EXIDE TECHNOLOGIES
Form 10-Q
November 07, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2014

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

Commission File Number 1-11263

EXIDE TECHNOLOGIES
(Exact name of registrant as specified in its charter)

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

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

Indicate by 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 ý No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ý No ¨

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

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:
As of October 29, 2014, 79,077,274 shares of common stock were outstanding.

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PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

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

	Three Months Ended		Six Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Net sales	$654,975	$697,802	$1,306,560	$1,380,044
Cost of sales	564,025	601,068	1,141,518	1,207,271
Gross profit	90,950	96,734	165,042	172,773
Selling and administrative expenses	93,923	88,694	183,550	180,864
Restructuring and impairments, net	14,950	2,601	17,632	11,325
Operating income (loss)	(17,923)	5,439	(36,140)	(19,416)
Other (income) expense, net	16,015	(7,507)	16,712	(2,342)
Interest expense, net	37,846	30,529	71,107	51,885
Loss before reorganization items, net	(71,784)	(17,583)	(123,959)	(68,959)
Reorganization items, net	19,771	19,407	37,374	58,946
Loss before income taxes	(91,555)	(36,990)	(161,333)	(127,905)
Income tax provision	4,765	2,975	6,370	3,284
Net loss	(96,320)	(39,965)	(167,703)	(131,189)
Net income (loss) attributable to noncontrolling interests	(98)	210	(260)	121
Net loss attributable to Exide Technologies	$(96,222)	$(40,175)	$(167,443)	$(131,310)
Loss per share				
Basic	$(1.23)	$(0.51)	$(2.14)	$(1.69)
Diluted	$(1.23)	$(0.51)	$(2.14)	$(1.69)
Weighted average shares				
Basic	78,246	78,121	78,242	77,917
Diluted	78,246	78,121	78,242	77,917

The accompanying notes are an integral part of these statements.

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EXIDE TECHNOLOGIES AND SUBSIDIARIES
DEBTOR-IN-POSSESSION
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(Unaudited, in thousands)

	Three Months Ended		Six Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
Net loss	$(96,320)	$(39,965)	$(167,703)	$(131,189)
Other comprehensive loss:				
Foreign currency translation adjustment	(36,925)	20,073	(37,034)	19,554
Change in defined benefit liabilities, net	2,112	(484)	1,972	(418)
Total comprehensive loss	(131,133)	(20,376)	(202,765)	(112,053)
Comprehensive income (loss) attributable to noncontrolling interests	(94)	210	(256)	121
Comprehensive loss attributable to Exide Technologies	$(131,039)	$(20,586)	$(202,509)	$(112,174)

The accompanying notes are an integral part of these statements.

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

	September 30, 2014	March 31, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	$73,148	$103,711
Accounts receivable, net	456,254	495,447
Inventories	510,779	483,218
Prepaid expenses and other current assets	73,054	47,874
Deferred income taxes	15,743	16,339
Total current assets	1,128,978	1,146,589
Property, plant and equipment, net	546,895	576,412
Other assets:		
Goodwill and intangibles, net	131,942	142,381
Deferred income taxes	96,083	116,736
Other noncurrent assets	35,312	50,670
Total other assets	263,337	309,787
Total assets	$1,939,210	$2,032,788
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Short-term borrowings	$4,711	$4,058
Current maturities of long-term debt	415,396	288,386
Accounts payable	247,000	268,828
Accrued expenses	265,831	263,904
Deferred income taxes	3,806	4,435
Total current liabilities	936,744	829,611
Long-term debt	14,426	15,533
Noncurrent retirement obligations	149,238	166,692
Deferred income taxes	17,809	25,332
Other noncurrent liabilities	60,475	64,493
Liabilities not subject to compromise	1,178,692	1,101,661
Liabilities subject to compromise	982,308	950,643
STOCKHOLDERS' DEFICIT		
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, 79,078 and 79,078 shares issued and outstanding	791	791
Additional paid-in capital	1,140,341	1,139,850
Accumulated deficit	(1,324,567)	(1,157,124)
Accumulated other comprehensive loss	(46,515)	(11,449)
Total stockholders' deficit attributable to Exide Technologies	(229,950)	(27,932)
Noncontrolling interests	8,160	8,416
Total stockholders' deficit	(221,790)	(19,516)
Total liabilities and stockholders' deficit	$1,939,210	$2,032,788

The accompanying notes are an integral part of these statements.

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EXIDE TECHNOLOGIES AND SUBSIDIARIES
DEBTOR-IN-POSSESSION
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in thousands)

	Six Months Ended September 30, 2014	September 30, 2013
Cash Flows From Operating Activities:		
Net loss	$(167,703)	$(131,189)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	39,463	39,927
Loss (gain) on asset sales / impairments, net	12,764	(3,586)
Non-cash reorganization items	—	12,301
Deferred income taxes	4,236	(2,270)
Provision for doubtful accounts	2,012	901
Non-cash stock compensation	502	1,711
Amortization of deferred financing costs	19,830	10,599
Currency remeasurement (gain) loss	16,827	(1,334)
Changes in assets and liabilities:		
Receivables	8,707	(3,912)
Inventories	(51,280)	(9,260)
Other current assets	(38,970)	(29,441)
Payables	4,085	(122,145)
Accrued expenses	47,937	24,904
Other noncurrent liabilities	(7,586)	(859)
Other, net	(1,606)	(9,148)
Net cash used in operating activities	(110,782)	(222,801)
Cash Flows From Investing Activities:		
Capital expenditures	(45,968)	(36,268)
Insurance proceeds	—	3,571
Proceeds from asset sales	7,240	4,085
Net cash used in investing activities	(38,728)	(28,612)
Cash Flows From Financing Activities:		
Decrease in short-term borrowings	(352)	(12,192)
Increase in other debt	127,336	270,915
Financing fees and other	(5,285)	(28,475)
Net cash provided by financing activities	121,699	230,248
Effect of exchange rate changes on cash and cash equivalents	(2,752)	320
Net decrease in cash and cash equivalents	(30,563)	(20,845)
Cash and cash equivalents, beginning of period	103,711	104,289
Cash and cash equivalents, end of period	$73,148	$83,444
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period:		
Interest	$22,417	$10,281
Income taxes (net of refunds)	4,330	6,837

The accompanying notes are an integral part of these statements.

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EXIDE TECHNOLOGIES AND SUBSIDIARIES
DEBTOR-IN-POSSESSION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

(1) PROCEEDINGS UNDER CHAPTER 11 OF THE BANKRUPTCY CODE
Reorganization under Chapter 11 of the U.S. Bankruptcy Code
The 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. Unless otherwise indicated or unless the context otherwise requires, references to "fiscal year" refer to the period ended March 31 of that year (e.g. "fiscal 2015" refers to the period beginning April 1, 2014 and ending March 31, 2015).
On June 10, 2013 (“Petition Date”), Exide Technologies ("Debtor") filed a voluntary petition for relief (“Chapter 11 Case”)under Chapter 11 of the United States Bankruptcy Code (“Bankruptcy Code” or “Chapter 11”), in the United States Bankruptcy Court for the District of Delaware (“Bankruptcy Court”) under the caption In re Exide Technologies, case number 13-11482. The Company's subsidiaries, foreign and domestic, have been excluded from the Chapter 11 Case, continue to operate their businesses without supervision from the Bankruptcy Court, and are not subject to the requirements of the Bankruptcy Code.
The Company filed for reorganization under Chapter 11 as it offered the most efficient alternative to restructure the Company's balance sheet and access new working capital while continuing to operate in the ordinary course. Factors leading to the reorganization included the Company's significant debt burden, the adverse impact of economic conditions on the Company's markets, particularly the U.S. and European markets, ongoing competitive pressures, loss of key customers over several years, the unplanned production shut down of one of the Company's facilities, and higher commodity costs including lead and purchased spent batteries. These factors contributed to higher costs and lower revenues and have resulted in significant operating losses and material adverse reductions in cash flows, severely affecting the Company's financial condition and its ability to make debt payments coming due. Downgrades of the Company's credit rating and loss of credit insurance used by certain suppliers adversely affected supplier trade credit terms, further impacting the Company's liquidity.
Exide is currently operating as a Debtor-in-Possession ("DIP") under the jurisdiction of the Bankruptcy Court and the applicable provisions of the Bankruptcy Code. In general, as a DIP, Exide is authorized to continue to operate as an ongoing business, but may not engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court.
Exide received Bankruptcy Court approval for, among other things, access to a DIP financing facility ("DIP Credit Facility") on the terms set forth in the Amended and Restated Superpriority Debtor-in-Possession Credit Agreement (as amended, "DIP Credit Agreement"), the ability to pay pre-petition and post-petition employee wages, salaries and benefits, and to honor customer warranty, sales returns and rebate obligations. Subsequent to the Petition Date, the Company received approval from the Bankruptcy Court to pay or otherwise honor certain pre-petition obligations generally designed to stabilize the Company's operations including employee obligations, taxes, and from limited available funds, pre-petition claims of certain critical vendors, certain customer programs, limited foreign supplier obligations, adequate protection payments, and certain other pre-petition claims. Additionally, the Company has been paying and intends to continue to pay undisputed post-petition obligations in the ordinary course of business.
The DIP Credit Facility is used to supplement cash flows from operations during the reorganization process including the payment of post-petition ordinary course trade and other payables, the payment of certain permitted pre-petition claims, working capital needs, letter of credit requirements, and other general corporate purposes. The DIP Credit Facility contains certain financial covenants. Failure to maintain compliance with these covenants would result in an event of default which would restrict the availability of funds necessary to maintain the Company's operations and assist in funding the Company's reorganization plans.
The Chapter 11 petition triggered defaults on substantially all debt obligations of the Company and, as a result, the Company's senior secured notes and convertible notes have been accelerated and are due and payable. Under Section

362 of the Bankruptcy Code, actions to collect pre-petition indebtedness, as well as most other pending litigation, are stayed. Absent an order of the Bankruptcy Court, substantially all pre-petition liabilities are subject to settlement under a plan of reorganization approved by the Bankruptcy Court. There can be no assurance that a plan will be proposed by the Company or confirmed by the Bankruptcy Court or that any such plan will be successfully implemented.

On August 9, 2013, the Company filed with the Bankruptcy Court schedules and statements of financial affairs setting forth, among other things, the assets and liabilities of the Company as shown by the Company's books and records on the petition date, subject to the assumptions contained in certain notes filed in connection therewith. The schedules and statements of financial affairs are subject to further amendment or modification. On September 13, 2013, the Bankruptcy Court entered an order which, among other things, established October 31, 2013, as the general bar date for filing claims and December 9, 2013 as the bar date for claims by certain governmental authorities. The claims bar date order was supplemented by a further order on October 24, 2013 extending the bar date to January 31, 2014 solely with respect to personal injury claims related to the Company's secondary lead recycling facility in Vernon, California. As the distribution to holders of allowed claims will likely be addressed by a plan of reorganization that has not yet been filed, the amount of distribution with respect to allowed claims is not presently ascertainable.

On November 4, 2014, the Company entered into a plan support agreement (a "PSA") with certain members (the "Consenting UNC Members") of the UNC, pursuant to which the Consenting UNC Members have agreed to support the terms of a plan of reorganization ("POR Term Sheet"), pursuant to which the Company would emerge from Chapter 11. The PSA and POR Term Sheet are conditioned upon the negotiation of, and agreement to, definitive documents (including a plan of reorganization, disclosure statement, backstop commitment agreement, and other related documents and agreements), all of which must be reasonably acceptable to the Consenting UNC Members. The PSA and POR Term Sheet contemplate a dual-track plan and sale process, which affirmatively requires the Company to run a sale process concurrently with the plan process. The PSA requires Consenting UNC Members, subject to the terms and conditions thereof, to vote in favor of and affirmatively support a plan of reorganization on the terms set forth in the POR Term Sheet in their capacity as both senior secured noteholders and term loan lenders under the DIP Credit Agreement.

At this time it is not possible to predict the ultimate effect of the Chapter 11 reorganization on our business, various creditors and security holders, or when it may be possible to emerge from Chapter 11. The Company believes that under any reorganization plan the Company's common stock would likely be substantially diluted or canceled in its entirety. Accordingly, the Company urges that caution be exercised with respect to existing and future investments in any of these securities or other Company claims. In addition, the Company's common stock has been delisted from trading on the Nasdaq Stock Market ("NASDAQ"). Further, it is also expected that the Company's senior secured notes and convertible notes will suffer substantial impairment.

The Consolidated Financial Statements have been prepared on a going concern basis, which assumes continuity of operations and realization of assets and satisfaction of liabilities in the ordinary course of business. The ability of the Company to continue as a going concern is predicated upon, among other things, the confirmation of a reorganization plan, compliance with the provisions of the DIP Credit Agreement, the ability of the Company to generate cash flows from operations, and where necessary, obtaining financing sources sufficient to satisfy future obligations. As a result of the Chapter 11 filing, and consideration of various strategic alternatives, including possible assets sales, the Company expects that any reorganization plan will likely result in material changes to the carrying amount of assets and liabilities in the Consolidated Financial Statements. Given this uncertainty there is substantial doubt about our ability to continue as a going concern.

The Consolidated Financial Statements do not include adjustments, if any, to reflect the possible future effects on the recoverability and classification of recorded assets or the amounts and classifications of liabilities that may result from the outcome of these uncertainties.

Reorganization Costs:

Reorganization items included in the Consolidated Financial Statements included costs directly related to the Chapter 11 proceedings, as follows:

	Three Months Ended		Six Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
	(In thousands)		(In thousands)	
Professional fees	$19,771	$19,407	$37,374	$43,246
Write off debt financing costs/other	—	—	—	12,301
Other direct costs	—	—	—	3,399
Total	$19,771	$19,407	$37,374	$58,946

Liabilities Subject To Compromise:

The amounts of the various liabilities that are subject to compromise are set forth below. These amounts represent the Company's estimate of known or potential pre-petition claims to be resolved in connection with the Chapter 11 proceedings. Such claims remain subject to future adjustments which may result from: (i) negotiations; (ii) actions of the Bankruptcy Court; (iii) disputed claims; (iv) rejection of executory contracts and unexpired leases; (v) the determination as to the value of any collateral securing claims; (vi) proofs of claim; or (vii) other events. Such future adjustments will likely be material. Liabilities subject to compromise included the following:

	September 30, 2014	March 31, 2014
	(In thousands)	
Debt	$818,644	$788,376
Accrued interest	11,013	10,515
Accounts payable	75,023	72,275
Retirement obligations	52,861	52,864
Restructuring reserve	6,103	7,274
Other accrued liabilities	18,664	19,339
Total	$982,308	$950,643

While operating as a DIP under Chapter 11 of the Bankruptcy Code, the Debtor may sell, otherwise dispose of, or liquidate assets, or settle liabilities, subject to the approval of the Bankruptcy Court or otherwise as permitted in the ordinary course of business, in amounts other than those reflected in the Consolidated Financial Statements. Moreover, a plan of reorganization could materially change the amounts and classifications of assets and liabilities in the historical Consolidated Financial Statements.

Basis of Presentation

The Consolidated Financial Statements are presented in accordance with the requirements of Form 10-Q and, consequently, do not include all of the disclosures normally required by U.S. 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, 2014 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 Consolidated Financial Statements include all adjustments of a normal recurring nature necessary for a fair statement of the results of operations, comprehensive loss, financial position, and cash flows for the periods presented. This includes accounting and disclosures related to any subsequent events occurring from the balance sheet date through the date the Consolidated Financial Statements were issued.

Recently Issued Accounting Pronouncements

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606). This update represents a new comprehensive revenue recognition model to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This guidance will be effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period. The guidance will be applied with a full retrospective or modified retrospective approach. The Company will adopt this standard in the first quarter ending June 30, 2017. The Company will evaluate the impact, but does not expect the standard to have a material impact on the Company's consolidated financial position or results of operations.

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(2) DEBTOR FINANCIAL STATEMENTS

The financial statements reflect the results of operations, financial position, and cash flows of the Debtor only, including certain amounts and activities between Debtor and non-Debtor subsidiaries of the Company, which were eliminated in the Consolidated Financial Statements.

Debtor's Statements of Operations

	Three Months Ended		Six Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
	(In thousands)		(In thousands)	
Net sales	$241,744	$296,236	$511,322	$583,830
Cost of sales	210,874	255,152	462,588	517,920
Gross profit	30,870	41,084	48,734	65,910
Selling and administrative expenses	42,217	38,200	79,226	78,706
Restructuring and impairments, net	13,655	2,298	13,910	9,931
Operating income (loss)	(25,002)	586	(44,402)	(22,727)
Other (income) expense, net	16,496	(5,771)	17,849	(28,688)
Loss in net earnings of subsidiaries	1,252	2,093	5,488	33,410
Interest expense, net	33,914	26,028	62,980	44,175
Loss before reorganization items, net	(76,664)	(21,764)	(130,719)	(71,624)
Reorganization items, net	19,558	18,397	36,724	57,465
Loss before income taxes	(96,222)	(40,161)	(167,443)	(129,089)
Income tax provision	—	14	—	2,221
Net loss attributable to Debtor	$(96,222)	$(40,175)	$(167,443)	$(131,310)

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Debtor's Balance Sheet

	September 30, 2014	March 31, 2014
	(In thousands)	
ASSETS		
Current assets:		
Cash and cash equivalents	$19,934	$17,349
Accounts receivable, net	103,086	133,384
Non-Debtor receivables	51,086	40,550
Inventories	212,146	196,129
Prepaid expenses and other current assets	54,675	37,594
Total current assets	440,927	425,006
Property, plant and equipment, net	227,507	228,297
Other assets:		
Investments in non-Debtor subsidiaries	362,944	400,048
Non-Debtor loans	244,047	240,505
Other noncurrent assets	65,133	84,734
Total other assets	672,124	725,287
Total assets	$1,340,558	$1,378,590
LIABILITIES AND DEBTOR'S DEFICIT		
Current liabilities:		
Current maturities of long-term debt	$413,498	$284,625
Accounts payable and accrued expenses	118,293	110,812
Total current liabilities	531,791	395,437
Other noncurrent liabilities	56,409	60,442
Liabilities not subject to compromise	588,200	455,879
Liabilities subject to compromise	982,308	950,643
DEBTOR'S DEFICIT		
Total Debtor's deficit	(229,950)	(27,932)
Total liabilities and Debtor's deficit	$1,340,558	$1,378,590

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Debtor's Statements of Cash Flows

	Six Months Ended September 30, 2014	September 30, 2013
	(In thousands)	
Cash Flows From Operating Activities:		
Net cash used in operating activities	$(104,048)	$(217,406)
Cash Flows From Investing Activities:		
Capital expenditures	(15,398)	(14,410)
Proceeds from asset sales	14	12
Net cash used in investing activities	(15,384)	(14,398)
Cash Flows From Financing Activities:		
Increase in other debt	127,181	267,207
Financing fees and other	(5,164)	(28,475)
Net cash provided by financing activities	122,017	238,732
Net increase in cash and cash equivalents	2,585	6,928
Cash and cash equivalents, beginning of period	17,349	26,419
Cash and cash equivalents, end of period	$19,934	$33,347

(3) STOCKHOLDERS' DEFICIT

The stockholders' deficit accounts for both the Company and noncontrolling interests consisted of the following:

	Common Stock	Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Noncontrolling Interests	Total Stockholders' Deficit
	(In thousands)					
As of March 31, 2014	$791	$1,139,850	$(1,157,124)	$ (11,449)	$ 8,416	$(19,516)
Net loss	—	—	(167,443)	—	(260)	(167,703)
Defined benefit plans, net of tax $649	—	—	—	1,972		1,972
Translation adjustment	—	—	—	(37,038)	4	(37,034)
Common stock issuance/other	—	(11)	—	—		(11)
Stock compensation	—	502	—	—		502
As of September 30, 2014	$791	$1,140,341	$(1,324,567)	$ (46,515)	$ 8,160	$(221,790)

The accumulated other comprehensive loss, net of tax, consisted of the following:

	Defined Benefit Plans (a)	Cumulative Translation Adjustment	Total
	(In thousands)		
As of March 31, 2014	$(71,417)	$59,968	$(11,449)
Other comprehensive income (loss) before reclassifications	514	(37,038)	(36,524)
Amounts reclassified from AOCI	1,458	—	1,458
Net change in other comprehensive income (loss)	1,972	(37,038)	(35,066)
As of September 30, 2014	$(69,445)	$22,930	$(46,515)

(a) See Note 10 to the Consolidated Financial Statements.

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(4) GOODWILL AND INTANGIBLES, NET

Goodwill and intangibles, net consisted of the following:

	Goodwill (not subject to amortization)	Trademarks and Tradenames (not subject to amortization)	Trademarks and Tradenames (subject to amortization)	Customer Relationships	Technology	Total
	(In thousands)					
As of September 30, 2014						
Gross amount	$889	$58,382	$13,280	$102,553	$24,708	$199,812
Accumulated amortization	—	—	(10,890)	(44,245)	(12,735)	(67,870)
Total	$889	$58,382	$2,390	$58,308	$11,973	$131,942
As of March 31, 2014						
Gross amount	$916	$61,532	$13,996	$107,993	$26,030	$210,467
Accumulated amortization	—	—	(10,961)	(44,349)	(12,776)	(68,086)
Total	$916	$61,532	$3,035	$63,644	$13,254	$142,381

Amortization of intangible assets for both the six months ended September 30, 2014 and 2013 was $3.4 million, respectively. Excluding the impact of any future acquisitions, if any, the Company anticipates annual amortization of intangible assets for each of the next five years to be approximately $6.4 million. Intangible assets have been recorded at the legal entity level and are subject to foreign currency fluctuation.

(5) INVENTORIES

Inventories, valued using the first in, first out method, consisted of the following:

	September 30, 2014	March 31, 2014
	(In thousands)	
Raw materials	$102,651	$94,694
Work-in-process	127,481	115,731
Finished goods	280,647	272,793
Total	$510,779	$483,218

(6) OTHER NONCURRENT ASSETS

Other noncurrent assets consisted of the following:

	September 30, 2014	March 31, 2014
	(In thousands)	
Deposits (a)	$3,537	$4,040
Deferred financing costs	107	14,773
Investment in affiliates	619	549
Capitalized software, net	3,182	3,864
Retirement plans	17,719	14,941
Other	10,148	12,503
Total	$35,312	$50,670

(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 September 30, 2014 and March 31, 2014, short-term borrowings of $4.7 million and $4.1 million, respectively, consisted of borrowings under various operating lines of credit and working capital facilities maintained by certain of the Company's non-U.S. subsidiaries. Certain of these borrowings are collateralized by receivables, inventories, and/or property. These borrowing facilities are typically for one-year renewable terms and generally bear interest at current local market rates. The weighted average interest rate on short-term borrowings was 8.4% as of September 30, 2014 compared to 7.1% as of March 31, 2014, respectively.

Total long-term debt consisted of the following:

	September 30, 2014	March 31, 2014
	(In thousands)	
DIP Credit Facility	$414,804	$284,625
Other, including capital lease obligations and other loans at interest rates generally ranging up to 7.7% due in installments through 2019	15,018	19,294
	429,822	303,919
Current maturities	(415,396)	(288,386)
Total long-term debt	$14,426	$15,533

Total debt, including short-term borrowings, at September 30, 2014 and March 31, 2014 was $434.5 million and $308.0 million, respectively.

In connection with the Chapter 11 Case, the Company has entered into a DIP Credit Facility, as amended, on the terms set forth in the DIP Credit Agreement, as amended. The DIP Credit Agreement provides for senior secured superpriority DIP financing facilities in an aggregate amount of up to $535.0 million, consisting of a $200.0 million senior secured asset based revolving credit facility ("ABL revolving credit facility"), subject to a borrowing base, and a $335.0 million "last out" term loan facility. The DIP Credit Agreement also provides a $25.0 million swingline facility sub-limit. The two separate tranches in the $200.0 million ABL revolving credit facility provides: (i) a $98.0 million facility under which only advances denominated in U.S. dollars can be drawn; and (ii) a $102.0 million facility under which advances denominated in U.S. dollars or euros can be drawn.

Effective July 24, 2013, the DIP Credit Agreement was amended to permit an increase in the quarterly maximum capital expenditure limits of $25.0 million by $2.5 million should the preceding quarter's EBITDA exceed 110.0% of the DIP budget, with the rolling four quarter maximum capital expenditures increased to $90.0 million for the four quarters ending after March 31, 2014.

Effective October 9, 2013, a second amendment provided additional flexibility to the Company with regard to certain non-core asset transactions and further clarified certain terms of the DIP Credit Agreement. The second amendment revised the definition of "Permitted Liens" to permit contractual encumbrances in connection with certain permitted dispositions under the DIP Credit Agreement. The second amendment further changed the definition of cumulative total adjusted operating cash flows to exclude the effect of Frisco Escrow Account receipts from cumulative total adjusted operating cash flows.

Effective May 28, 2014, the Company entered into the third amendment to the DIP Credit Agreement, which, among other things, extended to June 30, 2014 the milestone for the Company to file a plan of reorganization with the Bankruptcy Court. The third amendment increased the quarterly and rolling four quarter capital expenditure limits from $25.0 million and $90.0 million to $36.0 million and $120.0 million, respectively. The third amendment also excluded from the definition of "Capital Expenditure" expenditures made in connection with the replacement, substitution, restoration or repair of assets funded through the receipt of insurance proceeds or other compensation awards paid on account of a casualty loss. Finally, the third amendment increased the European factoring basket to 100.0 million euros from 75.0 million euros and expanded the subsidiaries whose receivables can be factored to include subsidiaries domiciled in Belgium, Denmark, Finland, Luxembourg, the Netherlands, Norway, and Sweden.

Effective June 27, 2014, the Company entered into the fourth amendment to the DIP Credit Agreement, which extended to July 31, 2014 the deadline for filing a plan of reorganization and eliminated the milestone related to soliciting acceptance of the plan of reorganization. The fourth amendment also increased to $85.0 million from $75.0

million the letters of credit sublimit.

Also, effective on June 27, 2014, the Company entered into the fifth amendment to the DIP Credit Agreement, which, among other things, extended to August 15, 2014 the date by which the Company was required to deliver annual audited financial statements and the related Compliance Certificate for the fiscal year of the Company ended March 31, 2014.

On July 22, 2014, the Company entered into the sixth amendment to the DIP Credit Agreement, which, among other things, eliminated restrictions on capital expenditures; modified the definition of EBITDA and adjusted the minimum EBITDA covenant to include the period October through November 2014 and address lower anticipated earnings through the end of calendar 2014; and permitted additional term loan financing in an aggregate amount not to exceed $65.0 million (“Upsizing Amendment”), subject to satisfaction of certain conditions. All of the lenders under the DIP Credit Agreement approved an extension to the DIP maturity date to December 31, 2014 pursuant to the sixth amendment; however, certain of the conditions to an extension pursuant to the sixth amendment were not satisfied.

On July 25, 2014, the Company entered into the seventh amendment to the DIP Credit Agreement, which eliminated the milestone related to filing a plan of reorganization.

On July 28, 2014, the Bankruptcy Court entered an order approving the Upsizing Amendment. Certain members of the Unofficial Committee of Senior Secured Noteholders (“UNC”) provided additional term loan financing with net cash proceeds of $60.0 million, subject to satisfaction of certain conditions including approval by the Bankruptcy Court.

On October 9, 2014, the Company entered into the eighth amendment to the DIP Credit Agreement (the "Maturity Extension Amendment") which, among other things, modified the DIP Credit Agreement as follows:

- Extended the maturity date from October 14, 2014 to March 31, 2015;
- Established certain milestones relating to the Company’s restructuring efforts and modified the requirements for an acceptable reorganization plan;
- Eliminated reinvestment rights with respect to dispositions triggering mandatory prepayments;
- Modified certain limitations relating to expense reimbursement;
- Modified the financial covenant relating to minimum liquidity of the loan parties, added financial covenants relating to minimum liquidity of the Company and maximum capital expenditures and eliminated the financial covenant relating to minimum twelve-month trailing EBITDA;
- Modified the definitions of Permitted Dispositions and Permitted Indebtedness and limited the availability of certain baskets under the definition of Permitted Indebtedness to amounts outstanding as of October 9, 2014;
- Modified certain agent and lender voting and consent thresholds;
- Reduced to $200.0 million from $225.0 million the commitments under the DIP Credit Agreement’s ABL revolving credit facility; and
- Conditioned future borrowings under the ABL revolving credit facility on unrestricted cash not exceeding $50.0 million.

Pursuant to the Maturity Extension Amendment, the Company and the lenders under the DIP Credit Agreement approved certain additional fees and an increase to the applicable margin under the ABL revolving credit facility: (a) revolving loans shall bear interest at a rate of (i) with respect to amounts outstanding on or prior to December 31, 2014 (retroactive to October 9, 2014), LIBOR plus 4.0% per annum and (ii) thereafter, LIBOR plus 4.5% per annum, (b) the fees payable for unused revolving commitments shall be increased to (i) with respect to such fees payable on or prior to December 31, 2014 (retroactive to October 9, 2014), 1.0% per annum and (ii) thereafter, 1.5% per annum, (c) a one-time duration fee of 0.5% of the aggregate principal amount of term loans outstanding and revolving commitments available as of December 30, 2014 shall be payable to lenders on such date and (d) a monthly facility fee of 0.1% of the aggregate principal amount of term loans outstanding shall be payable to term loan lenders. The term loan continues to bear interest at a rate of 9.0% per annum.

On October 31, 2014, the Bankruptcy Court entered an order approving the Maturity Extension Amendment.

On November 4, 2014, the Company entered into the ninth amendment to the DIP Credit Agreement, which eliminated entry of an order terminating the Company’s exclusive period to file a plan of reorganization as an event of default under the DIP Credit Agreement.

The maturity date of the loans made under the DIP Credit Agreement is the earliest to occur of: (i) March 31, 2015; (ii) the effective date of a plan of reorganization; or (iii) the acceleration of such loans. The obligations of the Borrowers under the DIP Credit Agreement are unconditionally guaranteed by certain material foreign subsidiaries. In addition, the U.S. Borrower unconditionally guarantees the obligations of the Foreign Borrower. Subject to certain exceptions, the obligations of the Borrowers and the guarantors under the DIP Credit Agreement and the other loan documents are secured by first priority liens on specified assets of the Borrowers and the foreign guarantors and 100.0% pledge of equity interests of certain of the Borrowers’ direct and indirect subsidiaries. The DIP Credit Agreement requires the Borrowers to comply with financial covenants as defined by the agreement relating to minimum liquidity, cumulative total adjusted operating cash flows and maximum capital expenditures.

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Events of default under the DIP Credit Agreement include, among other things, failure to pay any principal, interest or other amounts due under the applicable credit agreement, breach of specific covenants, and a change of control of the Company. Upon an event of default, the requisite lenders may declare the outstanding obligations under the DIP Credit Agreement to be immediately due and payable and exercise other rights and remedies provided for thereunder.

(8) INTEREST EXPENSE, NET
Interest income of $0.1 million was included in interest expense, net for the three months ended September 30, 2014 and 2013, respectively and $0.2 million and $0.4 million for the six months ended September 30, 2014 and 2013, respectively.

(9) OTHER (INCOME) EXPENSE, NET
Other (income) expense, net consisted of the following:

	Three Months Ended		Six Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
	(In thousands)		(In thousands)	
Currency remeasurement (gain) loss (a)	$16,139	$(6,944)	$16,827	$(1,334)
Other	(124)	(563)	(115)	(1,008)
Total	$16,015	$(7,507)	$16,712	$(2,342)

(a) The currency remeasurement (gain) loss related primarily to intercompany loans to foreign subsidiaries denominated in euros.

(10) EMPLOYEE BENEFITS
The following tables set forth the plans' expenses recognized in the Company's Consolidated Financial Statements:

	Pension Benefits			
	Three Months Ended		Six Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
	(In thousands)		(In thousands)	
Components of net periodic benefit cost:				
Service cost	$520	$557	$1,049	$1,113
Interest cost	7,180	7,096	14,401	14,171
Expected return on plan assets	(7,824)	(7,536)	(15,663)	(15,060)
Amortization of:				
Prior service cost	16	16	33	32
Actuarial loss	744	779	1,497	1,559
Net periodic benefit cost	$636	$912	$1,317	$1,815

	Other Post-Retirement Benefits			
	Three Months Ended		Six Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
	(In thousands)		(In thousands)	
Components of net periodic benefit cost:				
Service cost	$196	$191	$391	$384
Interest cost	210	247	419	495
Amortization of:				
Prior service cost	(123)	(123)	(245)	(245)
Actuarial loss	87	169	174	339

Net periodic benefit cost	$370	$484	$739	$973

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The estimated fiscal 2015 pension plan and other post-retirement plan contributions are $17.3 million and $1.7 million, respectively. The Company funded $9.7 million during six months ended September 30, 2014.

(11) COMMITMENTS AND CONTINGENCIES

Private Party Lawsuits and other Legal Proceedings

In 2003, the Company served notices in the U.S. Bankruptcy Court for the District of Delaware to reject certain executory contracts with EnerSys, which the Company contended were executory, including a 1991 Trademark and Trade Name License Agreement (“Trademark License”), pursuant to which the Company had licensed to EnerSys use of the “Exide” trademark on certain industrial battery products in the United States and 80 foreign countries. EnerSys objected to the rejection of certain of those contracts, including the Trademark License. In 2006, the Bankruptcy Court granted the Company's request to reject certain of the contracts, including the Trademark License. EnerSys appealed those rulings. On June 1, 2010, the Third Circuit Court of Appeals reversed the Bankruptcy Court ruling, and remanded to the lower courts, holding that certain of the contracts, including the Trademark License, were not executory contracts and, therefore, were not subject to rejection. On August 27, 2010, acting on the Third Circuit's mandate, the Bankruptcy Court vacated its prior orders and denied the Company's motion to reject the contracts on the grounds that the agreements are not executory. On September 20, 2010, the Company filed a complaint in the Bankruptcy Court seeking a declaratory judgment that EnerSys did not have enforceable rights under the Trademark License under Bankruptcy Code provisions which the Company believed are relevant to non-executory contracts. EnerSys filed a motion to dismiss that complaint, which the Bankruptcy Court granted on January 8, 2013.

On June 7, 2013, EnerSys Delaware Inc., formerly known as EnerSys, Inc. filed suit against the Company in the Court of Chancery for the State of Delaware seeking an accounting and restitution for alleged benefits received by the Company and alleged losses incurred by EnerSys allegedly as the result of the granting by the Bankruptcy Court in 2006 of an Order which allowed the Company to reject the Trademark License and use the licensed "Exide" trademark for Industrial battery products and the Bankruptcy Court's subsequent August 2010 Order vacating the 2006 Order and denying the Company's request to reject the Trademark License. On June 10, 2013, the Company filed a voluntary petition for reorganization pursuant to Chapter 11 of the U.S. Bankruptcy Code in the District of Delaware, and the suit filed by EnerSys Delaware Inc. was automatically stayed pursuant to Section 362(a)(1) of the Bankruptcy Code.

On April 15, 2013, David M. Loritz filed a purported class action lawsuit against the Company, James R. Bolch, Phillip A. Damaska, R. Paul Hirt, Jr., and Michael Ostermann alleging violations of certain federal securities laws. On May 3, 2013, Trevor Knopf filed a nearly identical complaint against the same named defendants in the same court. These cases were filed in the United States District Court for the Central District of California purportedly on behalf of purchasers of the Company's stock between February 9, 2012 and April 3, 2013. On June 4, 2013, James Cassella and Sandra Weitsman filed a substantially similar action in the same court, purportedly on behalf of those who purchased the Company's stock between June 1, 2011 and April 24, 2013, against the Company, Messrs. Bolch, Damaska, Hirt, and Louis E. Martinez. On July 9, 2013, Judge Stephen V. Wilson consolidated these cases under the Loritz v. Exide Technologies, Inc. caption, lead docket number 2:13-02607-SVW-E, and appointed Sandra Weitsman and James Cassella Lead Plaintiffs of the putative class of former Exide stockholders. Judge Wilson ordered Lead Plaintiffs to file their consolidated amended complaint on or before August 23, 2013. On July 17, 2013, Lead Plaintiffs voluntarily dismissed their claims against the Company, without prejudice, to re-file at a future date. Lead Plaintiffs have indicated that they intend to pursue their claims against the individual defendants during the pendency of Exide's bankruptcy and may seek to reinstate their claims against the Company when it emerges from bankruptcy. On September 6, 2013, pursuant to an order extending the previous deadline, Lead Plaintiffs filed their Consolidated Amended Complaint, naming as defendants Messrs. James R. Bolch, Phillip A. Damaska, R. Paul Hirt, Jr., Louis E. Martinez, John P. Reilly, Herbert F. Aspbury, Michael R. D’Appolonia, David S. Ferguson, John O’Higgins, and Dominic J. Pilleggi. Lead Plaintiffs did not name Mr. Ostermann as a defendant in the Consolidated Amended Complaint. In the Consolidated Amended Complaint Lead Plaintiffs purport to state claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 on behalf of purchasers of the Company’s stock during the period June 1, 2011 and May 24, 2013. In addition, Lead Plaintiffs purport to state claims under Sections 10(b) and 20(a) of the Securities Exchange Act and Sections 11 and 15 of the Securities Act of 1933 on behalf of purchasers of the

Company’s senior secured notes during the period August 8, 2011 through May 24, 2013. Lead Plaintiffs allege that certain public statements made by the Company and its officers during these periods were materially false and misleading. The Consolidated Amended Complaint does not specify an amount of damages sought. Defendants deny all allegations against them and intend to vigorously pursue their defense. Defendants moved to dismiss all claims against them and, on December 19, 2013, Judge Wilson granted defendants' motion to dismiss in its entirety, without prejudice. Judge Wilson gave Lead Plaintiffs leave to file their Consolidated Second Amended Complaint on or before January 30, 2014. On January 30, 2014, Lead Plaintiffs filed their Consolidated Second Amended Complaint, which is nearly identical in every material respect to the Consolidated Amended Complaint. The Consolidated Second Amended Complaint does not specify an amount of damages sought. On February 13, 2014, Defendants filed their Motion to Dismiss the Consolidated Second Amended Complaint. On August 11, 2014, Judge Wilson entered an order dismissing Plaintiffs’ Section 15 claim against R. Paul Hirt, Jr., former Executive Vice President and President of Exide Americas, but denying the remainder of Defendants' motion to dismiss. Discovery in this litigation will now proceed and it is expected to continue through 2015. A trial date of January 19, 2016 has been set in this matter. Defendants deny all allegations against them and intend to vigorously pursue their defense.

The Company's Netherlands subsidiary, Exide Technologies B.V. ("BV"), received notice from the Dutch competition authorities that it was the subject of an investigation of a local trade association's members in the traction/Motive Power batteries segment. On July 9 and July 16, 2013, the authorities conducted an on-site inspection and requested additional information and documentation, which the Company has provided. In December 2013, the Company submitted to the Dutch Competition Authority ("ACM") a leniency application for immunity or reduction of fines that might be imposed as a result of the investigation. The Company was recently notified by the ACM of a provisional grant of leniency in respect of certain conduct and that the Company did not receive provisional leniency for certain other conduct. As required under the ACM's leniency program, the Company continues to cooperate with the Dutch authority. The ACM has not issued a statement of charges to the Company or its subsidiaries. Accordingly, the precise scope and time period at issue, as well as the final outcome of the Netherlands investigation, remains uncertain.

In connection with BV's cooperation with the above-described investigation, the Company discovered activities also in different segments of its Industrial Energy division in Austria, Belgium and Germany that appeared to have occurred in prior years that did not conform to the Company's internal policies. Upon discovery of these facts, the Company commenced an internal investigation led by independent outside counsel. While a majority of the activities had ceased prior to the initiation of the internal investigation, the Company promptly stopped any remaining ongoing conduct. The Company brought the matter to the attention of the appropriate competition authorities, and, in all affected jurisdictions, the Company has been cooperating with them in further information gathering. As a result of this action, the Company has been granted conditional immunity by regulators in Austria, Germany and Belgium. Additionally, the authority in Austria has decided that the actions would likely have fallen outside any applicable statute of limitations period and the authority has advised that it does not intend to pursue an investigation at this stage. The grants of immunity in Belgium and Germany, which are conditioned on factors that include the Company's continued cooperation with authorities, should eliminate any governmental fines and penalties that could result if the reported conduct is found to violate applicable law in such jurisdictions. Should immunity be revoked, these investigations could result in significant penalties.

Further, even with the grants of conditional immunity in Austria, Germany, and Belgium, the Company might be subject to disputes with private parties concerning alleged damages that are claimed to be a result of the Company's prior conduct. While the Company believes it would have defenses to any adverse allegations in private actions and would intend to vigorously defend itself in any such actions, litigation of this type is inherently uncertain, costly, and complex, and the Company cannot be certain that it would prevail. Accordingly, there can be no assurance that the outcome of the Netherlands investigation or any private party disputes would not have a material adverse effect on the business, financial condition, cash flows, and results of operations of the Company, despite the fact the Company has been granted conditional immunity in Austria, Germany, and Belgium, and continues to cooperate with the applicable regulatory authorities.

On August 8, 2014, the Company received a grand jury subpoena from the Department of Justice in the Central District of California in connection with a criminal investigation involving its Vernon, California recycling facility. The subpoena requests the production of documents relating to materials transportation and air emissions. The Company was informed that it and certain unidentified individuals are targets of the investigation. The Company will cooperate with the investigation. We cannot estimate the amount or range of loss, if any, in this matter, as such analysis would depend on facts and law that are not yet fully developed or resolved.

Environmental Matters

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

The Company is exposed to liabilities under such EH&S laws arising from its past handling, release, storage, and disposal of materials now designated as hazardous substances and hazardous wastes. The Company previously has received notification from the EPA, equivalent state and local agencies or others alleging or indicating that the Company is or may be responsible for performing and/or investigating environmental remediation, or seeking the repayment of the costs spent by governmental entities or others performing investigations and/or remediation at certain U.S. sites under the Comprehensive Environmental Response, Compensation and Liability Act or similar state laws.

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

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

The Company is also involved in the assessment and remediation of various other properties, including certain currently and formerly owned or operating facilities. Such assessment and remedial work is being conducted pursuant to applicable EH&S laws with varying degrees of involvement by appropriate regulatory authorities. In addition, certain environmental matters concerning the Company are pending in various courts or with certain environmental regulatory agencies with respect to these currently or formerly owned or operating locations. In particular, the Company’s Vernon, California recycling facility is currently unable to comply with certain recently enacted regulations, and may not resume operations until the installation of certain equipment is completed in the latter part of the fourth quarter of fiscal 2015 should the Company decide to proceed. Additionally, newly enacted legislation in California requires regulatory authorities to make a final determination on the Company's application for a permanent hazardous waste permit by December 31, 2015. The Company is uncertain whether it would be able to obtain such permit. Exide is currently working with the California Department of Toxic Substances Control ("DTSC") to resolve various outstanding issues in order to complete its permit applications after which the DTSC will proceed to a final permit decision in 2015.

On November 6, 2014, the Company agreed to a comprehensive Stipulation and Order resolving certain disputes with the DTSC relating to the Company’s Vernon, California recycling facility. The Stipulation and Order is subject to bankruptcy court approval. On November 6, 2014, the Company filed the Debtor’s Motion for an Order Under Bankruptcy Code Sections 105 and 363 and Bankruptcy Rule 9019 Authorizing and Approving the Debtor’s Entry Into the 2014 Vernon Stipulation and Order with the California Department of Toxic Substances Control, which seeks bankruptcy court approval of the stipulated resolution entered into between the Company and DTSC. The Stipulation and Order, if approved by the bankruptcy court, provides for, among other things, the following:

Exide has committed approximately $38.7 million to cover any closure-related activities in the event that the Vernon facility were to be closed, approximately $11.1 million of which is covered by an existing financial guarantee bond, which shall be maintained or renewed. On October 31, 2014, Exide paid $0.5 million into a closure trust fund. Exide has agreed to pay the remaining approximately $27.0 million into the closure trust in installments over ten years, with approximately $2.3 million to be paid on the later of November 1, 2014 or the date the Stipulation and Order becomes effective, and approximately $2.8 million on each (a) the effective date of the Company’s plan of reorganization and (b) November 1, 2015. Starting in 2016 through 2024, Exide has agreed to pay approximately $2.1 million per year until the trust is fully funded.

Exide will remediate soil at certain homes identified by DTSC as potentially impacted by Exide, paying up to $9.0 million over the next five years for off-site residential soil corrective action pursuant to a schedule set forth in the Stipulation and Order; and the DTSC will agree to limit off-site residential soil corrective action to that amount for five years.

Exide will continue to clean the exterior industrial areas directly surrounding the Vernon facility and prepare a study assessing other potential industrial corrective measures, if any, to be implemented five years after the agreement’s effective date. Exide will also prepare an on-site corrective measures study anticipated to be completed sometime in late calendar 2016. Following DTSC approval, Exide will finance the corrective action remedies by establishing a trust fund to be funded by annual payments made over ten years or sooner as to elements of the corrective action remedy that are to be completed on a shorter time frame.

No later than three (3) days after the Vernon Stipulation and Order becomes effective, and without admitting liability, Exide shall pay to the DTSC approximately $1.3 million (the “Settlement Payment”) to resolve various alleged violations and to pay past oversight costs, and will also agree to take specific corrective actions to address the alleged violations.

The DTSC will have an allowed general unsecured claims in the bankruptcy case in the amounts of approximately $0.1 million and approximately $0.6 million for the DTSC prepetition oversight costs and California Environmental Quality Act compliance costs, as well as prepetition penalties, respectively.

Upon payment of the above Settlement Payment, DTSC will agree to release Exide, its predecessors, successors, assigns, and affiliated subsidiaries and all of their officers, directors, agents, employees, consultants, insurers, and representatives from any and all monetary claims, fines, penalties, or other monetary liabilities solely for the settled matters as described in the Stipulation and Order.

DTSC expressly has not committed to granting Exide a final hazardous waste permit, and the permitting process will continue under applicable law. Thus, the ultimate outcome is uncertain, and the Company’s failure to timely resume operations at the Vernon, California plant or obtain a permanent hazardous waste permit would have a material adverse effect on the Company’s financial condition, cash flows or results of operations.

On April 12, 2013, the Company was served with a notification of violation and 60 day intent to sue regarding the Company's Vernon, California facility from the California Communities Against Toxics ("CCAT"). CCAT alleges the Company violated the warning requirement of the State of California's Proposition 65, the Safe Drinking Water and Toxic

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Enforcement Act, regarding alleged community exposure to the chemical, 1,3-butadiene. Following the Company's Chapter 11 bankruptcy filing, CCAT submitted a Proof of Claim in the Bankruptcy Court. The matter remains pending in the Bankruptcy Court.

On May 28, 2013, the Company was served with a Notice of Intent to Sue by CCAT pursuant to the federal Resource Conservation and Recovery Act's ("RCRA") citizens suit provision at 42 USC Section 6972, alleging that the Company has created an imminent and substantial endangerment to health and the environment in and around the Company's Vernon, California facility. Following the Company's Chapter 11 bankruptcy filing, CCAT submitted a Proof of Claim in the Bankruptcy Court. The matter remains pending in the Bankruptcy Court.

On March 26, 2014, the Company was served with a Proposition 65 notification of violation and 60 day intent to sue regarding the Vernon, California facility from Shefa LMV LLC ("Shefa"). Shefa alleges that Exide failed to warn the community regarding chemical exposures, and further alleges that Exide has released chemicals into a source of drinking water. The Company believes Shefa's claim to be without merit. The Company is unaware whether Shefa will file a lawsuit based on the Proposition 65 notice, but if so, the Company intends to vigorously defend the lawsuit and pursue all available remedies.

On April 25, 2013, Zach Hernandez filed a purported class action lawsuit in the California Superior Court for the County of Los Angeles against the Company and Does 1-100 seeking damages and medical monitoring for an alleged class consisting of all Los Angeles County residents who allegedly have sustained physical or neurological injury or toxic exposure allegedly as the result of the release of allegedly hazardous waste or chemicals from the Company's facility located in Vernon, California. On June 10, 2013, the Company filed a voluntary petition for reorganization pursuant to Chapter 11 of the U.S. Bankruptcy Code in the District of Delaware, and the case is stayed.

On October 18, 2013, the South Coast Air Quality Monitoring District ("SCAQMD") filed a petition seeking the suspension of operations at the Vernon, California facility for alleged violation of an SCAQMD rule and related furnace control equipment permit conditions until compliance is achieved. The Company contested the SCAQMD's petition. A hearing on the SCAQMD's petition commenced on December 14, 2013 and continued into calendar 2014. On April 11, 2014, as a result of the Vernon, California facility allegedly exceeding the SCAQMD ambient air standard for lead, the SCAQMD filed a second petition seeking an order that Exide "cease and desist" from violating air quality standards, or in the alternative, to comply with other such conditions and increments of progress which the SCAQMD Hearing Board deems appropriate.

On January 10, 2014, the SCAQMD adopted an amended rule that contained new emissions and equipment requirements with varying compliance dates, including an April 10, 2014 deadline that would require the Company to operate the furnaces at the Vernon, California facility under continuous "negative pressure" ("Rule 1420.1"). In response, the Company initiated two separate related proceedings on February 7, 2014: (i) a Petition for Variance before the SCAQMD Hearing Board, requesting a delay of the negative pressure requirement until December 31, 2014, and (ii) a Writ of Mandamus in Superior Court of Los Angeles County, seeking to invalidate the negative pressure requirement of Rule 1420.1. Additionally, on February 21, 2014, the Company filed a request for a preliminary injunction that would temporarily suspend the April 10, 2014 deadline until such time as the Superior Court could conduct a trial on the Writ of Mandamus.

On April 7, 2014, the Los Angeles County Superior Court denied the Company's preliminary injunction. Additionally, on April 8, 2014, the SCAQMD Hearing Board denied the Company's variance request. As a result of these two decisions, the Company suspended operations at the Vernon, California facility until such time as the Company can design, engineer, permit, install, and test new equipment needed to achieve the new standard under Rule 1420.1.

On July 10, 2014 the SCAQMD Hearing Board approved a resolution of the Company's pending administrative matters with the SCAQMD through the issuance of two Orders for Abatement ("Stipulated OAs"). The Stipulated OAs require the Company: (i) to refrain from resuming operations of the Vernon, California facility furnaces until it installs certain air quality control improvements required to comply with the newly adopted Rule 1420.1 standards in accordance with SCAQMD issued permits and applicable SCAQMD rules; and (ii) to install those improvements in accordance with an SCAQMD approved dust mitigation plan. Concurrently, in a settlement agreement with SCAQMD, the Company agreed to dismiss its Writ of Mandamus legal action. The Company currently estimates the full operation of the furnaces under continuous negative pressure will not occur until after installation of the aforesaid equipment expected to be completed in the latter part of the fourth quarter of fiscal 2015 should the Company decide to proceed.

On January 16, 2014, the Company and unnamed individuals (“DOE Defendants”), were named as defendants in a civil lawsuit brought by the SCAQMD in the case captioned as People of the State of California, ex rel South Coast Air Quality Management District, a Public Entity v. Exide Technologies, Inc., and DOE Defendants 1 through 50. The SCAQMD subsequently amended its complaint. The SCAQMD alleges that the Company and the DOE Defendants failed to comply with several of the SCAQMD's rules related to operation of equipment or lead and arsenic emissions at the Company's Vernon, California lead recycling facility. The SCAQMD is seeking penalties in an amount not less than $40.0 million. The Company

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denies the allegations in the lawsuit and intends to vigorously defend itself against such allegations. The matter is in discovery and presently scheduled for trial on September 15, 2015.

On May 22, 2014, the Federal Environmental Protection Agency (“EPA”) served a Finding and Notice of Violation (“Federal NOV”) on Exide, alleging that Exide violated air quality standards for lead at various times in 2013 and 2014; the alleged violations are duplicative of those cited by the South Coast Air Quality Management District in its penalty action. EPA seeks civil penalties for these alleged violations. An initial conference seeking resolution of the matter was convened with the EPA on June 30, 2014 and discussions are anticipated at some point in the future regarding a resolution to the notice. EPA has also sought information from Exide under the Federal Clean Air Act and the Company has responded to all such EPA requests for information.

On September 24, 2013, the Company received a Notice of Enforcement issued by the Texas Commission on Environmental Quality (“TCEQ”) for alleged violations related to the compliance of its site in its Frisco, Texas, a former recycling facility, with Industrial Solid Waste and Municipal Hazardous waste requirements. The Company reasonably believes the proceeding may result in monetary sanctions to be paid to TCEQ in excess of $0.1 million.

The Company has established liabilities for on-site and off-site environmental remediation costs where such costs are probable and reasonably estimable and believes that such liabilities are adequate. As of September 30, 2014 and March 31, 2014, the amount of such liabilities on the Company’s Consolidated Balance Sheets was approximately $24.1 million and $25.5 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 liabilities. Therefore, changes in estimates or future findings could have a material adverse effect on the Company’s financial condition, cash flows, or results of operations.

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

Tampa, Florida

The Tampa site is a former secondary lead recycling plant, lead oxide production facility, and sheet lead-rolling mill that operated from 1943 to 1989. Under a RCRA Part B Closure Permit and a Consent Decree with the State of Florida, Exide is required to investigate and remediate certain historic environmental impacts to the site. Cost estimates for remediation (closure and post-closure) are expected to range from $10.0 million to $14.0 million depending on final State of Florida requirements. The remediation activities are expected to occur over the course of several years.

Columbus, Georgia

The Columbus site is a former secondary lead recycling plant that was taken out of service in 1999, but remains part of a larger facility that includes an operating lead-acid battery manufacturing facility. Groundwater remediation activities began in 1988. Costs for supplemental investigations, remediation and site closure are currently estimated at $6.0 million to $8.5 million.

Guarantees

At September 30, 2014, the Company had outstanding letters of credit with a face value of $33.7 million and surety bonds with a face value of $56.5 million. The majority of the letters of credit and surety bonds have been issued as collateral or financial assurance with respect to certain liabilities that the Company has recorded, including but not limited to environmental remediation obligations and self-insured workers’ compensation reserves. Failure of the Company to satisfy its obligations with respect to the primary obligations secured by the letters of credit or surety bonds could entitle the beneficiary of the related letter of credit or surety bond to demand payments pursuant to such instruments. The letters of credit generally have terms up to one year subject to the terms of the DIP Credit Facility. Collateral held by the surety in the form of letters of credit at September 30, 2014, pursuant to the terms of the agreement, was $22.9 million.

Certain of the Company’s European and Asia Pacific subsidiaries have bank guarantees outstanding as collateral or financial assurance in connection with environmental obligations, income tax claims and customer contract requirements. At September 30, 2014, bank guarantees with an aggregate face value of $10.4 million were outstanding.

(12) INCOME TAXES

The effective tax rate for the three and six months ended September 30, 2014 is (5.2)% and (3.9)%, respectively, as compared to the three and six months ended September 30, 2013 effective tax rates of (8.0)% and (2.6)%, respectively. The effective tax rate for the three and six months ended September 30, 2014 included the recognition of taxes on income and losses in almost all of the Company's jurisdictions with the exception of the United States, Spain and the United Kingdom, on which full valuation allowances are recorded.

Valuation allowances have been recognized in the U.S. and certain foreign tax jurisdictions to reduce the deferred tax assets for loss carryforwards and deductible temporary differences for which it is more likely than not that the tax benefits associated with those assets will not be realized. In other jurisdictions (primarily France and Germany), the Company's net deferred tax assets include loss carryforwards and deductible temporary differences which management believes are realizable through future taxable income. Each quarter, the Company reviews the need to report the future realization of tax benefits of deductible temporary differences or loss carryforwards on its Consolidated Financial Statements. All available evidence is considered to determine whether a valuation allowance should be established against these future tax benefits or previously established valuation allowances should be released. This review is performed on a jurisdiction by jurisdiction basis. As global market conditions and the Company's financial results in certain jurisdictions change, the continued release and establishment of related valuation allowances may occur.

The Company 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, 2011.

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, 2007. Although the outcome of tax audits is always uncertain, the Company believes that adequate amounts of tax, interest and penalties have been provided for any adjustments that could result from these years.

The Company's unrecognized tax benefits decreased from $36.0 million to $34.2 million during the six months ended September 30, 2014 due to the effects of foreign currency translation. The amount, if recognized, that would affect the Company's effective tax rate at September 30, 2014 is $29.7 million.

The Company classifies interest and penalties on uncertain tax benefits as income tax expense. At both September 30, 2014 and March 31, 2014, before any tax benefits, the Company had $1.0 million of accrued interest and penalties on unrecognized tax benefits.

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During the next twelve months, the Company does not expect the resolution of any tax audits which could potentially reduce unrecognized tax benefits by a material amount. However, expiration of the statute of limitations for a tax year in which the Company has recorded an uncertain tax benefit will occur in the next twelve months. The removal of this uncertain tax benefit would affect the Company's forecasted annual effective tax rate by $0.1 million.

(13) RESTRUCTURING AND IMPAIRMENTS, NET

The Company 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, sales management, and divisional leadership.

During the six months ended September 30, 2014, the Company recorded restructuring charges of $4.9 million, representing $2.3 million severance and $2.6 million closure costs. These restructuring charges primarily represent consolidation efforts in the Company’s workforce of approximately 34 positions. The impairments related to closed facilities and other asset write offs of $12.8 million.

The following summarizes restructuring reserve activity and gain on asset sales/impairments, net:

	Severance Costs	Closure Costs	Total Restructuring	(Gain) / Loss on Asset Sales / Impairments, net	Total Restructuring / Impairments, net
	(In thousands)				
As of March 31, 2014	$7,921	$6,714	$14,635		
Expenses	2,274	2,594	4,868	$12,764	$ 17,632
Payments and currency translation	(5,737)	(1,709)	(7,446)		
	$4,458	$7,599	12,057		
Reclassify to liabilities subject to compromise			(6,103)		
As of September 30, 2014			$5,954		

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.

Restructuring and impairments, net by operating segment:

	Three Months Ended		Six Months Ended	
	September 30, 2014	September 30, 2013	September 30, 2014	September 30, 2013
	(In thousands)		(In thousands)	
Transportation Americas	$13,654	$1,941	$13,862	$9,280
Transportation Europe & ROW	580	(2,207)	171	(2,284)
Industrial Energy Americas	57	63	109	156
Industrial Energy Europe & ROW	654	2,589	3,485	3,659
Unallocated corporate	5	215	5	514
Total	$14,950	$2,601	$17,632	$11,325

(14) LOSS PER SHARE

The Company computes basic loss 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 loss by diluted weighted average shares outstanding.

Potentially dilutive shares include the assumed exercise of stock options and the assumed vesting of restricted stock and stock unit awards (using the treasury stock method) as well as the assumed conversion of the convertible debt, if dilutive (using the if-converted method).

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Due to a net loss for the three and six months ended September 30, 2014 and 2013 certain potentially dilutive shares were excluded from the diluted loss per share calculation because their effect would be antidilutive. Potentially dilutive shares consisted of the following:

	September 30, 2014	September 30, 2013
	(In thousands)	
Shares associated with convertible debt (assumed conversion)	3,438	3,697
Employee stock options	1,622	1,651
Restricted stock awards (non-vested)	108	469
Total	5,168	5,817

(15) FAIR VALUE MEASUREMENTS

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

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

	September 30, 2014		March 31, 2014	
	Carrying Value	Estimated Fair Value	Carrying Value	Estimated Fair Value
	(In thousands)		(In thousands)	
Liability:				
Senior secured notes (a)	$(766,070)	$(199,187)	$(734,474)	$(560,955)
Convertible senior subordinated notes (a)	(51,900)	(2,336)	(51,900)	(12,988)
Commodity swap / forward (b)	(28)	(28)	(1,709)	(1,709)

(a) Classified as liabilities subject to compromise

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

- Level 1 – Observable inputs such as quoted prices in active markets for identical assets and liabilities;
- Level 2 – Inputs other than quoted prices in active markets that were observable either directly or indirectly; and
- Level 3 – Inputs from valuation techniques in which one or more key value drivers were not observable, and must be based on the reporting entity's own assumptions.