EXIDE TECHNOLOGIES
Form 10-Q
August 06, 2008

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

(Mark One)

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

For the quarterly period ended June 30, 2008

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

Commission File Number 1-11263

EXIDE TECHNOLOGIES

(Exact Name of Registrant as Specified in Its Charter)

Delaware **(State or other jurisdiction of incorporation or organization)**	**23-0552730** **(I.R.S. Employer Identification Number)**
13000 Deerfield Parkway, Building 200 Alpharetta, Georgia **(Address of principal executive offices)**	**30004** **(Zip Code)**

(678) 566-9000
(Registrant s telephone number, including area code)

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

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

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

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

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

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

As of August 1, 2008, 75,316,284 shares of common stock were outstanding.

EXIDE TECHNOLOGIES AND SUBSIDIARIES
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PART I. FINANCIAL INFORMATION

Item 1. ***Financial Statements***

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

	For the Three Months Ended	
	June 30, 2008	June 30, 2007
NET SALES	$ 971,275	$ 762,387
COST OF SALES	801,795	643,718
Gross profit	169,480	118,669
EXPENSES:		
Selling, marketing and advertising	78,856	68,335
General and administrative	47,172	43,649
Restructuring	2,223	2,132
Other expense (income), net	7,823	(3,541)
Interest expense, net	19,225	21,352
Loss on early extinguishment of debt		21,342
	155,299	153,269
Income (loss) before reorganization items, income taxes, and minority interest	14,181	(34,600)
REORGANIZATION ITEMS, NET	463	442
INCOME TAX PROVISION	23,469	217
MINORITY INTEREST	560	423
Net loss	$ (10,311)	$ (35,682)
LOSS PER SHARE		
Basic and Diluted	$ (0.14)	$ (0.58)
WEIGHTED AVERAGE SHARES		
Basic and Diluted	75,376	61,264

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)

	June 30, 2008	March 31, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	$ 131,501	$ 90,547
Receivables, net of allowance for doubtful accounts of $31,871 and $33,630	673,971	782,944
Inventories	618,044	583,593
Prepaid expenses and other	20,168	17,829
Deferred financing costs, net	5,222	5,215
Deferred income taxes	37,450	36,853
Total current assets	1,486,356	1,516,981
Property, plant and equipment, net	638,142	649,526
Other assets:		
Other intangibles, net	205,010	206,283
Investments in affiliates	6,688	6,523
Deferred financing costs, net	16,787	18,071
Deferred income taxes	46,015	51,238
Other	43,898	42,774
	318,398	324,889
Total assets	$ 2,442,896	$ 2,491,396
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Short-term borrowings	$ 21,688	$ 22,719
Current maturities of long-term debt	9,745	9,875
Accounts payable	421,297	468,240
Accrued expenses	326,408	333,092
Warrants liability	17,957	8,272
Total current liabilities	797,095	842,198
Long-term debt	680,598	683,601
Noncurrent retirement obligations	203,312	212,438
Deferred income taxes	57,511	44,407
Other noncurrent liabilities	146,490	145,642
Total liabilities	1,885,006	1,928,286
Commitments and contingencies		
Minority interest	19,245	18,772

STOCKHOLDERS EQUITY		
Preferred stock, $0.01 par value, 1,000 shares authorized, 0 shares issued and outstanding		
Common stock, $0.01 par value, 200,000 shares authorized, 75,316 and 75,278 shares issued and outstanding	753	753
Additional paid-in capital	1,106,684	1,104,939
Accumulated deficit	(727,973)	(717,662)
Accumulated other comprehensive income	159,181	156,308
Total stockholders equity	538,645	544,338
Total liabilities and stockholders equity	$ 2,442,896	$ 2,491,396

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 Three Months Ended June 30, 2008	June 30, 2007
Cash Flows From Operating Activities:		
Net loss	$ (10,311)	$ (35,682)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Depreciation and amortization	25,872	26,393
Unrealized loss on warrants	9,685	265
Net loss (gain) on asset sales / impairments	95	(599)
Deferred income taxes	17,152	(4,076)
Provision for doubtful accounts	(549)	1,175
Non-cash stock compensation	1,280	1,356
Reorganization items, net	463	442
Minority interest	560	423
Amortization of deferred financing costs	1,311	999
Loss on early extinguishment of debt		21,342
Currency gain	(1,807)	(2,518)
Changes in assets and liabilities		
Receivables	94,061	17,719
Inventories	(32,671)	(70,054)
Prepaid expenses and other	(2,301)	(2,132)
Payables	(47,505)	(5,980)
Accrued expenses	(7,449)	9,175
Noncurrent liabilities	(8,048)	(19,376)
Other, net	310	1,718
Net cash provided by (used in) operating activities	40,148	(59,410)
Cash Flows From Investing Activities:		
Capital expenditures	(11,767)	(10,833)
Proceeds from sales of assets	16,425	3,427
Net cash provided by (used in) investing activities	4,658	(7,406)
Cash Flows From Financing Activities:		
(Decrease) increase in short-term borrowings	(1,491)	548
(Decrease) increase in borrowings under Senior Secured Credit Facility	(779)	66,695
Common stock issuance	466	
(Decrease) increase in other debt	(2,045)	1,956
Financing costs and other		(30,306)
Net cash (used in) provided by financing activities	(3,849)	38,893

Effect of Exchange Rate Changes on Cash and Cash Equivalents	(3)	1,052
Net Increase (Decrease) In Cash and Cash Equivalents	40,954	(26,871)
Cash and Cash Equivalents, Beginning of Period	90,547	76,211
Cash and Cash Equivalents, End of Period	$ 131,501	$ 49,340
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period		
Interest	$ 10,076	$ 11,538
Income taxes (net of refunds)	$ 492	$ 971

The accompanying notes are an integral part of these statements.

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EXIDE TECHNOLOGIES AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
June 30, 2008
(Unaudited)

(1) BASIS OF PRESENTATION

The Condensed Consolidated Financial Statements include the accounts of Exide Technologies (referred to together with its subsidiaries, unless the context requires otherwise, as Exide or the Company) and all of its majority-owned subsidiaries. These statements are presented in accordance with the requirements of Form 10-Q and consequently do not include all of the disclosures normally required by generally accepted accounting principles (GAAP), or those disclosures normally made in the Company s annual report on Form 10-K. Accordingly, the reader of this Form 10-Q should refer to the Company s annual report on Form 10-K for the fiscal year ended March 31, 2008 for further information.

The financial information has been prepared in accordance with the Company s customary accounting practices. In the Company s opinion, the accompanying condensed consolidated financial information includes all adjustments of a normal recurring nature necessary for a fair statement of the results of operations and financial position for the periods presented.

(2) COMPREHENSIVE LOSS

Total comprehensive loss and its components are as follows:

	For the Three Months Ended	
	June 30, 2008	June 30, 2007
	(In thousands)	
Net loss	$ (10,311)	$ (35,682)
Defined benefit plans	181	(428)
Cumulative translation adjustment	(1,217)	10,361
Derivatives qualifying as hedges	3,909	
Total comprehensive loss	$ (7,438)	$ (25,749)

(3) ACCOUNTING FOR DERIVATIVES

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

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

In February 2008, the Company entered into an interest rate swap agreement to fix the variable component of interest on $200.0 million of its floating rate long-term obligations at a rate of 3.45% per annum through February 27, 2011. At June 30, 2008, the fair value of the swap agreement, which is based on quotes from active markets for instruments of this type, amounted to an asset of $1.8 million. The swap s increase in fair value for the three months ended June 30, 2008 amounted to $5.3 million ($3.9 million on a net-of-tax basis), and was recorded as an unrealized gain in comprehensive loss, resulting in an ending balance in accumulated other comprehensive loss of $1.9 million at June 30, 2008. The remaining amount of $0.1 million ($1.9 million versus $1.8 million), which includes amounts considered ineffective as well as effective amounts related to the current period, was recorded as a net decrease to interest expense for the three months ended June 30, 2008. The Company expects to reclassify approximately $0.4 million from accumulated other comprehensive income to interest expense during the remainder of fiscal 2009.

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(4) INTANGIBLE ASSETS

Intangible assets consist of:

	Trademarks and Tradenames (not subject to amortization)	Trademarks and Tradenames (subject to amortization)	Customer relationships	Technology	Total
	(In thousands)				
As of June 30, 2008:					
Gross Amount	$ 67,320	$ 15,313	$ 126,966	$ 28,420	$ 238,019
Accumulated Amortization		(5,039)	(22,097)	(5,873)	(33,009)
Net	$ 67,320	$ 10,274	$ 104,869	$ 22,547	$ 205,010
As of March 31, 2008:					
Gross Amount	$ 67,089	$ 15,260	$ 126,529	$ 28,323	$ 237,201
Accumulated Amortization		(4,720)	(20,696)	(5,502)	(30,918)
Net	$ 67,089	$ 10,540	$ 105,833	$ 22,821	$ 206,283

Amortization of intangible assets for the first three months of fiscal 2009 and 2008 was $2.0 million and $1.8 million, respectively. Excluding the impact of future acquisitions (if any), the Company anticipates annual amortization of intangible assets for each of the next five years to average approximately $7.4 million. Intangible assets are recorded at the legal entity level and are subject to foreign currency fluctuation. The changes in the gross amounts shown above, from March 31, 2008 to June 30, 2008, result only from foreign currency translation. No other activity has occurred.

(5) INVENTORIES

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

	June 30, 2008	March 31, 2008
	(In thousands)	
Raw materials	$ 83,367	$ 71,779
Work-in-process	143,230	115,840
Finished goods	391,447	395,974
	$ 618,044	$ 583,593

(6) OTHER ASSETS

Other assets consist of:

	June 30, 2008	March 31, 2008
	(In thousands)	
Deposits (a)	$ 12,337	$ 12,631

Capitalized software, net	3,341		3,711
Loan to affiliate	1,800		1,811
Retirement plans	17,470		17,391
Other	8,950		7,230
	$ 43,898	$	42,774

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

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(7) DEBT

At June 30, 2008 and March 31, 2008, short-term borrowings of $21.7 million and $22.7 million, respectively, consisted of borrowings under various operating lines of credit and working capital facilities maintained by certain of the Company s non-U.S. subsidiaries. Certain of these borrowings are collateralized by receivables, inventories and/or property. These borrowing facilities, which are typically for one-year renewable terms, generally bear interest at current local market rates plus up to one percent per annum. The weighted average interest rate on short-term borrowings was approximately 6.4% and 6.2% at June 30, 2008 and March 31, 2008, respectively.

Total long-term debt consists of:

	June 30, 2008	March 31, 2008
	(In thousands)	
Senior Secured Credit Facility	$ 305,299	$ 306,395
10.5% Senior Secured Notes due 2013	290,000	290,000
Floating Rate Convertible Senior Subordinated Notes due 2013	60,000	60,000
Other, including capital lease obligations and other loans at interest rates generally ranging up to 11% due in installments through 2015	35,044	37,081
Total	690,343	693,476
Less current maturities	9,745	9,875
	$ 680,598	$ 683,601

Total debt including long-term debt and short-term borrowings at June 30, 2008 and March 31, 2008 was $712.0 million and $716.2 million, respectively.

(8) INTEREST EXPENSE, NET

Interest income of $0.8 million and $0.3 million is included in interest expense, net for the three months ended June 30, 2008 and 2007, respectively.

(9) OTHER EXPENSE (INCOME), NET

Other expense (income), net consist of:

	For the Three Months Ended June 30, 2008	June 30, 2007
	(In thousands)	
Net loss (gain) on asset sales / impairments	$ 95	$ (599)
Equity income	(150)	(183)
Currency gain	(1,807)	(2,518)
Loss on revaluation of warrants (a)	9,685	265
Other		(506)
	$ 7,823	$ (3,541)

(a) The warrants entitle the holders to purchase an

aggregate of up to approximately 6.7 million shares of new common stock at an exercise price of $29.84 per share. The warrants are exercisable through May 5, 2011. In accordance with Emerging Issues Task Force abstract (EITF) 00-19 and Statement of Financial Accounting Standards 150, *Accounting for Certain Financial Instruments with Characteristics of Both Liabilities and Equity*, the warrants have been marked-to-market based upon quoted market prices. Future results of operations may be subject to volatility from changes in the market value of such warrants.

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(10) EMPLOYEE BENEFITS

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

	Pension Benefits For the Three Months Ended	
	June 30, 2008	June 30, 2007
	(In thousands)	
Components of net periodic benefit cost:		
Service cost	$ 1,179	$ 1,531
Interest cost	9,882	8,815
Expected return on plan assets	(7,985)	(7,267)
Amortization of:		
Prior service cost	6	5
Actuarial gain	(706)	(369)
Net periodic benefit cost	$ 2,376	$ 2,715

	Other Post-Retirement Benefits For the Three Months Ended	
	June 30, 2008	June 30, 2007
	(In thousands)	
Components of net periodic benefit cost:		
Service cost	$ 52	$ 47
Interest cost	338	371
Amortization of:		
Prior service cost	(96)	
Actuarial loss	34	18
Net periodic benefit cost	$ 328	$ 436

The estimated fiscal 2009 pension plan contributions are $41.8 million and other post-retirement contributions are $2.2 million. Payments aggregating $11.0 million were made during the three months ended June 30, 2008.

(11) COMMITMENTS AND CONTINGENCIES

Claims Reconciliation

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

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

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

the Company at the current time may significantly affect the Company s assessment regarding the adequacy of the reserve amounts in the future.

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

On July 21, 2008, the Company made its seventeenth distribution of common stock and warrants for disputed general unsecured claims. Based on information available as of August 1, 2008, approximately 11.2% of common stock and warrants reserved for this purpose has been distributed. The Company also continues to resolve certain non-objected claims.

Private Party Lawsuits and other Legal Proceedings

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

In July 2001, Pacific Dunlop Holdings (US), Inc. (PDH) and several of its foreign affiliates under the various agreements through which Exide and its affiliates acquired GNB, filed a complaint in the Circuit Court for Cook County, Illinois alleging breach of contract, unjust enrichment and conversion against Exide and three of its foreign affiliates. The plaintiffs maintain they are entitled to approximately $17.0 million in cash assets acquired by the defendants through their acquisition of GNB. In December 2001, the Court denied the defendants motion to dismiss the complaint, without prejudice. The defendants filed an answer and counterclaim. In, 2002, the Court authorized discovery to proceed as to all parties except the Company. In August 2002, the case was removed to the U.S. Bankruptcy Court for the Northern District of Illinois. In February 2003, the U.S. Bankruptcy Court for the Northern District of Illinois transferred the case to the U.S. Bankruptcy Court in Delaware. In November 2003, the Bankruptcy Court denied PDH s motion to abstain or remand the case and issued an opinion holding that the Bankruptcy Court had jurisdiction over PDH s claims and that liability, if any, would lie solely against Exide Technologies and not against any of its foreign affiliates. The Bankruptcy Court denied PDH s motion to reconsider. In an order dated March 22, 2007, the U.S. District Court for the District of Delaware denied PDH s appeal in its entirety, affirming the Orders of the Bankruptcy Court. PDH has noticed its appeal of this Order to the United States Court of Appeals for the Third Circuit. The Third Circuit heard oral arguments on PDH s appeal on June 30, 2008, and an appellate decision from the Court is pending.

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

consolidated with the Cook County suit concerning GNB s cash assets, the claims relating to this action have been transferred to the U.S. Bankruptcy Court for the District of Delaware and are currently subject to a stay injunction by that court. The Company plans to vigorously defend itself and pursue its counterclaims.

From 1957 to 1982, CEAC, the Company s principal French subsidiary, operated a plant using crocidolite asbestos fibers in the formation of battery cases, which, once formed, encapsulated the fibers. Approximately 1,500 employees worked in the plant over the period. Since 1982, the French governmental agency responsible for worker illness claims received 64 employee claims alleging asbestos-related illnesses. For some of those claims, CEAC is obligated to and has indemnified the agency in accordance with French law for approximately $0.4 million in calendar 2004. In addition, CEAC has been adjudged liable to indemnify the agency for approximately $0.1 million during the same period for the dependents of four such claimants. The Company was not required to indemnify or make any payments in calendar years 2005 and 2006, but has been adjudged liable to indemnify the agency for approximately $0.3 million in calendar 2007. Although the Company cannot predict the number or size of any future claims, the

Company does not believe resolution of the current or any future claims, individually or in the aggregate, will have a material adverse effect on the Company s financial condition, cash flows or results of operations.

In June 2005 two former stockholders, Aviva Partners LLC and Robert Jarman filed purported class action lawsuits against the Company and certain of its current and former officers alleging violations of certain federal securities laws in the United States District Court for the District of New Jersey purportedly on behalf of those who purchased the Company s stock between November 16, 2004 and May 17, 2005. The complaints allege that the named officers violated Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 (the Exchange Act) and SEC Rule 10b-5 in connection with certain allegedly false and misleading public statements made during this period by the Company and its officers. The complaints did not specify an amount of damages sought. The Company denies the allegations in the complaints and intends to vigorously pursue its defense.

United States District Judge Mary L. Cooper consolidated the Aviva Partners and Jarman cases under the Aviva Partners v. Exide Technologies, Inc. caption. In 2006 Plaintiffs filed their consolidated amended complaint in which they reiterated the claims described above but purported to state a claim on behalf of those who purchased the Company s stock between May 5, 2004 and May 17, 2005. On March 13, 2007, the Court denied the Company s motions to dismiss. Discovery in this litigation is proceeding and is expected to continue throughout the remainder of 2008. No trial date has been set in this matter.

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

Environmental Matters

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

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

The Company is also involved in the assessment and remediation of various other properties, including certain Company-owned or operated facilities. Such assessment and remedial work is being conducted pursuant to applicable EH&S laws with varying degrees of involvement by appropriate legal authorities. Where probable and reasonably estimable, the costs of such projects have been accrued by the Company, as discussed below. In addition, certain environmental matters concerning the Company are pending in various courts or with certain environmental regulatory agencies with respect to these currently or formerly owned or operating locations**.** While the ultimate

outcome of the foregoing environmental matters is uncertain, after consultation with legal counsel, the Company does not believe the resolution of these matters, individually or in the aggregate, will have a material adverse effect on the Company s financial condition, cash flows or results of operations.

On September 6, 2005, the U.S. Court of Appeals for the Third Circuit issued an opinion in U.S. v. General Battery/Exide (No. 03-3515) affirming the district court s holding that the Company is liable, as a matter of federal common law of successor liability, for lead contamination at certain sites in the vicinity of Hamburg, Pennsylvania. This case involves several of the pre-petition environmental claims of the federal government for which the Company, as part of its Chapter 11 proceeding, had established a reserve of common stock and warrants. The amount of the government claims for these sites at the time reserves were established was approximately $14.0 million. On October 2, 2006, the United States Supreme Court denied review of the appellate

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

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

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

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

The Company has established reserves for on-site and off-site environmental remediation costs where such costs are probable and reasonably estimable and believes that such reserves are adequate. As of June 30, 2008 and March 31, 2008, the amount of such reserves on the Company s Consolidated Balance Sheets was approximately $38.6 million and $39.1 million, respectively. Because environmental liabilities are not accrued until a liability is determined to be probable and reasonably estimable, not all potential future environmental liabilities have been included in the Company s environmental reserves and, therefore, additional earnings charges are possible. Also, future findings or changes in estimates could have a material adverse effect on the recorded reserves and cash flows.

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

Tampa, Florida

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

Columbus, Georgia

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

Azambuja (SONALUR) Portugal

The Azambuja (SONALUR) facility is an active secondary lead recycling plant. Materials from past operations present at the site are stored in above-ground concrete containment vessels and in underground storage deposits. The Company finalized the process of obtaining site characterization data to evaluate remediation alternatives agreeable to local authorities. Costs for remediation are currently estimated at $2.0 million.

Guarantees

At June 30, 2008, the Company had outstanding letters of credit with a face value of $48.3 million and surety bonds with a face value of $4.2 million. The majority of the letters of credit and surety bonds have been issued as collateral or financial assurance with respect to certain liabilities the Company has recorded, including but not limited to environmental remediation obligations and self-insured workers compensation reserves. Failure of the Company to satisfy its obligations with respect to the primary obligations secured by the letters of credit or surety bonds could entitle the beneficiary of the related letter of credit or surety bond to demand payments pursuant to such instruments. The letters of credit generally have terms up to one year. Collateral held by the sureties in the form of letters of credit at June 30, 2008, pursuant to the terms of the agreement, totaled approximately $2.7 million.

Certain of the Company s European subsidiaries have issued bank guarantees as collateral or financial assurance in connection with environmental obligations, income tax claims and customer contract requirements. At June 30, 2008, bank guarantees with a face value of $19.3 million were outstanding.

Sales Returns and Allowances

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

A reconciliation of changes in the Company s sales returns and allowances liability follows (in thousands):

Balance at March 31, 2008	$ 57,757
Accrual for sales returns and allowances provided	13,840
Settlements made (in cash or credit), and currency translation	(15,123)
Balance at June 30, 2008	$ 56,474

(12) INCOME TAXES

The effective tax rate for the first quarter of fiscal 2009 and fiscal 2008 was impacted by the generation of income in tax-paying jurisdictions in certain countries in Europe, New Zealand, and Canada, and the recognition of valuation allowances on tax benefits generated from losses in the United Kingdom, Italy, Spain, and France. During the first quarter of fiscal 2009 the Company established a full valuation reserve of $13.5 million on its net deductible temporary differences and loss carryforwards related to its Australian operations. The effective tax rate for the first quarter of fiscal 2009 was impacted by the generation of income tax in the U.S., whereas in the first quarter of fiscal 2008 the U.S. operations generated losses subject to the recognition of valuation allowances resulting in no impact to the income tax provision. In addition, the income tax provision for the first quarter of fiscal 2009 decreased as a result of the removal of $3.3 million in valuation allowances against net deferred tax assets generated from the Company s Austrian and Mexican operations.

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

	For the Three Months Ended	
	June 30, 2008	**June 30, 2007**
Federal statutory rate	35.0%	35.0%
Change in valuation allowances	130.5%	-48.2%
Revaluation of warrants	24.7%	0.3%
Rate difference on foreign subsidiaries	-13.4%	12.2%
Other, net	-5.7%	0.1%
Effective tax rate	171.1%	-0.6%

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

The Company or one of its subsidiaries files income tax returns in the U.S. federal jurisdiction and various state and foreign

jurisdictions. The Company is no longer subject to U.S. federal income tax examinations by tax authorities for years ended before March 31, 2005.

With respect to state and local jurisdictions and countries outside of the United States, with limited exceptions, the Company and its subsidiaries are no longer subject to income tax audits for years ended before March 31, 2002. Although the outcome of tax audits is always uncertain, the Company believes that adequate amounts of tax, interest and penalties have been provided for any adjustments that could result from these years.

The Company adopted the provisions of Financial Accounting Standards Board (FASB) Interpretation No. 48, Accounting *for Uncertainty in Income Taxes An Interpretation of SFAS 109*, (FIN 48) effective April 1, 2007. FIN 48 clarifies the accounting for income taxes by prescribing a minimum recognition threshold a tax position is required to meet before being recognized in the financial statements.

As of March 31 and June 30, 2008, the Company s unrecognized tax benefits are $83.3 million and $83.9 million, respectively. The amount, if recognized, that would affect the Company s effective tax rate at June 30, 2008 and March 31, 2008 is $26.6 million. Included in the balance of unrecognized tax benefits at June 30, 2008 and March 31, 2008 are $8.3 million and $7.3 million of tax benefits, respectively, that if recognized, would result in a decrease to long term intangibles recorded in fresh start accounting.

The Company classifies interest and penalties on uncertain tax benefits as income tax expense. At June 30, 2008 and March 31, 2008, before any tax benefits, the Company had $3.9 million and $3.7 million, respectively, of accrued interest and penalties on unrecognized tax benefits.

During the next twelve months, the Company does not expect the resolution of any tax audits which could potentially reduce unrecognized tax benefits by a material amount. However, expiration of the statute of limitations for a tax year in which the Company has recorded an uncertain tax benefit will occur in the next twelve months. The removal of this uncertain tax benefit would affect the Company s effective tax rate by $4.5 million.

(13) RESTRUCTURING

During the first three months of fiscal 2009, the Company has continued to implement operational changes to streamline and rationalize its structure in an effort to simplify the organization and eliminate redundant and/or unnecessary costs. As part of these restructuring programs, the nature of the positions eliminated range from plant employees and clerical workers to operational and sales management.

During the three months ended June 30, 2008, the Company recognized restructuring charges of $2.2 million, primarily related to severance. These charges resulted from consolidation efforts and headcount reductions in the Industrial Energy Europe and the Transportation Europe segment. Approximately 41 positions have been eliminated.

Summarized restructuring reserve activity:

	Severance Costs	Closure Costs	Total
		(In thousands)	
Balance at March 31, 2008	$ 1,788	$ 3,282	$ 5,070
Restructuring Charges	2,322	(99)	2,223
Payments and Currency Translation	(1,965)	(889)	(2,854)
Balance at June 30, 2008	$ 2,145	$ 2,294	$ 4,439

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

(14) LOSS PER SHARE

The Company computes basic loss per share in accordance with SFAS 128, *Earnings Per Share* by dividing net loss by the weighted average number of common shares outstanding during the period. Diluted loss per share is computed by dividing net income, after adding back the after-tax amount of interest recognized in the period associated with the Company s Floating Rate Convertible Senior Subordinated Notes, by diluted weighted average shares outstanding. Potentially dilutive shares include the

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

Due to a net loss for the three month periods ended June 30, 2008 and June 30, 2007, certain potentially dilutive shares associated with convertible debt, employee stock options, restricted stock, restricted stock unit awards, and warrants have been excluded from the diluted loss per share calculation because their effect would be antidilutive. As of June 30, 2008 and 2007, the total amount of outstanding securities which were excluded from the net loss per share calculations (because of their potential dilutive effect) consisted of 3,696,858 and 3,584,226 shares associated with convertible debt (assuming conversion), 3,731,913 and 3,156,281 employee stock options, 1,210,782 and 1,418,329 restricted stock awards (non-vested), and 6,725,444 and 6,621,161 warrants, respectively.

As a result of the consummation of the $91.7 million rights offering in September 2007, the Company issued a total of 14.0 million shares of its common stock. At the expiration of the rights offering, the fair value of the Company s common stock was greater than the rights offering s $6.55 per share subscription price. Accordingly, basic and diluted loss per share have been restated for the three-month period ended June 30, 2007, to reflect a stock dividend of 338,580 shares of the Company s common stock.

(15) RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

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

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

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

(16) FAIR VALUE MEASUREMENTS

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

Level 1 Observable inputs such as quoted prices in active markets for identical assets and liabilities
Level 2 Inputs other than quoted prices in active markets that are observable either directly or indirectly, and

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

As of June 30, 2008, the Company s assets measured at fair value on a recurring basis consisted of an interest rate swap valued at $1.8 million using inputs other than quoted prices in active markets that are directly or indirectly observable for instruments of this type (Level 2). See Note 3.

(17) SEGMENT INFORMATION

The Company reports its results for four business segments, Transportation Americas, Transportation Europe and ROW, Industrial Energy Americas and Industrial Energy Europe and ROW. The Company is a global producer and recycler of lead-acid batteries, and its four business segments provide a comprehensive range of stored electrical energy products and services for transportation and industrial applications. The Company will continue to evaluate its reporting segments pending future organizational changes that may take place.

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

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

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

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

	For the Three Months Ended June 30, 2007					
	Transportation		Industrial			
	Americas	Europe and ROW	Americas	Europe and ROW	Other (a)	Consolidated
	(In thousands)					
Net sales	$ 251,029	$ 212,709	$ 65,274	$ 233,375	$	$ 762,387
Gross profit	47,725	22,149	16,111	32,684		118,669
Expenses	31,027	25,856	10,106	34,106	52,174	153,269
Income (loss) before reorganization items, income taxes, and minority interest	16,698	(3,707)	6,005	(1,422)	(52,174)	(34,600)

(a) Other includes unallocated corporate

expenses,
interest expense,
currency
remeasurement
gain, and
(gain) loss on
revaluation of
warrants. In the
three months
ended June 30,
2007, Other also
includes a
$21.3 million
loss on early
extinguishment
of debt.

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

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

Some of the statements contained in the following discussion of the Company s financial condition and results of operations refer to future expectations or include other forward-looking information. Those statements are subject to known and unknown risks, uncertainties and other factors that could cause the actual results to differ materially from those contemplated by these statements. The forward-looking information is based on various factors and was derived from numerous assumptions. See

Cautionary Statement for Purposes of the Safe Harbor Provision of the Private Securities Litigation Reform Act of 1995, included in this Report on Form 10-Q for a discussion of factors to be considered when evaluating forward-looking information detailed below. These factors could cause our actual results to differ materially from the forward looking statements. For a discussion of certain legal contingencies, see Note 11 to the Condensed Consolidated Financial Statements.

Executive Overview

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

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

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

Factors Which Affect the Company s Financial Performance

Lead and other Raw Materials. Lead represents approximately 48.8% of the Company s cost of goods sold. The market price of lead fluctuates. Generally, when lead prices decrease, customers may seek disproportionate price reductions from the Company, and when lead prices increase, customers may resist price increases. Both of these situations may cause customer demand for the Company s products to be reduced and the Company s net sales and gross margins to decline. The average price of lead as quoted on the London Metals Exchange (LME) has increased 6% from $2,176 per metric ton for the three months ended June 30, 2007 to $2,305 per metric ton for the three months ended June 30, 2008. At August 1, 2008, the quoted price on the LME was $2,155 per metric ton. To the extent that lead prices continue to be volatile and the Company is unable to maintain existing pricing or pass higher material costs resulting from this volatility to its customers, its financial performance will be adversely impacted.

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

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

Exchange Rates. The Company is exposed to foreign currency risk in most European countries, principally from fluctuations in the Euro. For the first quarter of fiscal 2009, the exchange rate of the Euro to the U.S. Dollar has increased 15.9% on average to $1.56 compared to $1.35 for the first quarter of fiscal 2008. At June 30, 2008, the Euro was $1.57 or 0.3% lower as compared to $1.58 at March 31, 2008.

The Company is also exposed, although to a lesser extent, to foreign currency risk in Australia, countries in the Pacific Rim region, Poland, and the U.K. Movements 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. Fluctuations in European currencies impacted the Company s results for the periods presented herein. For the three months ended June 30, 2008, approximately 59.3% of the Company s net sales were generated in Europe and ROW. Further, approximately 69.6% of the Company s aggregate accounts receivable and inventory as of June 30, 2008 were held by its European subsidiaries.

Markets. The Company is subject to concentrations of customers and sales in a few geographic locations and is dependent on customers in certain industries, including the automotive, communications and data and material

handling markets. Economic difficulties experienced in these markets and geographic locations impact the Company s financial results.

Seasonality and Weather. The Company sells a disproportionate share of its transportation aftermarket batteries during the fall and early winter (the Company s third and a portion of its fourth fiscal quarters). Retailers and distributors buy automotive batteries during these periods so they will have sufficient inventory for cold weather periods. In addition, many of the Company s industrial

battery customers in Europe do not place their battery orders until the end of the calendar year. The impact of seasonality on sales has the effect of increasing the Company s working capital requirements and also makes the Company more sensitive to fluctuations in the availability of liquidity.

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

Interest Rates. The Company is exposed to fluctuations in interest rates on its variable rate debt, portions of which were hedged during the three months ended June 30, 2008. See Notes 3 and 7 to the Condensed Consolidated Financial Statements in this Form 10-Q.

First Quarter of Fiscal 2009 Highlights and Outlook

The Company s reported results continue to be impacted in fiscal 2009 by increases in the price of lead and other commodity costs that are primary components in the manufacture of batteries, as well as increases in energy costs used in the manufacturing and distribution of the Company s products.

In the Americas, the Company obtains the vast majority of its lead requirements from six Company-owned and operated secondary lead recycling plants. These facilities reclaim lead by recycling spent lead-acid batteries, which are obtained for recycling from the Company s customers and outside spent-battery collectors. Recycling helps the Company in the Americas control the cost of its principal raw material as compared to purchasing lead at prevailing market prices. Similar to the rise in lead prices, however, the cost of spent batteries has also increased. For the first quarter of fiscal 2009, the average cost of spent batteries increased approximately 55.0% versus the first quarter of fiscal 2008. Therefore, the higher market price of lead with respect to manufacturing in the Americas continues to impact results. The Company continues to take pricing actions and is attempting to secure higher captive spent battery return rates to help mitigate these risks.

In Europe, the Company s lead requirements are mainly fulfilled by third-party suppliers. Because of the Company s exposure to lead market prices in Europe, and based on historical price increases and volatility in lead prices, the Company has implemented several measures to offset higher lead prices, including selective pricing actions, lead price escalators, and long-term lead supply contracts. In addition, the Company has automatic lead price escalators with many OE customers. The Company currently obtains a small portion of its lead requirements from recycling in its European facilities.

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

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

(i) Successful execution and completion of the Company s ongoing restructuring plans, and organizational realignment of divisional and corporate functions intended to result in further headcount reductions, principally in selling, general and administrative functions globally.

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

(iii) Continued factory and distribution productivity improvements through its established Take Charge! initiative.

(iv) Continued review and rationalization of the various brand offerings of products in its markets to gain efficiencies in manufacturing and distribution, and better leverage its marketing spending.

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

components.

Critical Accounting Policies and Estimates

The Company s discussion and analysis of its financial condition and results of operations are based upon the Company s

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

The Company believes that the critical accounting policies and estimates disclosed in the Company s annual report on Form 10-K for the fiscal year ended March 31, 2008 affect the preparation of its Condensed Consolidated Financial Statements. The reader of this report should refer to the Company s annual report for further information.

Results of Operations

Three months ended June 30, 2008 compared with three months ended June 30, 2007

Net Sales

Net sales were $971.3 million for the first quarter of fiscal 2009 versus $762.4 million in the first quarter of fiscal 2008. Foreign currency translation (primarily the strengthening of the Euro against the U.S. dollar) favorably impacted net sales in the first quarter of fiscal 2009 by approximately $77.8 million. Excluding the currency translation impact, net sales increased by approximately $131.1 million, or 17.2%, primarily as a result of the impact of favorable pricing actions.

	For the Three Months Ended		FAVORABLE / (UNFAVORABLE)		
	June 30, 2008	June 30, 2007	TOTAL	Currency Related	Non-Currency Related
			(In thousands)		
Transportation					
Americas	$ 306,376	$ 251,029	$ 55,347	$	$ 55,347
Europe & ROW	275,873	212,709	63,164	37,313	25,851
Industrial Energy					
Americas	89,196	65,274	23,922		23,922
Europe & ROW	299,830	233,375	66,455	40,469	25,986
TOTAL	$ 971,275	$ 762,387	$ 208,888	$ 77,782	$ 131,106

Transportation Americas net sales were $306.4 million for the first quarter of fiscal 2009 versus $251.0 million for the first quarter of fiscal 2008. Net sales were $55.3 million or 22.0% higher due to the favorable impact of price increases on generally flat overall volume, with a decline in OE volume roughly offsetting an equal gain in the aftermarket channels.

Transportation Europe and ROW net sales were $275.9 million for the first quarter of fiscal 2009 versus $212.7 million for the first quarter of fiscal 2008. Net sales, excluding the favorable impact of $37.3 million in foreign currency translation, were higher by $25.9 million or 12.2% primarily due to favorable pricing actions, partially offset by lower volumes in the OE and aftermarket channels.

Industrial Energy Americas net sales were $89.2 million for the first quarter of fiscal 2009 versus $65.3 million for the first quarter of fiscal 2008. Net sales were $23.9 million or 36.6% higher primarily due to strong sales volumes in the network power market as well as favorable pricing actions implemented in both the network power and motive power markets to help offset higher commodity costs.

Industrial Energy Europe and ROW net sales were $299.8 million for the first quarter of fiscal 2009 versus $233.4 million for the first quarter of fiscal 2008. Net sales, excluding a favorable currency translation impact of

$40.5 million, increased $26.0 million or 11.1% due to favorable pricing actions implemented in both the network power and motive power markets, and higher unit sales in the network power market, which were partially offset by reduced volumes in the motive power market.

Gross Profit

Gross profit was $169.5 million in the first quarter of fiscal 2009 versus $118.7 million in the first quarter of fiscal 2008. Gross margin increased 1.8% to 17.4% from 15.6% in the first quarter of fiscal 2008. Gross profit in each of the Company s business segments was favorably impacted by foreign exchange in the current quarter by $11.7 million and by pricing actions and improved manufacturing efficiencies. The increase was partially offset by higher lead costs (average LME prices were up 6% to $2,305 per

metric ton in the first quarter of fiscal 2009 versus $2,176 per metric ton in the first quarter of fiscal 2008).

	For the Three Months Ended June 30, 2008		For the Three Months Ended June 30, 2007		FAVORABLE / (UNFAVORABLE)		
	TOTAL	Percent of Net Sales	TOTAL	Percent of Net Sales	TOTAL	Currency Related	Non-Currency Related
			(In thousands)				
Transportation							
Americas	$ 59,446	19.4%	$ 47,725	19.0%	$ 11,721	$	$ 11,721
Europe & ROW	30,431	11.0%	22,149	10.4%	8,282	4,171	4,111
Industrial Energy							
Americas	23,791	26.7%	16,111	24.7%	7,680		7,680
Europe & ROW	55,812	18.6%	32,684	14.0%	23,128	7,508	15,620
TOTAL	$ 169,480	17.4%	$ 118,669	15.6%	$ 50,811	$ 11,679	$ 39,132

Transportation Americas gross profit was $59.4 million or 19.4% of net sales in the first quarter of fiscal 2009 versus $47.7 million or 19.0% of net sales in the first quarter of fiscal 2008. The increase was primarily due to favorable pricing actions on generally flat unit volumes, although a decline in OE was almost equally offset by an increase in the aftermarket channel. This increase was partially offset by higher commodity costs, including fuel costs.

Transportation Europe and ROW gross profit was $30.4 million or 11.0% of net sales in the first quarter of fiscal 2009 versus $22.1 million or 10.4% of net sales in the first quarter of fiscal 2008. Foreign currency translation favorably impacted gross profit during the first quarter of fiscal 2009 by approximately $4.2 million. The remaining increase in gross profit was primarily due to the impact of favorable pricing actions, despite lower unit volumes in both the OE and aftermarket channels, higher raw material costs including lead, and higher manufacturing costs.

Industrial Energy Americas gross profit was $23.8 million or 26.7% of net sales in the first quarter of fiscal 2009 versus $16.1 million or 24.7% of net sales in the first quarter of fiscal 2008. The increase in gross profit was primarily due to favorable pricing actions in both the network power and motive power markets, as well as increased unit volumes in the network power market and ongoing cost reduction initiatives, partially offset by higher commodity costs.

Industrial Energy Europe and ROW gross profit was $55.8 million or 18.6% of net sales in the first quarter of fiscal 2009 versus $32.7 million or 14.0% of net sales in the first quarter of fiscal 2008. Foreign currency translation favorably impacted gross profit in the first quarter of fiscal 2009 by approximately $7.5 million. The remaining increase in gross profit was primarily due to improved recovery of higher lead and other commodity costs versus fiscal 2008. Also impacting gross profit were manufacturing cost reductions resulting from the installation of the Take Charge! initiative at the division s manufacturing facilities.

Expenses

Total expenses were $155.3 million in the first quarter of fiscal 2009 versus $153.3 million in the first quarter of fiscal 2008, and were impacted by the following items:

Selling, marketing, and advertising expenses increased $10.6 million, to $78.9 million in the first quarter of fiscal 2009 from $68.3 million in the first quarter of fiscal 2008 due primarily to unfavorable currency translation of $6.1 million and higher distribution costs as a result of the increase in diesel fuel.

General and administrative expenses increased $3.6 million, to $47.2 million in the first quarter of fiscal 2009 from $43.6 million in the first quarter of fiscal 2008. The increase primarily resulted from the unfavorable

currency translation of the Euro versus the U.S. Dollar.

Other expenses (income) were $7.8 million in the first quarter of fiscal 2009 versus ($3.5) million in the first quarter of fiscal 2008. The increase is primarily due to a loss on revaluation of warrants of $9.7 million in the first quarter of fiscal 2009, an increase of $9.4 million from $0.2 million recognized in the first quarter of fiscal 2008.

Interest Expense decreased $2.2 million, to $19.2 million in the first quarter of fiscal 2009 from $21.4 million in the first quarter of fiscal 2008 primarily due to lower borrowings and the favorable impact of lower interest rates on borrowings under the Company s May 2007 Credit Agreement.

First quarter fiscal 2008 expenses included a loss on early extinguishment of debt of $21.3 million related to the Company s extinguishment of a prior credit facility with proceeds from the Company s May 2007 Credit Agreement.

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Foreign currency translation unfavorably impacted expenses by $12.2 million in the first quarter of fiscal 2009.

	For the Three Months Ended		FAVORABLE / (UNFAVORABLE)		
	June 30, 2008	June 30, 2007	TOTAL	Currency Related	Non-Currency Related
			(In thousands)		
Transportation					
Americas	$ 32,754	$ 31,027	$ (1,727)	$	$ (1,727)
Europe & ROW	31,039	25,856	(5,183)	(4,163)	(1,020)
Industrial Energy					
Americas	9,966	10,106	140		140
Europe & ROW	44,026	34,106	(9,920)	(5,995)	(3,925)
Unallocated expenses	37,514	52,174	14,660	(2,056)	16,716
TOTAL	$ 155,299	$ 153,269	$ (2,030)	$ (12,214)	$ 10,184

Transportation Americas expenses were $32.8 million in the first quarter of fiscal 2009 versus $31.0 million in the first quarter of fiscal 2008. The increase was primarily due to higher benefits costs and higher branch fuel costs.

Transportation Europe and ROW expenses were $31.0 million in the first quarter of fiscal 2009 versus $25.9 million in the first quarter of fiscal 2008. Foreign currency translation unfavorably impacted expenses in the first quarter of fiscal 2009 by approximately $4.2 million. Excluding the impact of currency translation, expenses increased by $1.0 million primarily due to higher marketing and advertising expenses and higher sales commission related to increased net sales.

Industrial Energy Americas expenses were essentially flat at $10.0 million in the first quarter of fiscal 2009 versus $10.1 million in the first quarter of fiscal 2008.

Industrial Energy Europe and ROW expenses were $44.0 million in the first quarter of fiscal 2009 versus $34.1 million in the first quarter of fiscal 2008. Expenses, excluding an unfavorable foreign currency translation impact of approximately $6.0 million, increased by $3.9 million due to higher sales commissions related to increased net sales.

Unallocated corporate expenses were $37.5 million in the first quarter of fiscal 2009 versus $52.2 million in the first quarter of fiscal 2008:

	For the Three Months Ended		FAVORABLE
	June 30, 2008	June 30, 2007	(UNFAVORABLE)
		(In thousands)	
Corporate expenses	$ 9,660	$ 12,108	$ 2,448
Other (income) expense:			
Currency remeasurement gain	(1,046)	(2,905)	(1,859)
Loss on revaluation of warrants	9,685	264	(9,421)
Other	(10)	13	23
Interest, net	19,225	21,352	2,127
Loss on early extinguishment of debt		21,342	21,342

TOTAL	$ 37,514	$ 52,174	$ 14,660

The decrease in corporate expenses was primarily due to reduction in professional fees including legal and audit. Foreign currency translation unfavorably impacted unallocated expenses by $2.1 million in the first quarter of fiscal 2009.

Income Taxes

	For the Three Months Ended	
	June 30, 2008	June 30, 2007
	(In thousands)	
Pre-tax income (loss)	$ 13,718	$ (35,042)
Income tax provision	23,469	217
Effective tax rate	171.1%	-0.6%

The effective tax rate for the first quarter of fiscal 2009 and fiscal 2008 was impacted by the generation of income in tax-paying jurisdictions in certain countries in Europe, New Zealand, and Canada, and the recognition of valuation allowances on tax benefits generated from losses in the United Kingdom, Italy, Spain, and France. The effective tax rate for the first quarter of fiscal 2009 and 2008, respectively, was impacted by the recognition of $16.5 million and $11.0 million of valuation allowances on current year tax benefits generated primarily in the United Kingdom, France, Spain, Italy, and Australia. During the first quarter of fiscal 2009 the Company established a full valuation reserve of $13.5 million on its net deductible temporary differences and loss carryforwards related to its Australian operations. The effective tax rate for the first quarter of fiscal 2009 was impacted by the generation of income tax in the U.S., whereas in the first quarter of fiscal 2008 the U.S. operations generated losses subject to the recognition of valuation allowances resulting in no impact to the income tax provision. In addition, the effective tax rate for the first quarter of fiscal 2009 was impacted by $9.7 million in warrant revaluation expense, which is fully nondeductible for U.S. tax purposes. The income tax provision for the first quarter of fiscal 2009 decreased as a result of the removal of $3.3 million in valuation allowances against net deferred tax assets generated from the Company s Austrian and Mexican operations. See Note 12 to the Condensed Consolidated Financial Statements for further detail of the Company s effective tax rate.

Liquidity and Capital Resources

As of June 30, 2008, the Company had cash and cash equivalents of $131.5 million and availability under the Company s revolving loan facility of $134.4 million. This compared to cash and cash equivalents of $90.5 million and availability under the revolving loan facility of $136.4 million as of March 31, 2008.

On May 15, 2007, the Company entered into the five-year $495.0 million Credit Agreement that replaced the prior senior secured credit facility. The loans have a variable interest rate based on 3-month Libor. The weighted average interest rate on borrowings under the Credit Agreement at June 30, 2008 and March 31, 2008 was 6.9% and 6.7%, respectively. In February 2008, the Company purchased a $200 million interest rate swap to hedge a portion of this loan. See note 3 to the Condensed Consolidated Financial Statements. The Credit Agreement consists of a $295.0 million term loan and a $200.0 million asset-based revolving loan and matures in May 2012. The Credit Agreement contains no financial maintenance covenants.

The Revolving Loan

Borrowings under the revolving loan facility bear interest at a rate equal to LIBOR plus 1.75%. The applicable spread on the Revolving loan facility will be subject to change and may increase or decrease in accordance with a leverage-based pricing grid. The revolving loan facility includes a letter of credit sub-facility of $75.0 million and an accordion feature that allows the Company to increase the facility size up to $250.0 million if it can obtain commitments from existing or new lenders for the incremental amount. The revolving loan facility will mature in May 2012, but is prepayable at any time at par.

Availability under the revolving loan facility is subject to a borrowing base comprised of up to 85.0% of the Company s eligible accounts receivable plus 85.0% of the net orderly liquidation value of eligible North American inventory less, in each case, certain limitations and reserves. Revolving loans made to the Company domestically under the Revolving loan facility are guaranteed by substantially all domestic subsidiaries of the Company, and revolving loans made to Exide Global Holding Netherlands C.V. (Exide C.V.) under the revolving loan facility are guaranteed by substantially all domestic subsidiaries of the Company and certain foreign subsidiaries. These

guaranteed obligations are secured by a lien on substantially all of the assets of such respective borrowers and guarantors, including, subject to certain exceptions, in the case of security provided by the domestic subsidiaries, first priority lien in current assets and a second priority lien in fixed assets.

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

The Term Loan

Borrowings under the term loan in U.S. Dollars bear interest at a rate equal to LIBOR plus 3.25%, and borrowings under the Term Loan in Euros bear interest at a rate equal to LIBOR plus 3.5% (provided that such rates may decrease by 0.25% after December 31, 2007 if the Company achieves certain corporate credit ratings). The term loan will mature in May 2012, but is prepayable at any time at par value.

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

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

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

In March 2005, the Company issued $290.0 million in aggregate principal amount of 10.5% senior secured notes due 2013. Interest of $15.2 million is payable semi-annually on March 15 and September 15. The 10.5% senior secured notes are redeemable at the option of the Company, in whole or in part, on or after March 15, 2009, initially at 105.25% of the principal amount, plus accrued interest, declining to 100% of the principal amount, plus accrued interest on or after March 15, 2011. The 10.5% senior secured notes are redeemable at the option of the Company, in whole or in part, subject to payment of a make whole premium, at any time prior to March 15, 2009. In the event of a change of control or the sale of certain assets, the Company may be required to offer to purchase the 10.5% senior secured notes from the note holders. Those notes are secured by a junior priority lien on the assets of the U.S. parent company, including the stock of its subsidiaries. The Indenture for these notes contains financial covenants which limit the ability of the Company and its subsidiaries to among other things incur debt, grant liens, pay dividends, invest in non-subsidiaries, engage in related party transactions and sell assets. Under the Indenture, proceeds from asset sales (to the extent in excess of a $5.0 million threshold) must be applied to offer to repurchase notes to the extent such proceeds exceed $20.0 million in the aggregate and are not applied within 365 days to retire senior secured credit agreement borrowings or the Company s pension contribution obligations that are secured by a first priority lien on the Company s assets or to make investments or capital expenditures.

Also, in March 2005, the Company issued floating rate convertible senior subordinated notes due September 18, 2013, with an aggregate principal amount of $60.0 million. These notes bear interest at a per annum rate equal to the 3-month LIBOR, adjusted quarterly, minus a spread of 1.5%. The interest rate at June 30, 2008 and March 31, 2008 was 1.3% and 1.3%, respectively. Interest is payable quarterly. The notes are convertible into the Company s common stock at a conversion rate of 61.6143 shares per one thousand dollars principal amount at maturity, subject to adjustments for any common stock splits, dividends on the common stock, tender and exchange offers by the Company for the common stock and third-party tender offers, and in the case of a change in control in which 10% or more of the consideration for the common stock is cash or non-traded securities, the conversion rate increases, depending on the value offered and timing of the transaction, to as much as 70.2247 shares per one thousand dollars principal amount.

At June 30, 2008, the Company was in compliance in all material respects with covenants contained in the Credit Agreement and indenture agreements that cover the 10.5% senior secured notes and floating rate convertible subordinated notes.

At June 30, 2008, the Company had outstanding letters of credit with a face value of $48.3 million and surety bonds with a face value of $4.2 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

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to demand payments pursuant to such instruments. The letters of credit generally have terms up to one year. Collateral held by the sureties in the form of letters of credit at June 30, 2008, pursuant to the terms of the agreement, was $2.7 million.

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

Sources of Cash

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

Cash flows provided by (used in) operating activities were $40.1 million and ($59.4) million in the first quarter of fiscal 2009 and fiscal 2008 respectively. The operating cash flows in the first quarter of fiscal 2009 were primarily attributable to the decrease in net loss to $10.3 million in the first quarter of fiscal 2009 from $35.7 million in the first quarter of fiscal 2008 (including $21.3 million non-cash charge for early extinguishment of debt), improved collection in accounts receivable, and lower inventory resulting from decreased lead costs, partially offset by lower payables due to timing of payments.

The Company generated $16.4 million and $3.4 million from the sale of non-core assets in the first three months of fiscal 2009 and fiscal 2008, respectively. These sales principally relate to the sale of surplus land and buildings.

Cash (used in) provided by financing activities were ($3.8) million and $38.9 million in the first three months of fiscal 2009 and fiscal 2008, respectively. This decrease relates primarily to prior year borrowings under the Company s Credit Agreement.

Total debt at June 30, 2008 was $712.0 million, as compared to $716.2 million at March 31, 2008. See Note 7 to the Condensed Consolidated Financial Statements for the composition of such debt.

Going forward, the Company s principal sources of liquidity will be cash on hand, cash from operations, available accounts receivable factoring, and borrowings under the revolving loan facility.

Uses Of Cash

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

The Company anticipates that it will have ongoing liquidity needs to support its operational restructuring programs during the remainder of fiscal 2009, which include payment of remaining accrued restructuring costs of approximately $4.4 million as of June 30, 2008. Restructuring costs of $2.9 million and $2.4 million were paid during the first three months of fiscal 2009 and 2008, respectively. For further discussion see Note 13 to the Condensed Consolidated Financial Statements.

Capital expenditures were $11.8 million and $10.8 million in the first three months of fiscal 2009 and 2008, respectively.

The estimated fiscal 2009 pension plan contributions are $41.8 million and other post-retirement contributions are $2.2 million. Payments aggregating $11.0 million were made during the three months ended June 30, 2008.

Financial Instruments and Market Risk

From time to time, the Company has used forward contracts to economically hedge certain commodity price exposures, including lead. The forward contracts are entered into for periods consistent with related underlying exposures and do not constitute positions independent of those exposures. The Company expects that it may increase the use of financial instruments, including fixed and variable rate debt as well as swaps, forward and option contracts to finance its operations and to hedge interest rate, currency and certain commodity purchasing requirements in the future. The swap, forward, and option contracts would be entered into for periods consistent with related underlying

exposures and would not constitute positions independent of those exposures. The Company has not entered into, and does not intend to enter into, contracts for speculative purposes nor be a party to any leveraged instruments. See note 3 to the Condensed Consolidated Financial Statements.

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

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greater risk with respect to its ability to manage exposures to fluctuations in foreign currencies, interest rates, and lead prices.

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 $82.4 million and $94.3 million of foreign currency trade accounts receivable as of June 30, 2008 and March 31, 2008, respectively. Changes in the level of receivables sold from period to period are included in the change in accounts receivable within cash flow from operations.

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

Changes to the quantitative and qualitative market risks as of June 30, 2008 are described in Item 2 above, Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources . Also, see the Company s annual report on Form 10-K for the fiscal year ended March 31, 2008 for further information.

Item 4. *Controls and Procedures*

Evaluation of Disclosure Controls and Procedures

The Company maintains disclosure controls and procedures, as such term is defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934 (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 Securities and Exchange Commission rules and forms, and that such information is accumulated and communicated to the Company s management, including the Company s chief executive officer and chief financial officer, as appropriate, to allow timely decisions regarding required disclosure.

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

Changes in Internal Control Over Financial Reporting

There have not been any changes in the Company s internal control over financial reporting during the fiscal quarter ended June 30, 2008 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 Company s ability to implement and fund based on current liquidity business strategies and restructuring plans, (ii) unseasonable weather (warm winters and cool summers) which adversely affects demand for automotive and some industrial batteries, (iii) the Company s substantial debt and debt service requirements which may restrict the Company s operational and financial flexibility, as well as imposing significant interest and financing costs, (iv) the litigation proceedings to which the Company is subject, the results of which could have a material adverse effect on the Company and its business, (v) the realization of the tax benefits of the Company s net operating loss carry forwards, which is dependent upon future taxable income, (vi) the fact that lead, a major constituent in most of the Company s products, experiences significant fluctuations in market price and is a hazardous material that may give rise to costly environmental and safety claims, (vii) competitiveness of the battery markets in the Americas and Europe, (viii) risks involved in foreign operations such as disruption of markets, changes in import and export laws, currency restrictions, currency exchange rate fluctuations and possible terrorist attacks against U.S. interests, (ix) general economic conditions, (x) the ability to acquire goods and services and/or fulfill labor needs at budgeted costs, (xi) the Company s reliance on a single supplier for its polyethylene battery separators, (xii) the Company s ability to successfully pass along increased material costs to its customers, and (xiii) the loss of one or more of the Company s major customers for its industrial or transportation products.

The Company cautions each reader of this report to carefully consider those factors hereinabove set forth. 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.

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PART II. OTHER INFORMATION

Item 1. ***Legal Proceedings***

See Note 11 to the Condensed Consolidated Financial Statements in this document.

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

The risk factors which were disclosed in the Company s fiscal 2008 Form 10-K have not materially changed since we filed our fiscal 2008 Form 10-K. See Item 1A to Part I of the Company s fiscal 2008 Form 10-K for a complete discussion of these risk factors.

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

On July 21, 2008, the Company issued 544 shares of common stock and 1,362 warrants to purchase common stock at an adjusted price of $29.84. The shares and warrants were issued pursuant to the Plan of Reorganization under Section 1145 of the U.S. Bankruptcy Code. For further discussion of the claims reconciliation process under the Plan of Reorganization, see Note 11 to the Condensed Consolidated Financial Statements.

Period	(a) Total Number of Shares (or Units) Purchased (1)	(b) Average Price Paid per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
April 1 through April 30				
May 1 through May 31				
June 1 through June 30	228	$ 17.53		

(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 conjunction with vesting of restricted stock awards.

Item 3. ***Defaults Upon Senior Securities***

None

Item 4. ***Submission of Matters to a Vote of Security Holders***

None

Item 5. ***Other Information***

None

Item 6. ***Exhibits***

10.1	Performance Unit Award Agreement, dates as of May 15, 2008 by and between the Company and Gordon A. Ulsh*
31.1	Certification of Gordon A. Ulsh, President and Chief Executive Officer, pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
31.2	Certification of Phillip A. Damaska, Executive Vice President and Chief Financial Officer, pursuant to Section 302 of Sarbanes-Oxley Act of 2002.
32	Certifications pursuant to Section 906 of Sarbanes-Oxley Act of 2002.
*	Confidential treatment has been requested for portions of this exhibit

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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: August 6, 2008