealing the results of a tax audit in Spain for fiscal years 2003 through 2006 that is related to current and certain former Spanish subsidiaries. In May 2011, the Company was notified that the Spanish tax authorities will begin an audit of its current and certain former Spanish subsidiaries for fiscal years 2007 through 2010. The Company anticipates that it will receive an assessment for matters similar to those under appeal, which may amount to \$40.0 million. Although the Company would appeal this estimated assessment and attempt to enter into a delayed payment plan as it successfully accomplished with respect to the 2003 through 2006 assessment, negative results from one or more such tax audits could materially and adversely affect the Company's business, financial condition, cash flows, or results of operations.

Financial Instruments and Market Risk

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

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

Accounts Receivable Factoring Arrangements

In the ordinary course of business, the Company utilizes accounts receivable factoring arrangements in countries where programs of this type are typical. Under these arrangements, the Company may sell certain of its trade accounts receivable to financial institutions. The arrangements do not contain recourse provisions against the Company for its customers' failure to pay. The Company sold approximately \$65.1 million and \$67.3 million of foreign currency trade accounts receivable as of September 30, 2011 and March 31, 2011, respectively. Changes in the level of receivables sold from year to year are included in the change in accounts receivable within cash flow from operations in the Condensed Consolidated Statements of Cash Flows.

Item 3. Quantitative and Qualitative Disclosures about Market Risks

Changes to the quantitative and qualitative market risks as of September 30, 2011 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, 2011 for further information.

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Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Exchange Act, that are designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to the Company's management, including the Company's chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

As of the end of the period covered by this report, the Company carried out an evaluation, under the supervision and with the participation of senior management, including the chief executive officer and the chief financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Exchange Act Rules 13a-15(b) and 15d-15(b). Based upon, and as of the date of this evaluation, the chief executive officer and the chief financial officer concluded that the Company's disclosure controls and procedures were effective as of September 30, 2011.

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 September 30, 2011 that have materially affected or are reasonably likely to materially affect the Company's internal control over financial reporting.

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

Except for historical information, this report may be deemed to contain forward-looking statements. The Company 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 fact that lead, a major constituent in most of the Company's products, experiences significant fluctuations in market price and is a hazardous material that may give rise to costly environmental and safety claims, (ii) the Company's ability to implement and fund business strategies based on current liquidity, (iii) the Company's ability to realize anticipated efficiencies and avoid additional unanticipated costs related to its restructuring activities, (iv) the cyclical nature of the industries in which the Company operates and the impact of current adverse economic conditions on those industries, (v) unseasonable weather (warm winters and cool summers) which adversely affects demand for automotive and some industrial batteries, (vi) the Company's substantial debt and debt service requirements which may restrict the Company's operational and financial flexibility, as well as imposing significant interest and financing costs, (vii) the litigation proceedings to which the Company is subject, the results of which could have a material adverse effect on the Company and its business, (viii) the realization of the tax benefits of the Company's net operating loss carry forwards, which is dependent upon future taxable income, (ix) the negative results of tax audits in the U.S. and Europe which could require the payment of significant cash taxes, (x) competitiveness of the battery markets in the Americas and Europe, (xi) risks involved in foreign operations such as disruption of markets, changes in import and export laws, currency restrictions, currency exchange rate fluctuations and possible terrorist attacks against U.S. interests, (xii) the ability to acquire goods and services and/or fulfill later needs at budgeted costs, (xiii) general economic conditions, (xiv) the Company's ability to successfully pass along increased material costs to its customers, and (xv) recently adopted U.S. lead emissions standards and the implementation of such standards by applicable states, and (xvi) those risk factors described in the Company's fiscal 2011 Form 10-K filed on June 1, 2011.

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 2011 Form 10-K have not materially changed since we filed our fiscal 2011 Form 10-K. See Item 1A to Part I of the Company's fiscal 2011 Form 10-K for a complete discussion of these risk factors.

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

Period	(a) Total Number of Shares (or Units) Purchased (1)	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
July 1 through July 31	12,016	\$7.61		
August 1 through August 31	208	\$4.30		
September 1 through September 30	10,283	\$4.12		

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

Item 3. *Defaults Upon Senior Securities*

None

Item 4. *[Removed and Reserved]*

None

Item 5. *Other Information*

None

Item 6. *Exhibits*

- 31.1 Certification of James R. Bolch, President and Chief Executive Officer, pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
- 31.2 Certification of Phillip A. Damaska, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
- 32 Certifications pursuant to Section 906 of Sarbanes-Oxley Act of 2002.

101.INS XBRL Instance Document

101.SCH XBRL Taxonomy Extension Schema Document

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document

101.LAB XBRL Taxonomy Extension Label Linkbase Document

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

EXIDE TECHNOLOGIES

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

Date: November 9, 2011

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